Unaudited Interim Condensed Consolidated Financial Statements of Telefónica Celular del Paraguay S.A.

For the nine month period ended September 30, 2018

November 27, 2018

Unaudited interim condensed consolidated income statement for the nine-month period ended September 30, 2018

PYG millions	Notes	Nine months ended September 30, 2018	Nine months ended September 30, 2017
Revenue		2,342,493	2,371,251
Cost of sales		(503,649)	(458,370)
Gross profit		**1,838,844**	**1,858,881**
Operating expenses		(758,757)	(777,566)
Depreciation		(275,852)	(276,484)
Amortization		(113,218)	(103,044)
Other operating income (expenses), net	4	101,164	146,866
Operating profit		**792,181**	**848,653**
Interest expense		(211,329)	(167,193)
Interest and other financial income		7,758	4,430
Exchange loss, net		(62,409)	(20,079)
Profit before taxes		**526,201**	**665,811**
Charge for taxes, net		(62,236)	(112,433)
Net profit and comprehensive income for the period		**463,965**	**553,378**
Attributable to:			
Equity holders of the company		**463,965**	**553,378**

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

Unaudited interim condensed consolidated statement of financial position as at September 30, 2018

PYG millions	Notes	30 September 2018	31 December 2017
ASSETS			
NON-CURRENT ASSETS			
Intangible assets, net	6	1,084,718	970,506
Property, plant and equipment, net	5	1,751,174	1,834,218
Deferred tax assets		62,615	51,237
Contract costs, net	2	572	-
Other non-current assets		62,857	38,873
TOTAL NON-CURRENT ASSETS		**2,961,936**	**2,894,834**
CURRENT ASSETS			
Inventories, net		81,607	43,276
Trade receivables, net		374,806	386,525
Contract assets, net	2	78,989	-
Amounts due from related parties ST	9	1,626,224	1,169,214
Prepayments and accrued income		155,445	157,920
Supplier advances for capital expenditure		14,843	5,737
Other current assets		50,887	16,247
Cash and cash equivalents		102,594	488,046
TOTAL CURRENT ASSETS		**2,485,395**	**2,266,965**
Assets held for sale	4	10,379	38,456
TOTAL ASSETS		**5,458,070**	**5,200,255**

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

Unaudited interim condensed consolidated statement of financial position as at September 30, 2018 (continued)

PYG millions	Notes	30 September 2018	31 December 2017
EQUITY AND LIABILITIES EQUITY			
Share capital and premium		164,008	164,008
Legal reserve		50,110	50,110
Other reserves		8,744	5,032
Retained profits		205,483	124,440
Profit for the year attributable to equity holders		463,965	703,214
Equity attributable to owners of the Company		**892,310**	**1,046,804**
TOTAL EQUITY		**892,310**	**1,046,804**
LIABILITIES			
Non-current liabilities			
Debt and financing	7	2,835,994	2,631,136
Provisions and other non-current liabilities		409,233	304,798
Total non-current liabilities		**3,245,227**	**2,935,934**
Current liabilities			
Debt and financing	7	151,717	94,951
Payables and accruals for capital expenditure		308,256	343,524
Other trade payables		188,766	192,908
Amounts due to related parties	9	133,098	75,723
Accrued interest and other expenses		260,101	188,378
Current income tax liabilities		23,836	79,904
Contract liabilities	2	47,038	-
Provisions and other current liabilities		200,367	231,853
Total current liabilities		**1,313,179**	**1,207,241**
Liabilities directly associated with assets held for sale	4	7,354	10,276
TOTAL LIABILITIES		**4,565,760**	**4,153,451**
TOTAL EQUITY AND LIABILITIES		**5,458,070**	**5,200,255**

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

Unaudited interim condensed consolidated statement of cash flows for the nine-month period ended September 30, 2018

