Consolidated Financial Statements of Telefónica Celular del Paraguay S.A.

As of and for the year ended 31 December 2018

February 28, 2019

TABLE OF CONTENTS

Contents

Building a better
working world

Ernst & Young Paraguay - Auditores y
Asesores de Negocios
Mcal. López 3794 esq. Cruz del Chaco,
Edificio Citicenter - 6° Piso
Asunción, Paraguay

Tel: (595-21) 664-308
Fax: (595-21) 608-985
ey.com

Independent auditor's report on the consolidated financial statements

To the shareholders of
Telefónica Celular del Paraguay S.A.

Opinion

We have audited the accompanying consolidated financial statements of Telefónica Celular del Paraguay S.A. **(the Group)**, which comprise the consolidated statement of financial position as of December 31, 2018, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Telefonica Celular del Paraguay S.A. as of December 31, 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Paraguay, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

1. Revenue recognition

The Group's revenue consists of mobile and data telephony services, corporate solutions, fixed-line broadband, and cable TV.

Revenue recognition from mobile and data telephony services, corporate solutions, fixed-line broadband, and cable TV products is considered a significant matter as the application of revenue recognition accounting standards involves management judgements and estimates, and required significant audit effort due to both the bundling of those services and the complexity of the Group's systems and processes used to record revenue.

To address this matter, our audit procedures over revenue recognition included, among others:

We understood and assessed the overall IT control environment and the IT controls in place, assisted by our information technology specialists. We tested the operating effectiveness of controls around access rights, program changes and IT dependent business controls to establish that changes to the system were appropriately authorized and implemented properly. Our tests of IT dependent business controls included, among other, those over: set-up of customer accounts, pricing data, segregation of duties and the linkage of recognized revenue to customer usage data.

We tested transactions (on a sample basis) for the main revenue streams: prepaid, postpaid, interconnection and telephone and equipment, tracing back the transaction to the supporting documentation, including the accuracy of customer bill generation and credits and discounts applied. We also tested reconciliations between the sales reports from the billing system and point of sales system and cash collections. In addition, we performed analytical procedures over the different revenue streams and deferred revenue at year-end based.

We assessed the accounting criteria applied to commercial offers, including the adequacy of the assumptions used by the Management in the process of determination of significant judgements and estimates relating to the application of IFRS 15.

We also assessed the adequacy of the Group's disclosures in respect of the accounting policies on revenue recognition set out in Note B.1

Assets capitalization and useful lives

The net book value of Property, Plant and Equipment and Intangible Assets at 31 December 2018 is PYG 2,942,230 million, amount that is material to the consolidated financial statements. The assessment and timing of whether assets meet the capitalization criteria set out in the relevant accounting standards and the estimation of appropriate useful economic lives requires management to make judgements and estimations that have an significant impact on the capitalized amounts.

To address this matter, we carried out audit procedures that included, among others:

We evaluated the design and testing the operating effectiveness of controls around the asset capitalization cycle.

We assessed the accounting criteria applied to the recognition of material contracts signed during the year, including useful lives, for new licenses, frequency charges and broadcasting rights. We also assessed management assumptions over the capitalizable cost and useful economic life of key fixed assets considering internal and external available data, including supporting documentation such as payment evidence and third-party invoices.

We assessed the Group's disclosures in respect of Property Plant and Equipment and Intangible Assets as set out in Notes E.1 and E.2

Carrying value of goodwill and cash generating units (CGUs)

Under IFRSs, the Group is required to annually test the recognized amount of goodwill for impairment. This annual impairment test was significant to our audit because the balance of PYG 293,019 million as of December 31, 2018, is material to the consolidated financial statements. In addition, the Group's assessment process includes significant judgments and is based on assumptions derived from the Group's five-year plans, which are affected by expected future market or economic conditions.

Our audit procedures included, amongst others, an assessment of the historical accuracy of management's estimates and budgets, evaluation and challenge of the assumptions, methodologies, CGU determination, and the Weighted Average Cost of Capital (WACC) and data used by the Group. We have involved our valuation experts to assist us with our assessment of the WACC, expected inflation rates and the appropriateness of the model used. Furthermore, we have analyzed sensitivities if a lower growth rate or higher WACC were used. The Company's disclosures about goodwill are included in notes E1.1 and E.1.3

Building a better
working world

Responsibilities of the Management for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or taken together, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the consolidated financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Building a better
working world

We communicate with the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Management with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with Management, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Pablo Di Iorio
Partner
Ernst & Young Paraguay
Auditores y Asesores de Negocios
Av. Mcal López 3794 esq. Cruz del Chaco
Asunción, Paraguay
February 28, 2019

Introduction

Corporate information

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.

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 TIGO SDB and, since January 9, 2019, on the Nasdaq Stock Market in the U.S. under the symbol TIGO.

The general administration of the Company is located at Avda. Mariscal López esq. Tte. Insaurralde, Fernando De La Mora, Paraguay.