PYG millions	Notes	September 30, 2018	September 30, 2017
Cash flows from operating activities			
Profit before taxes from continuing operations		526,201	665,811
Adjustments to reconcile to net cash:			
Interest expense (income), net		211,329	167,193
Interest and other financial income		(7,758)	(4,430)
Exchange gain/(loss) on foreign exchange		62,409	20,079
Adjustments for non-cash items:			
Depreciation and amortization		389,070	379,528
Loss/(gain) on disposal and impairment of assets, net		(101,164)	(146,866)
Shared Based Compensation		3,712	-
Changes in working capital:			
Decrease in trade receivables, prepayments and other current assets		(193,098)	46,738
Decrease in inventories		(38,331)	222
Increase (decrease) in trade and other payables		193,108	(68,590)
Total changes in working capital		**(38,321)**	**(21,630)**
Interest paid		(140,485)	(101,958)
Interest received		586	397
Taxes paid		(193.984)	(248,005)
Net cash provided by operating activities		**711,595**	**710,119**
Cash flows from investing activities:			
Purchase of intangible assets and licenses	6	(309,650)	(196,234)
Purchase of property, plant and equipment	5	(124,916)	(140,282)
Proceeds from sale of property, plant and equipment	4, 5	225,034	427,749
Debt and other financing granted to related parties, net		(1,012,394)	-
Net cash used in investing activities		**(1,221,926)**	**91,233**
Cash flows from financing activities:			
Repayment of debt and financing		(85,020)	(5,161)
Proceeds from issuance of debt and other financing		200,000	367,000
Payment of dividends to equity holders		-	(732,160)
Net cash used by financing activities		**114,980**	**(370,321)**
Exchange impact on cash and cash equivalents, net		9,899	(3,319)
Net increase in cash and cash equivalents		**(385,452)**	**427,712**
Cash and cash equivalents at the beginning of the year		488,046	310,922
Cash and cash equivalents at the end of the year		**102,594**	**738,634**

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

Unaudited interim condensed consolidated statements of changes in equity for the nine-month period and years ended September 30, 2018, December 31, 2017 and December 31, 2016

PYG millions	Number of shares	Share Capital	Retained profits	Legal reserves	Other Reserves	Total equity
Balance as of December 31, 2016	**10,000**	**164,008**	**776,097**	**50,110**	**-**	**990,215**
Total comprehensive income for the period	-	-	703,214	-	-	703,214
Dividends	-	-	(651,657)	-	-	(651,657)
Share based compensation	-	-	-	-	5,032	5,032
Balance as of December 31, 2017	**10,000**	**164,008**	**827,654**	**50,110**	**5,032**	**1,046,804**
Total comprehensive income for the period	-	-	463,965	-	-	463,965
Adjustment on adoption of IFRS 15 and IFRS 9 (net of tax) (i)	-	-	38,440	-	-	38,440
Dividends			(660,611)	-	-	(660,611)
Share based compensation	-	-	-	-	3,712	3,712
Balance as of September 30, 2018	**10,000**	**164,008**	**669,448**	**50,110**	**8,744**	**892,310**

(i) See note 2 for details about changes in accounting policies.

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

Notes to the unaudited interim condensed consolidated statements

1. ORGANIZATION

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

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.

2. SUMMARY OF CONSOLIDATION AND ACCOUNTING POLICIES

These interim condensed consolidated financial statements of the Group are unaudited. They are presented in Paraguayan Guaranies and have been prepared in accordance with International Accounting Standard ("IAS") 34 'Interim Financial Reporting' issued by the International Accounting Standard Board (IASB). In the opinion of management, these unaudited interim condensed 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 interim condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2017. These financial statements are prepared in accordance with consolidation and accounting policies consistent with the 2017 consolidated financial statements, except for the changes described below.

The following changes to standards effective for annual periods starting on January 1, 2018 have been adopted by the Group:

- IFRS 15 "Contracts with customers" establishes a five-step model related to revenue recognition from contracts with customers. Under IFRS 15, revenue is recognized at amounts that reflect the consideration that an entity expects to be entitled to in exchange for transferring goods or services to a customer. The Group adopted the accounting standard on January 1, 2018 and identified limited impact on its Group financial statements. IFRS 15 mainly affects the timing of recognition of revenue as it introduces more differences between the billing and the recognition of the revenue. However, it does not affect the cash flows generated by the Group.

  As a consequence of adopting this Standard:

  1) some revenue is recognized earlier, as a larger portion of the total consideration received in a bundled contract is attributable to the component delivered at contract inception (i.e. typically a subsidized handset). Therefore, this produces a shift from service revenue (which decreases) to the benefit of Telephone and Equipment revenue. This results in the recognition of a Contract Asset on the statement of financial position, as more revenue is recognized upfront, while the cash will be received along the subscription period (which is usually between 12 to 24 months). Contract Assets (and liabilities) are reported on a separate line in current assets/liabilities even if their realization period is longer than 12 months. This is because they are realized / settled as part of the normal operating cycle of our core business.
  2) the cost incurred to obtain a contract (mainly commissions) is now capitalized in the statement of financial position and amortized over either the average customer retention period or the contract term, depending on the circumstances. This results in the recognition of Contract Costs being capitalized under non-current assets on the statement of financial position.
  3) there is no material changes for the purpose of determining whether the Group acts as principal or an agent in the sale of products.
  4) the presentation of certain amounts in the balance sheet has been changed to reflect the terminology of IFRS 15:
     a. Contract assets recognized in relation to service contracts.
     b. Contract costs in relation to capitalised cost incurred to obtain a contract (mainly commissions).
     c. Contract liabilities in relation to service contracts were previously included in trade and other payables

  Management identified some other adjustments that are much less meaningful than the adjustments explained above.

2. SUMMARY OF CONSOLIDATION AND ACCOUNTING POLICIES (Continued)

The Group has adopted the standard using the cumulative catch-up transition method. Hence, the cumulative effect of initially applying the Standard has been recognized as an adjustment to the opening balance of retained earnings as at January 1, 2018 and comparatives have not be restated in accordance with the transitional provisions in IFRS 15. The impact on the opening balance of retained earnings as at January 1, 2018 is summarised in the table set out at the bottom of this section.

Additionally, the Group has decided to take some of the practical expedients foreseen in the Standard, such as:

- Telecel does not adjust the transaction price for the means of a financing component whenever the period between the transfer of a promised good or service to a customer and the associated payment is one year or less; when the period is more than one year the significant financing component is adjusted, if material.
- Telecel discloses in the Group Financial Statements the transaction price allocated to unsatisfied performance obligations only for contracts that have an original expected duration of more than one year (e.g. unsatisfied performance obligations for contracts that have an original duration of one year or less will not be disclosed).
- Telecel applies the practical expedient not to disclose the price allocated to unsatisfied performance obligations, if the consideration from a customer directly corresponds to the value to the customer of the entity’s performance to date (i.e, if billing = accounting revenue).
- Telecel applies the practical expedient to recognize the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset that Millicom otherwise would have recognized is one year or less.

<u>Revenue recognition accounting policy applied from January 1, 2018 should now read as follows:</u>

Revenue is recognised at an amount that reflects the consideration to which the Group expects to be entitled in exchange for transferring goods or services to a customer.

Post-paid connection fees are derived from the payment of a non-refundable/one-time fee charged to customer to connect to the network (e.g. connection / installation fee). Usually, it does not represent a distinct good or service, therefore does not give rise to a separate performance obligation and revenue is recognised over the minimum contract duration. Unless the fee is paid by a customer to get the right to receive goods or services without having to pay this fee again over his tenure with the Group (e.g. the customer can readily extend his contract without having to pay the same fee again), it shall be accounted for as a material right and revenue should be recognized over the customer retention period.

Post-paid mobile/cable subscription fees are recognised over the relevant enforceable/subscribed service period (recurring monthly access fees that do not vary based on usage). The service provision is usually considered as a series of distinct services that have the same pattern of transfer to the customer. Remaining unrecognised subscription fees are fully recognised once the customer has been disconnected.

Prepaid scratch/SIM cards are services 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 contract liability within other current liabilities. Upon expiration of the validity period, the portion of the contract liability relating to the expiring credit is recognized as revenue, since there is no longer an obligation to provide those services.

Telephone and equipment sales are recognised as revenue once the customer obtains control of the good. That criteria is fulfilled if the customer has the ability to direct the use and obtain substantially all of the remaining benefits from that good.

Customer premise equipment (CPE) are provided to customers as a prerequisite to receive the subscribed Home services and shall be returned at the end of the contract duration. Since CPEs provided over the contract term do not provide benefit to the customer on their own, they do not give rise to separate performance obligations and therefore are accounted for as part of the service provided to the customers.