The Board of Directors ("Board") approved these consolidated financial statements for issuance on February 28, 2019.

Business activities

Telecel is a leading telecommunications and media group operating in Paraguay. It provides a wide range of mobile communications and cable services, as well as other related products, including digital media and e-commerce, to residential, business and wholesale customers.

IFRS consolidated financial statements

Basis of preparation

The consolidated financial statements of the Group are presented in Paraguayan Guaraní and all values are rounded to the nearest million (PYG 'million) except when otherwise indicated. The financial statements have been prepared on an historical cost basis, except for certain financial assets and liabilities that have been measured at fair value.

The consolidated financial statements for the year ended December 31, 2018 have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standard Board (IASB).
The preparation of financial statements in conformity with IFRS requires management to exercise its judgment in the process of applying the Group's accounting policies. It also requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although, these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from these estimates.

This section contains the Group's significant accounting policies that relate to the financial statements as a whole. Significant accounting policies specific to one note are included within that note. Accounting policies relating to non-material items are not included in these financial statements.

Consolidation

The consolidated financial statements of the Group comprise the financial statements of the Company and its subsidiaries as of 31 December of each year. The financial statements of the subsidiaries are prepared for the same reporting year as the Company, using consistent accounting policies.

All intra-group balances, transactions, income and expenses, and profits and losses resulting from intra-group transactions are eliminated.

Introduction - continued

Foreign currency

Items included in the financial statements of each of the Group's entities are measured and presented in Paraguayan Guaraní, the currency of the primary economic environment in which the entity operates ("the functional currency").

Transactions denominated in a currency other than the functional currency are translated into the functional currency using exchange rates prevailing on transaction dates. Foreign exchange gains and losses resulting from the settlement of such transactions, and on translation of monetary assets and liabilities denominated in currencies other than the functional currency at year-end exchange rates, are recognized in the consolidated statement of comprehensive income.

Exchange rates to the US dollar	Functional currency	2018 Average rate	2018 Year-end rate	2017 Year-end rate	Change %
Paraguay	Guaraní (PYG)	5,743	5,961	5,590	6.64

New and amended IFRS accounting standards

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 using the modified retrospective method. 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 throughout the subscription period (which is usually between 12 to 36 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 the average contract term. This results in the recognition of Contract Costs being capitalized under non-current assets on the statement of financial position.

3) the Group recognizes revenue from its wholesale carrier business on a net basis as an agent rather than as a principal under the modified retrospective IFRS 15 transition. Except for this effect, there were no other 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 material amounts in the consolidated statement of financial position 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 capitalized cost incurred to obtain a contract (mainly commissions).
   c. Contract liabilities in relation to service contracts were previously included in trade and other payables.

The Group has adopted the standard using the modified retrospective 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 comparative financial statements have not been restated in accordance with the transitional provisions in IFRS 15. The impact on the opening balance of retained profits as at January 1, 2018 is summarized in the table set out at the end of this section.

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

Introduction - continued

- No adjustment to 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 financing component is adjusted, if material.
- Disclosure 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 are not disclosed).

- Application of the practical expedient not to disclose the price allocated to unsatisfied performance obligations, if the consideration from a customer corresponds to the value of the entity's performance obligation to the customer (i.e, if billing corresponds to accounting revenue).

- Application of 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 otherwise would have been recognized is one year or less.

- Revenue recognition accounting principles are further described in Note B.1.1.

• 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) was 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 amortized 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 an 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. As permitted under IFRS 9, the Group adopted the standard without restating comparatives for classification, measurement and impairment. Hence, the cumulative effect of initially applying the Standard has been recognized as an adjustment to the opening balance of retained profits at January 1, 2018. The impact on the opening balance of retained profits at January 1, 2018 is summarized in the table set out at the end 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 amortized cost did not have an impact for the Group.

The application of IFRS 15 and IFRS 9 had the following impact on the Group financial statements at 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**	**-**	143,189	-	143,189	*(iv)*
Provisions and other current liabilities (current)	231,853	(128,492)	-	103,361	*(v)*
Deferred tax liability (non-current)	-	3,935	-	3,935	*(vi)*
EQUITY					
Retained profits	827,654	35,411	3,029	866,094	*(vii)*

Introduction - continued

(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, IFRS 9 and IFRS 15 implementations had no impact on the statement of cash flows.

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

	For the year ended December 31, 2018			
INCOME STATEMENT $ millions	**As reported**	**Without adoption of IFRS 15**	**Effect of Change Higher/(Lower)**	**Reason for the change**
Revenue	3,096,572	3,069,929	26,643	*(i)*
Cost of sales	(634,706)	(544,477)	(90,229)	*(ii)*
Operating expenses	(1,036,559)	(1,127,112)	90,553	*(ii)*
Charge for taxes, net	(67,362)	(64,665)	(2,697)	*(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.