Bundled offers are considered arrangements with multiple deliverables or elements, which can lead to the identification of separate performance obligations. Revenue is recognised in accordance to the transfer of goods or services to customers in an amount that reflects the relative standalone selling price of the performance obligation (e.g. sale of telecom services, revenue over time + sale of handset, revenue at a point in time).

Principal-Agent, some arrangements involve two or more unrelated parties that contribute to providing a specified good or service to a customer. In these instances, the Group determines whether it has promised to provide the specified good or service itself (as a principal) or to arrange for those specified goods or services to be provided by another party (as an agent). In cases the Group determines that it acts as a principal, revenue is recognized in the gross amount, whereas in cases the Group acts as an agent revenue is recognized in the net amount (i.e. provision payment).

Revenue from the sale of cables, fiber, wavelength or capacity contracts, when part of the ordinary activities of the operation, is recognized as recurring revenue. Revenue is recognized when the cable, fiber, wavelength or 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. Finance leases revenue is apportioned between lease of tower space and interest income.

- IFRS 9 "Financial Instruments" addresses the classification, measurement and recognition, and impairments of financial assets and financial liabilities as well as hedge accounting. 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 Group'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. IFRS 9 also clarifies the accounting for certain modifications and exchanges of financial liabilities measured at amortised cost.

The application of IFRS 9 did not have an impact for the Group on classification, measurement and recognition of financial assets and financial liabilities compared to IAS 39, but it has a limited impact on impairment of trade receivables and contracts assets (IFRS 15) as well as on amounts due from joint ventures and related parties – with the application of the expected credit loss model instead of the current incurred loss model. Similarly to IFRS 15 adoption, the Group adopted the standard using the cumulative catch-up transition method and therefore not restated comparative periods. Hence, the cumulative effect of initially applying the Standard has been recognized as an adjustment to the opening balance of retained earnings as at January 1, 2018 and comparatives have not be restated in accordance with the transitional provisions in IFRS 9. The impact on the opening balance of retained earnings as at January 1, 2018 is summarised in the table set out at the bottom of this section. Additionally, the Group continues applying IAS 39 rules with respect to hedge accounting. Finally, the clarification introduced by IFRS 9 on the accounting for certain modifications and exchanges of financial liabilities measured at amortised cost did not have an impact for the Group.

<u>Financial Instruments accounting policies applied from January 1, 2018 should now read as follows:</u>

i) Equity and debt instruments

Classification

From January 1, 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value [either through Other Comprehensive Income (OCI), or through profit or loss], and
- those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.
- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in 'Other non-operating (expenses) income, net'. Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses and impairment expenses are presented as 'Other non-operating (expenses) income, net' in the statement of profit or loss.
- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within 'Other non-operating (expenses) income, net' in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in 'Other non-operating (expenses) income, net' in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

Impairment

From January 1, 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the trade receivables.

The provision is recognized in the consolidated income statement within Cost of sales.

ii) Derivative financial instruments and hedging activities

The Group has opted to continue applying IAS 39 for hedge accounting. The accounting policy disclosed in the Group consolidated financial statements for the year ended December 31, 2017 remains therefore similar after IFRS 9 implementation.

The application of the following new standards or interpretations did not have an impact for the Group:

- Amendments to IFRS 2, Share based payments', on clarifying how to account for certain types of share-based payment transactions.
- Amendments to IFRS 4, 'Insurance contracts' regarding the implementation of IFRS 9, 'Financial instruments'.
- Annual improvements to IFRS Standards 2014–2016.

There are no other significant changes to standards effective for annual periods starting on January 1, 2018.

2. SUMMARY OF CONSOLIDATION AND ACCOUNTING POLICIES (Continued)

The application of IFRS 15 and IFRS 9 had the following impact on the Group financial statements as of January 1, 2018:

FINANCIAL POSITION $ millions	As at January 1, 2018 before application	Effect of adoption of IFRS 15	Effect of adoption of IFRS 9	As at January 1, 2018 after application	Reason for the change
ASSETS					
Contract costs, net (non-current) **NEW**	-	519	-	519	*(i)*
Deferred tax asset	51,237	-	290	51,527	*(vi)*
Trade receivables, net (current)	386,525	-	2,739	389,264	*(ii)*
Contract asset, net (current) **NEW**	-	53,524	-	53,524	*(iii)*
LIABILITIES					
Contract liabilities (current) **NEW**	-	36,207	-	36,207	*(iv)*
Provisions and other current liabilities (current)	231,853	(21,510)	-	210,343	*(v)*
Deferred tax liability (non-current)	-	3,935	-	3,935	*(vi)*
EQUITY					
Retained profits	827,654	35,411	3,029	866,094	*(vii)*

(i) *This mainly represents commissions capitalised and amortised over the average contract term.*
(ii) *Effect of the application of the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.*
(iii) *Contract asset mainly represents subsidised handsets as more revenue is recognised upfront while the cash will be received along the subscription period (which is usually between 12 to 36 months).*
(iv) *This mainly represents deferred revenue for goods and services not yet delivered to customers that will be recognised upon the goods are delivered and the services are provided to customers. The balance also comprises the revenue from the billing of subscription fees or 'one-time' fees at the inception of a contract that are deferred and will be recognised over the average customer retention period or the contract term.*
(v) *Reclassification of deferred revenue to contract liabilities – see previous paragraph.*
(vi) *Tax effects of the above adjustments.*
(vii) *Cumulative catch-up effect.*

As of January 1, 2018, there is no impact on the statement of cash flows and on the EPS.

The following summarises the amount by which each financial statement line item is affected in the current reporting period by the application of IFRS 15 as compared to previous standard and interpretations:

INCOME STATEMENT $ millions	For the nine month period ended September 30, 2018 As reported	Without adoption of IFRS 15	Effect of Change Higher/(Lower)	Reason for the change
Revenue	2,342,493	2,315,926	26,567	*(i)*
Cost of sales	(503,649)	(433,703)	(69,946)	*(ii)*
Operating expenses	(758,757)	(828,756)	69,999	*(ii)*

(i) *Mainly for the shifting in the timing of revenue recognition due to the reallocation of revenue from service (over time) to telephone and equipment revenue (point in time).*
(ii) *Mainly for the reallocation of cost for selling devices due to shift from service revenue to telephone and equipment revenue. Also for the capitalisation and amortisation of contract costs.*

2. SUMMARY OF CONSOLIDATION AND ACCOUNTING POLICIES (Continued)

	As at September 30, 2018			
FINANCIAL POSITION $ millions	**As reported**	**Without adoption of IFRS 15**	**Effect of Change Higher/(Lower)**	**Reason for the change**
ASSETS				
Contract costs, net (non-current)	572	-	572	*(iii)*
Contract asset, net (current)	78,989	-	78,989	*(iv)*
LIABILITIES				
Contract liabilities (current)	47,038	-	47,038	*(v)*
Provisions and other current liabilities (current)	200,367	233,810	(33,443)	*(vi)*
Deferred tax liability (non-current)	-	(3,935)	3,935	*(vii)*
EQUITY				
Retained profits	205,483	240,894	(35,411)	*(viii)*

(iii) *This mainly represents commissions capitalised and amortised over the average contract term.*

(iv) *Contract asset mainly represents subsidised handsets as more revenue is recognised upfront while the cash will be received along the subscription period (which are usually between 12 to 36 months). Throughout the period ended September 30, 2018 no material impairment loss has been recognised.*

(v) *This mainly represents deferred revenue for goods and services not yet delivered to customers that will be recognised upon the goods are delivered and the services are provided to customers. The balance also comprises the revenue from the billing of subscription fees or 'one-time' fees at the inception of a contract that are deferred and will be recognised over the average customer retention period or the contract term.*

(vi) *Reclassification of deferred revenue to contract liabilities – see previous paragraph.*

(vii) *Tax effects of the above adjustments.*

(viii) *Cumulative catch-up effect and IFRS 15 effect in the current period.*

The following Standard, which is expected to materially affect the Group, will be effective beginning January 1, 2019:

- IFRS 16 "Leases" will affect primarily the accounting for the Group's operating leases. As of December 31, 2017, the Group had operating lease commitments of PYG 119,304 million. The Group is still assessing to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows. This said, the application of this standard will affect the Group's EBITDA, net debt and leverage ratios.