	As at December 31, 2018			
FINANCIAL POSITION $ millions	**As reported**	**Without adoption of IFRS 15**	**Effect of Change Higher/(Lower)**	**Reason for the change**
ASSETS				
Deferred tax assets	80,827	83,524	(2,697)	*(vii)*
Contract costs, net (non-current)	844	-	844	*(iii)*
Contract asset, net (current)	78,274	-	78,274	*(iv)*
LIABILITIES				
Contract liabilities (current)	143,516	-	143,516	*(v)*
Provisions and other current liabilities (current)	161,315	260,957	(99,642)	*(vi)*
Deferred tax liability (non-current)	-	(3,935)	3,935	*(vii)*
EQUITY				
Retained profits	205,483	170,072	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 year ended December 31, 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 year.

Introduction - continued

The application of the following new standards or interpretations applicable on January 1, 2018 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'.
- **IFRIC 22 'Foreign currency transactions and advance consideration'** regarding foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency.
- Annual improvements to IFRS Standards 2014-2016.
  There are no other significant changes to standards effective for the annual year starting on January 1, 2018.
  The following standard, which is expected to materially affect the Group, will be effective from January 1, 2019:
- **IFRS 16 "Leases"** will primarily affect the accounting for the Group's operating leases. These commitments will result in the recognition of a right of use asset and a lease liability for future payments. The application of this standard will affect the Group's depreciation, debt and other financing and leverage ratios. The change in presentation of operating lease expenses will result in a corresponding improvement in cash flows derived from operating activities and a decline in cash flows from financing activities.
  The Group will adopt the standard using the modified retrospective approach with the cumulative effect of applying the new Standard recognized in retained profits as of January 1, 2019. Comparatives for the 2018 financial statements will not be restated.
  Short-term leases with a term not exceeding the 12 months as well as leases where the underlying asset is of low value will not be capitalized: instead, Telecel will use the practical expedient and associated lease payments will be recognized as an expense.

  Furthermore, the Group has taken the additional following decisions to adopt the standard:

  - Non-lease components will be capitalized (IFRS16.15)
  - Intangible assets are out of IFRS 16 scope (IFRS16.4)

At transition date, the Group will recognize lease liabilities in relation to leases which had previously been classified as operating leases under the principles of IAS 17 Leases (such as site leases, land and buildings leases, etc). These liabilities will be measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of January 1, 2019. The right-of-use asset will be measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the statement of financial position immediately before the date of initial application.

According to the new Standard, Telecel shall determine the lease term including any lessee's extension or termination option that is deemed reasonably certain as well as lessors' extension or termination option. The assessment of such options shall be performed at the commencement of a lease. This requires judgment by the management of Telecel, which may have a significant impact on the lease liability recognized under IFRS 16.

Measuring the lease liability at the present value of the remaining lease payments requires using an appropriate discount rate in accordance with IFRS 16. Telecel uses the interest rate implicit in the lease or if that cannot be determined, the incremental borrowing rate at the date of the lease commencement. Telecel renders this judgment in accordance with its accounting policy on leases. The incremental borrowing rate applied can have a significant impact on the net present value of the lease liability recognized under IFRS 16.

Under the new Standard, the accounting of sale and leaseback transactions will change as the underlying sale transaction needs to be firstly analyzed using the guidance of IFRS 15. The seller/lessee recognizes a right-of-use asset in the amount of the proportional original carrying amount that relates to the right of use retained. Accordingly, only the proportional amount of gain or loss from the sale must be recognized. The impact from sale and leaseback transactions will not be material for the Group as of the date of initial application.

While the Group is finalizing the implementation of the new Standard, as a preliminary result, it expects to recognize additional lease liabilities of approximately PYG 155,823 million. The impact on retained profits is expected to be immaterial.

Introduction - continued

Further changes to standards not yet effective and not early adopted by the Group on January 1, 2018

Standard amendments	Objective	IASB Efective date
Amendment to IFRS 9, Financial instruments', on prepayment features with negative compensation	This amendment confirms that when a financial liability measured at amortized cost is modified without this resulting in de-recognition, a gain or loss should be recognized immediately in profit or loss. The gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate. This means that the difference cannot be spread over the remaining life of the instrument which may be a change in practice from IAS 39. The Group expects this amendment to have an impact in the future on the consolidated financial statements in case of a modification of a financial liability measured at amortized cost.	January 1, 2019
IFRIC 23 Uncertainty over income tax treatments	IFRIC 23 clarifies how the recognition and measurement requirements of IAS 12 Income taxes, are applied where there is uncertainty over income tax treatments. The interpretation is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted. The Group is currently assessing the impact of this interpretation but does not expect any significant effect of applying it.	January 1, 2019
Annual improvements 2015-2017	These amendments impact four standards: IFRS 3, Business Combinations and IFRS 11 Joint Arrangements regarding previously held interest in a joint operation. IAS 12, Income Taxes regarding income tax consequences of payments on financial instruments classified as equity. And finally, IAS 23, Borrowing Costs regarding eligibility for capitalization. Again, the Group does not expect these improvements to have a material impact on the consolidated financial statements.	January 1, 2019
Amendments to IAS 19, 'Employee benefits' on plan amendment, curtailment or settlement'	These amendments require an entity to: • use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement; and • recognize in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognized because of the impact of the asset ceiling. The Group does not expect these amendments to have a material impact on the consolidated financial statements.	January 1, 2019
Amendments to IFRS 3 –definition of a business	This amendment revises the definition of a business. The Group does not expect these amendments to have a material impact on the consolidated financial statements.	January 1, 2020
Amendments to IAS 1, 'Presentation of financial statements', and IAS 8, 'Accounting policies, changes in accounting estimates and errors'	These amendments to IAS 1, 'Presentation of financial statements', and IAS 8, 'Accounting policies, changes in accounting estimates and errors', and consequential amendments to other IFRSs: i) use a consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting; ii) clarify the explanation of the definition of material; and iii) incorporate some of the guidance in IAS 1 about immaterial information. The Group does not expect these amendments to have a material impact on the consolidated financial statements.	January 1, 2020

Introduction - continued

Judgments and critical estimates

The preparation of IFRS financial statements requires management to use judgment in applying accounting policies. It also requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. These estimates are based on management's best knowledge of current events and actions, and actual results may ultimately differ from these estimates. Areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in each note and are summarized below:

Judgments

Management apply judgment in accounting treatment and accounting policies in preparation of these financial statements. In particular a significant level of judgment is applied regarding the following items:

- Contingent liabilities – whether or not a provision should be recorded for any potential liabilities (see note G.3.).
- Leases – whether the substance of leases meets the IFRS criteria for recognition as finance or operating leases or services contracts, or elements of each, mainly in respect of tower sale and leaseback transactions (see notes E.2. and G.2.).
- Control – whether Telecel, through voting rights and potential voting rights attached to shares held, or by way of shareholders' agreements or other factors, has the ability to direct the relevant activities of the subsidiaries it consolidates (see notes A.1.).
- Deferred tax assets – recognition based on likely timing and level of future taxable profits together with future tax planning strategies (see note B.5.3.).
- Assets Held for Sale - definition, classification, presentation and impairment testing (see note E.3.)

Estimates

Estimates are based on historical experience and other factors, including reasonable expectations of future events. These factors are reviewed in preparation of the financial statements, although due to inherent uncertainties in the evaluation process, actual results may differ from original estimates. Estimates are subject to change as new information becomes available and may significantly affect future operating results. Significant estimates have been applied in respect of the following items:

- Accounting for property, plant and equipment, and intangible assets in determining fair values at acquisition dates, particularly for assets acquired in business combinations and sale and leaseback transactions (see notes E.1.1., E.2.1.).
- Useful lives of property, plant and equipment and intangible assets (see notes E.1.1., E.2.1.).
- Provisions, in particular provisions for asset retirement obligations, legal and tax risks (see note F.5.)
- Revenue recognition (see note B.1.1.).
- Impairment testing including discount rates and long term growth rates (see notes E.1.1., E.1.2.)
- Share-based compensation (see note B.4.1.)

Consolidated statement of comprehensive income

for the year ended December 31, 2018

PYG millions	Notes	2018	2017 *(i)*
Revenue	B.1.	3,096,572	3,106,130
Cost of sales	B.2.	(634,706)	(609,897)
Gross profit		**2,461,866**	**2,496,233**
Operating expenses	B.2.	(1,030,192)	(1,082,842)
Depreciation	E.2.	(363,934)	(367,294)
Amortization	E.1.	(158,321)	(138,053)
Other operating income (expenses), net		104,299	168,230
Operating profit		**1,013,718**	**1,076,274**
Interest expense		(285,314)	(236,130)
Interest and other financial income		17,862	5,404
Exchange loss, net		(77,045)	(4,651)
Profit before taxes		**669,221**	**840,897**
Charge for taxes, net	B.5.	(67,362)	(137,683)
Net profit and comprehensive income for the year		**601,859**	**703,214**
Attributable to:			
Equity holders of the company		**601,859**	**703,214**

(i) Not restated for the application of IFRS 15 and 9, as the Group elected the modified retrospective approach for both standards.