  As part of the IFRS 16 implementation journey, the Group has already taken decisions on the following points:

  - IFRS 16 will be adopted using the modified retrospective approach,with the cumulative effect of adoption being recognised at the date of initial application (IFRS16.C5.b)
  - Certain categories of low-value leases practical expedients will not be capitalised (IFRS16.5)
  - Non-lease components will be capitalised (IFRS16.15)
  - Intangible assets are out of IFRS 16 scope (IFRS16.4)

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

Acquisitions

During the nine month period ended September 30, 2018, the Group did not complete any significant acquisitions.

4. ASSETS HELD FOR SALE

Assets held for sale and liabilities directly associated with assets held for sale

The following table summarises the nature of the assets and liabilities reported under assets held for sale and liabilities directly associated with assets held for sale as at September 30, 2018:

Assets and liabilities reclassified as held for sale (PYG millions)	**As at September 30, 2018**	**As at December 31,2017**
Towers Paraguay	10,739	38,456
Total assets of held for sale	**10,739**	**38,456**
Towers Paraguay	7,354	10,276
Total liabilities directly associated with assets held for sale	**7,354**	**10,276**
Net assets held for sale / book value	**3,385**	**28,180**

Tower Sale and Leasebacks

In 2017, the Group announced an agreement to sell and leaseback wireless communications towers to a subsidiary of American Tower Corporation (“ATC”) whereby we agreed the cash sale of tower assets and to lease back a dedicated portion of each tower where our network equipment is installed. The portions of the assets that will be transferred and that have not yet been leased back by our operations are classified as assets held for sale as completion of their sale is highly probable.

The table below summarises the main aspects of these deals and impacts on the Group financial statements:

	Paraguay
Signature date	April 26, 2017
Total number of towers expected to be sold	1,410
Total number of towers transferred so far	967
Expected total cash proceeds (PYG millions)	700,000
Cash proceeds for the year 2017 (PYG millions)	425,941
Cash proceeds for the year 2018 (PYG millions) – as of September 30	246,148
Upfront gain on sale recognized for the year 2017 (PYG millions)	147,341
Upfront gain on sale recognized for the year 2018 (PYG millions) – as of September 30.	101,164

5. PROPERTY, PLANT AND EQUIPMENT

During the nine-month period ended September 30, 2018, Telecel added property, plant and equipment for PYG 150,642 million (September 30, 2017: PYG 209,032 million) and received PYG 225,034 million in cash from disposal of property, plant and equipment (September, 2017: PYG 427,749).

PYG millions (unaudited)	Nine months ended September 30, 2018	Nine months ended September 30, 2017
Additions	150,642	209,032
Change in advances to suppliers	6,600	5,364
Change in accruals and payables for PP&E	(32,326)	73,070
Cash used from continuing operations for additions	**124,916**	**287,466**

6. INTANGIBLE ASSETS

During the nine-month period ended September 30, 2018, Telecel added intangible assets of PYG 294,667 million (September 30, 2017: PYG 120,615 million) and did not received proceeds from disposal of intangible assets (September 30, 2017: PYG nil).

PYG millions (unaudited)	Nine months ended September 30, 2018	Nine months ended September 30, 2017
Additions	294,667	120,615
Change in advances to suppliers	1,439	(1,477)
Change in accruals and payables for intangibles	13,544	77,096
Cash used from continuing operations for additions	**309,650**	**196,234**

7. DEBT AND FINANCING

Bond financing

On 7 December 2012 Telecel issued USD 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 USD 7 million reduced the total proceeds from issuance to USD 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 the following remaining option to partially or fully redeem the 6.75% Senior Notes as follows:

• 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%
This option represent an embedded derivative which, in accordance with IAS 39 have been valued and determined to be closely related to the underlying bond.

7. DEBT AND FINANCING (Continued)

The outstanding amount of as at September 30, 2018 was PYG 1,748,790 (December 2017: PYG 1,651,558 million).