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

Consolidated statement of financial position

As of December 31, 2018

PYG millions	Notes	31 December 2018	31 December 2017 *(i)*
ASSETS			
NON-CURRENT ASSETS			
Intangible assets, net	E.1.	1,091,407	970,506
Property, plant and equipment, net	E.2.	1,850,823	1,834,218
Deferred tax assets	B.5.	80,827	51,237
Contract costs, net	F.6	844	-
Other non-current assets		28,246	38,873
Amounts due from related parties LT	G.5.	166,441	-
TOTAL NON-CURRENT ASSETS		**3,218,588**	**2,894,834**
CURRENT ASSETS			
Inventories, net	F.2.	37,753	43,276
Trade receivables, net	F.1.	397,545	386,525
Contract assets, net	F.6.	78,274	-
Amounts due from related parties ST	G.5.	1,588,852	1,169,214
Prepayments and accrued income	F.4.	162,623	157,920
Supplier advances for capital expenditure		48,335	5,737
Other current assets		116,050	16,247
Cash and cash equivalents	C.4.	147,771	488,046
TOTAL CURRENT ASSETS		**2,577,203**	**2,266,965**
Assets held for sale	E.3.	12,422	38,456
TOTAL ASSETS		**5,808,213**	**5,200,255**

(i) Not restated for the application of IFRS 15 and 9, as the Group elected the modified retrospective approach for both standards.

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

Consolidated statement of financial position

As of December 31, 2018

PYG millions	Notes	31 December 2018	31 December 2017 *(i)*
EQUITY AND LIABILITIES EQUITY			
Share capital and premium	C.1.	164,008	164,008
Legal reserve	C.1.	50,110	50,110
Other reserves	B.4	7,206	5,032
Retained profits		205,483	124,440
Profit for the year attributable to equity holders		601,859	703,214
Equity attributable to owners of the Company		**1,028,666**	**1,046,804**
TOTAL EQUITY		**1,028,666**	**1,046,804**
LIABILITIES			
Non-current liabilities			
Debt and financing LT	C.3.	2,790,874	2,631,136
Provisions and other non-current liabilities	F.5.	391,215	304,798
Total non-current liabilities		**3,182,089**	**2,935,934**
Current liabilities			
Debt and financing ST	C.3.	212,884	94,951
Payables and accruals for capital expenditure		485,198	343,524
Other trade payables		172,169	192,908
Amounts due to related parties	G.5.	171,562	75,723
Accrued interest and other expenses		239,001	188,378
Current income tax liabilities		9,379	79,904
Contract liabilities	F.6	143,516	-
Provisions and other current liabilities	F.5.	161,316	231,853
Total current liabilities		**1,595,025**	**1,207,241**
Liabilities directly associated with assets held for sale	E.3.	2,433	10,276
TOTAL LIABILITIES		**4,779,547**	**4,153,451**
TOTAL EQUITY AND LIABILITIES		**5,808,213**	**5,200,255**

(i) Not restated for the application of IFRS 15 and 9, as the Group elected the modified retrospective approach for both standards.

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

Consolidated statement of cash flows

for the year ended December 31, 2018

PYG millions	Notes	2018	2017 *(i)*
Cash flows from operating activities			
Profit before taxes from continuing operations		669,221	840,897
Adjustments to reconcile to net cash:			
Interest expense (income), net		285,314	236,130
Interest and other financial income		(17,862)	(5,404)
Exchange gain/(loss) on foreign exchange		77,045	4,651
Adjustments for non-cash items:			
Depreciation and amortization	E.1.,E.2.	522,255	505,347
Loss/(gain) on disposal and impairment of assets, net		(104,299)	(168,230)
Share based compensation		2,174	-
Changes in working capital:			
Decrease in trade receivables, prepayments and other current assets		(247,679)	111,124
Decrease in inventories		5,523	6,862
Increase (decrease) in trade and other payables		288,533	(78,290)
Changes in contract assets, liabilities and costs, net		(17,408)	-
Total changes in working capital		**28,969**	**39,696**
Interest paid		(259,441)	(191,745)
Interest received		20,210	9,269
Taxes paid		(222,525)	(317,526)
Net cash provided by operating activities		**1,001,061**	**953,085**
Cash flows from investing activities:			
Acquisition of subsidiaries, joint-ventures and associates, net of cash acquired	A.1.	-	(11,300)
Purchase of intangible assets and licenses	E.1.4.	(270,591)	(291,799)
Proceeds from sale of intangible assets		921	17,406
Purchase of property, plant and equipment	E.2.3.	(295,838)	(239,877)
Proceeds from sale of property, plant and equipment	E.2.4.	231,823	432,960
Debt and other financing granted to / repaid by related parties, net		(470,233)	(329,520)
Net cash used in investing activities		**(803,918)**	**(422,130)**
Cash flows from financing activities:			
Repayment of debt and financing	C.5.	(85,020)	(55,727)
Proceeds from issuance of debt and other financing	C.5.	200,000	367,000
Payment of dividends to equity holders	C.2.	(660,611)	(651,657)
Net cash used by financing activities		**(545,631)**	**(340,384)**
Exchange impact on cash and cash equivalents, net		8,213	(13,447)
Net increase in cash and cash equivalents		**(340,275)**	**177,124**
Cash and cash equivalents at the beginning of the year		488,046	310,922
Cash and cash equivalents at the end of the year		**147,771**	**488,046**

(i) Not restated for the application of IFRS 15 and 9, as the Group elected the modified retrospective approach for both standards.

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

Consolidated statement of changes in equity

for the year ended December 31, 2018

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 year	-	-	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**
Adjustment on adoption of IFRS15 and IFRS9 (net of tax)	-	-	38,440	-	-	38,440
Total comprehensive income for the year	-	-	601,859	-	-	601,859
Dividends	-	-	(660,611)	-	-	(660,611)
Share based compensation	-	-	-	-	2,174	2,174
Balance as of December 31, 2018	**10,000**	**164,008**	**807,342**	**50,110**	**7,206**	**1,028,666**

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

A. The Telecel Group

The Group comprises three companies with various combinations of mobile, media content, cable TV, technological support, software and apps development and internet services.

A.1. Subsidiaries

Subsidiaries are all entities which the Company controls. Telecel controls an entity when it is exposed to, or has rights to variable returns from its investment in the entity, and has the ability to affect those returns through its power over the subsidiary. The Group has power over an entity when it has existing rights that give it the current ability to direct the relevant activities, i.e. the activities that significantly affect the entity's returns. Generally, control accompanies a shareholding of more than half of the voting rights although certain other factors (including contractual arrangements with other shareholders, voting and potential voting rights) are considered when assessing whether the Group controls an entity.

The consolidated financial statements of the Group are comprised of the financial statements of the Company and its subsidiaries: Lothar Systems S.A. (99% owned) and Teledeportes Paraguay S.A. (99.8% owned) as at December 31 each year. The financial statements of the subsidiaries are prepared for the same reporting year as the Company, using consistent accounting policies.

A.1.1. Accounting for subsidiaries and non-controlling interests

Subsidiaries are fully consolidated from the date on which control is transferred to Telecel. If facts and circumstances indicate that there are changes to one or more of the elements of control, a reassessment is performed to determine if control still exists. Subsidiaries are de- consolidated from the date that control ceases. Transactions with non-controlling interests are accounted for as transactions with equity owners of the Group. Gains or losses on disposals to non-controlling interests are recorded in equity. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is also recorded in equity.

A.1.2. Acquisition of subsidiaries and increases in non-controlling interests in subsidiaries

During the year ended December 31, 2018, the Group did not complete any significant acquisitions.

During the year ended December 31, 2017 Telecel completed the acquisition of Telecentro S.A. for a total consideration of approximately PYG 11.300 million, net of cash acquired. The purchase accounting was finalized in December 2017. The purchase price has been mainly allocated to intangible fixed assets (PYG 1,856 million), tangible fixed assets (PYG 828 million). As a result, the final goodwill amounted to PYG 8,615 million.

A.1.3. Disposal of subsidiaries and decreases in non-controlling interests of subsidiaries

For the years ended 31 December 2018 and 2017, The Group did not dispose of any significant investments.

B. Performance

B.1. Revenue

The Group's revenue comprises sale of services from its mobile, cable & digital media, as well as related devices and equipment. Recurring revenue consists of monthly subscription fees, airtime and data usage fees, interconnection fees, roaming fees, TV services, B2B contracts, and fees from other telecommunications services such as data services, short message services and other value added services.

Revenue from continuing operations by category

PYG millions	Timing of revenue recognition	2018	2017
Mobile	Over time	1,990,513	2,062,630
Home	Over time	338,069	337,234
Corporate	Over time	427,202	437,315
Content	Over time	50,390	42,393
Other revenue	Point in time	19,418	-
Service		**2,825,592**	**2,879,572**
Telephone and equipment and other	Point in time	270,980	226,558
Total		**3,096,572**	**3,106,130**

B.1.1. Accounting for revenue

Revenue recognition

Revenue is recognized 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, and therefore does not give rise to a separate performance obligation and revenue is recognized over the minimum contract duration. However, if 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 is accounted for as a material right and revenue should be recognized over the customer retention period.

Post-paid mobile / cable subscription fees are recognized 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 unrecognized subscription fees, which are not refunded to the customers, are fully recognized 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 a contract liability. 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 deferred revenue within "other current liabilities".

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

Revenue from provision of Other Revenue is recognized once the primary service has been provided to the customer.

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.

B. Performance (Cont.)

Bundled offers are considered arrangements with multiple deliverables or elements, which can lead to the identification of separate performance obligations. Revenue is recognized in accordance with 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). For example, performance obligations relating to services provided by third-party content providers (i.e., mobile Value Added Services or “VAS”) or service providers (i.e., wholesale international traffic) where the Group neither controls a right to the provider’s service nor controls the underlying service itself are presented net because the Group is acting as an agent. The Group generally acts as a principal for other types of services where the Group is the primary obligor of the arrangement. 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.

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.

B.2. Expenses

The cost of sales and operating expenses incurred by the Group can be summarized as follows:

Cost of sales

PYG millions	2018	2017
Direct costs of services sold	288,235	313,669
Cost of telephone, equipment and other accessories (i)	279,598	229,138
Bad debt and obsolescence costs	66,873	67,090
Cost of sales	**634,706**	**609,897**

(i) The increase on cost of telephone, equipment and other accessories is mainly due to the implementation of IFRS15.