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

Bank and Development Financial Institution financings

(PYG millions)	Issuance date	Maturity date	Fixed interest rate	As at September 30, 2018	As at December 31, 2017
Banco Continental S.A.E.C.A.	09/2015	09/2023	9.00%	247,500	275,000
Banco Itaú Paraguay S.A.	10/2015	09/2020	9.00%	205,902	257,345
Banco Continental S.A.E.C.A.	08/2016	09/2023	10.25%	53,820	59,800
Inter-American Development Bank / IPS (*)	07/2017	05/2022	10.08%	363,815	363,214
Banco Continental S.A.E.C.A.	06/2018	06/2025	9.00%	85,000	-
Banco Regional S.A.E.C.A.	07/2018	06/2025	8.90%	115,000	-
Bank and Development Financial Institution financing				**1,071,343**	**955,359**

(*) This Facility is guaranteed by Millicom.

Finance lease liabilities

Leases which transfer substantially all risks and benefits incidental to ownership of the leased item to the lessee are capitalized at the inception of the lease. The amount capitalized is the lower of the fair value of the asset or the present value of the minimum lease payments.

Lease payments are allocated between finance charges (interest) 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 recorded as interest expenses in the income statement.

The sale and leaseback of towers and related site operating leases and service contracts are accounted for in accordance with the underlying characteristics of the assets, and the terms and conditions of the lease agreements. When sale and leaseback agreements are concluded, the portions of assets that will not be leased back by Telecel are classified as assets held for sale as completion of their sale is highly probable. Asset retirement obligations related to the towers are classified as liabilities directly associated with assets held for sale. On transfer to the tower companies, the portion of the towers leased back are accounted for as operating leases or finance leases according to the criteria set out above.

The portion of towers being leased back represents the dedicated part of each tower on which Telecel's equipment is located and was derived from the average technical capacity of the towers. Rights to use the land on which the towers are located are accounted for as operating leases, and costs of services for the towers are recorded as operating expenses. The gain on disposal is recognized upfront for the portion of towers that is not leased back. It is deferred and recognized over the term of the lease for the portion leased back.

(PYG millions)	Maturity date	Implicit interest rate (*)	As at September 30, 2018	As at December 31, 2017
Lease of tower space	04/2030	2.02%	167,578	115,029
Total finance lease liabilities			**167,578**	**115,029**

(*) Average discount rate of future lease payments

7. DEBT AND FINANCING (Continued)

Analysis of debt and other financing by maturity

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

$ millions	As at September 30, 2018	As at December 31, 2017
Due within:		
One year	151,717	94,951
One-two years	273,791	207,657
Two-three years	243,512	268,468
Three-four years	240,993	199,224
Four-five years	1,905,178	1,789,971
After five years	172,520	165,816
Total debt	**2,987,711**	**2,726,087**

8. COMMITMENTS AND CONTINGENCIES

Litigation & claims

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 September 30, 2018, the total amount of provisions related to claims against the Group's operations was PYG 8,404 million (December 31, 2017: PYG 6,822 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..

Capital commitments

At September 30, 2018, the Company had fixed commitments to purchase network equipment, land and buildings, other fixed assets and intangible assets of PYG 454,577 million (December 31, 2017: PYG 806,786 million).

9. RELATED PARTY TRANSACTIONS

The following transactions were conducted with related parties during the nine-month period ended September 30, 2018:

PYG millions (unaudited)	Nine months ended September 30, 2018	Nine months ended September 30, 2017
Millicom - Other Paraguayan Operations	106,137	125,012
Millicom - Non-Paraguayan companies	(12,894)	(6,925)
Total	**93,243**	**118,087**

As at September 30, 2018 the Group had the following balances with related parties:

PYG millions (unaudited)	At September 30, 2018	At December 31, 2017
Receivables		
Millicom - Other Paraguayan Operations	328,150	329,723
Millicom - Non-Paraguayan companies	1,298,074	839,491
Total	**1,626,224**	**1,169,214**
PYG millions (unaudited)	**At September 30, 2018**	**At December 31, 2017**
Payables		
Millicom - Other Paraguayan Operations	120,408	65,207
Millicom - Non-Paraguayan companies	12,690	10,516
Total	**133,098**	**75,723**

10. SUBSEQUENT EVENTS

Between the date of closing 30 September 2018, and the date of presentation of these financial statements, there were no significant events or situations that affect the company’s economic and financial structure or its results.

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