Operating expenses, net

PYG millions	2018	2017
Marketing expenses	215,526	307,806
Network maintenance costs	95,115	106,896
Employee related costs (B.4)	225,859	210,357
External and other services	43,341	45,097
Rentals and operating leases	19,115	16,702
Billing and payments	55,716	52,354
Other operating expenses	375,520	343,630
Operating expenses, net	**1,030,192**	**1,082,842**

B. Performance (Cont.)

B.2.1. Accounting for cost of sales and operating expenses

Cost of sales

Cost of sales is recorded on an accrual basis.

Customer acquisition costs

Application of the practical expedient to recognize the incremental costs (mainly prepaid line dealer commissions) of obtaining a contract as an marketing expense when incurred if the amortization period of the asset that otherwise would have been recognized is one year or less.

Operating leases

Operating leases are all leases that do not qualify as finance leases. Operating lease payments are recognized as expenses in the consolidated income statement on a straight-line basis over the lease term.

B.3. Segmental information

The strategic steering committee is the group's chief operating decision-maker. Management has determined the operating segment based on the information reviewed by the strategic steering committee for the purpose of allocating resources and assessing performance.

The strategic steering committee considers the business from product perspective as one segment; in this point of view management considers the performance of telecommunication and value added services as one.

Therefore, the revenues and assets included in the consolidated statements of comprehensive income and consolidated statements of financial position are representative of this segment.

B.4. People

Number of permanent employees	2018	2017
Continuing operations	1,062	1,179
Total	**1,062**	**1,179**

PYG millions	2018	2017
Wages and salaries	148,281	143,568
Social security	18,214	17,686
Share based compensation	2,174	5,032
Training	6,286	4,471
Other employee related costs	50,904	39,600
Total	**225,859**	**210,357**

B. Performance (Cont.)

B.4.1. Share based compensation

Share awards are granted to management and key employees of the Company. Awards are settled in shares of MIC.

The cost of share-based compensation is based on the fair value (market value) of the shares on grant date and, is recognized, together with a corresponding increase in equity contribution reserve, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employee becomes fully entitled to the award (the vesting date). The cumulative expense recognized for share-based compensation at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest.

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vested irrespective of whether or not the market conditions are satisfied, provided that all other performance conditions are satisfied. Where the terms of a share-based compensation are modified, as a minimum an expense is recognized as if the terms had not been modified. In addition, an expense is recognized for any modification that increases the total fair value of the share based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Telecel´s management and key employee compensation includes share based compensation in the form of long-term share incentive plans in Millicom's shares.

Cost of share based compensation

PYG millions	2018	2017
2015 incentive plans	881	881
2016 incentive plans	1,641	1,441
2017 incentive plans	3,346	2,710
2018 incentive plans	1,338	-
Total	**7,206**	**5,032**

Deferred share plan

For the deferred awards plan, participants are granted shares based on past performance, with 16,5% of the shares vesting on January 1st of each of year one and two, and the remaining 67% on 1st January of year three. Vesting is conditional upon the participant remaining employed with Telecel at each vesting date. The cost of this long-term incentive plan, which is not conditional on performance conditions, is calculated as follows:

Fair Value (share price) of Millicom's shares at grant date x number of shares expected to vest.

The cost of these plans is recognized, together with a corresponding increase in equity (share compensation reserve), over the period in which the performance and/or employment conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award. Adjustments are made to the expense recorded for forfeitures, mainly due to management and employees leaving Millicom. Non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest.

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition. These are treated as vested, regardless of whether or not the market conditions are satisfied, provided that all other performance conditions are satisfied. Where the terms of an equity-settled award are modified, as a minimum an expense is recognized as if the terms had not been modified. In addition, an expense is recognized for any modification that increases the total fair value of the share based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

B. Performance (Cont.)

Shares expected to vest

Deferred Plan

	2018 plans	2017 pans	2016 plans	2015 plans
Initial shares granted	12,747	15,979	9,057	7,401
Revision for forfeitures	(4,513)	(6,386)	(3,150)	-
Revision for cancellation	-	-	-	-
Total before issuances	8,234	9,593	5,907	7,401
Shares issued in 2016	-	-	-	1,234
Shares issued in 2017	-	-	1,494	1,234
Shares issued in 2018	-	2,635	1,496	4,933
Shares still expected to vest	8,234	6,958	2,917	-
Estimated cost over the vesting period (PYG million)	2,662	3,744	1,642	-

B.4.2. Directors and executive management

Compensation for the Board of Directors for the year ended 31 December 2018 and 2017 was as follows:

PYG millions	2018	2017
Fees	894	887
Other benefits	306	281
Total	**1,200**	**1,168**

B.5. Taxation

B.5.1. Income tax expense

The Company's effective tax rate is (2018: 10.07%, 2017: 16.37%).

The reconciliation between the weighted average statutory rate and the effective average tax rate is as follows:

In %	2018	2017
Weighted average statutory tax rate	10.00	10.00
Provision for:		
Income tax paid on dividends distributions (i)	5.00	5.00
Other adjustments	(4.93)	1.37
Effective tax rate	**10.07**	**16.37**

(i) Income taxes at other than statutory rates relate to additional taxes paid as a result of distributing dividend to foreign shareholders.

B. Performance (Cont.)

The charge for income taxes is shown in the following table and recognizes that revenue and expenses items may affect the financial statements and tax returns in different periods (temporary differences):

PYG millions	2018	2017
Current income tax charge	100,596	146,869
Net deferred income tax benefit	(33,234)	(9,186)
Income tax expense	**67,362**	**137,683**

The tax effect of significant items comprising the Group's net deferred tax assets as of 31 December 2018 and 2017 are as follows:

	Balance Sheet At December 31		Income statements Year ended December 31	
PYG million	**2018**	**2017**	**2018**	**2017**
Provision for doubtful debtors	21,922	21,304	618	96
Temporary differences between book and tax basis of intangible assets and property, plant and equipment	20,846	12,047	8,799	15,492
Provision for taxes on dividend payables	(4,887)	(847)	(4,040)	18,066
Other temporary differences	42,946	18,733	24,213	(10,094)
Deferred tax benefit (expense)	-	-	-	-
Deferred tax assets	**80,827**	**51,237**	**-**	-

B.5.2. Current tax assets and liabilities

Current tax assets and liabilities for current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rate and tax laws used to compute the amount are those enacted or substantively enacted by the statement of financial position date.

B.5.3. Deferred tax

Deferred tax is calculated using the liability method on temporary differences at the statement of financial position date between the tax base of assets and liabilities and their carrying amount for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting, nor taxable profit or loss.

Deferred tax assets are recognized for all temporary differences including unused tax credits and tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized, except where the deferred tax assets relate to deductible temporary differences from initial recognition of an asset or liability in a transaction that is not a business combination, and, at the time of the transaction, affects neither accounting, nor taxable profit or loss.

The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to utilize them. Unrecognized deferred tax assets are reassessed at each statement of financial position date and are recognized to the extent it is probable that future taxable profit will enable the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rate expected to apply in the year when the assets are realized or liabilities settled, based on tax rates and tax laws that have been enacted or substantively enacted at the statement of financial position date. Deferred tax assets and deferred tax liabilities are offset where legally enforceable set off rights exist and the deferred taxes relate to the same taxable entity and the same taxation authority.

C. Capital structure and financing

C.1. Share capital, share premium and reserves

The authorized share capital of the Company is PYG 164,008 million. As at 31 December 2018, the total subscribed and fully paid-in share capital was PYG 164,008 million consisting of 10,000 registered common shares at a par value of PYG 16,4 million each. As at 31 December 2017, the total subscribed and fully paid-in share capital was PYG 164,008 million consisting of 10,000 registered common shares at a par value of PYG 16,4 million each.

C.1.1. Legal reserve

Paraguayan legislation requires share companies (corporations) to allocate at least 5% of their annual net earnings to a legal reserve up to a level of 20% of subscribed capital (whether fully paid or not). As at 31 December 2018 and 2017 PYG 50.110 million of the Group's retained profits represent legal reserves that are unavailable to be distributed to its owners.

C.2. Dividend distributions

Telecel's shareholders approved dividend distribution through the Annual General meetings of 2018 and 2017:

PYG millions	**2018**	**2017**
Distribution of dividends	660,611	651,657

C.3. Debt and financing

Debt and financing by type

PYG millions	**2018**	**2017**
Debt and financing due after more than one year:		
Bank financing (C.3.2)	707,254	592,145
Bond financing (C.3.1)	1,769,553	1,655,699
Finance lease (C.3.3)	162,525	115,029
Other external financing (C.3.2)	364,426	363,214
Total non-current debt and financing	**3,003,758**	**2,726,087**
Less: portion payable within one year	(212,884)	(94,951)
Total debt and financing due after more than one year	**2,790,874**	**2,631,136**
Debt and financing due within one year:		
Portion of non-current debt payable within one year	212,884	94,951
Total debt and financing	**3,003,758**	**2,726,087**

Debt and financings are initially recognized at fair value, net of directly attributable transaction costs. They are subsequently measured at amortized cost using the effective interest rate method or at fair value. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the effective interest rate. Any difference between the initial amount and the maturity amount is recognized in the consolidated income statement over the period of the borrowing. Borrowings are classified as current liabilities, unless the Group has an unconditional right to defer settlement of the liability for at least 12 months from the statement of financial position date.

C.3.1. 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%.

C. Capital structure and financing (Cont.).

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.

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

C.3.2. Bank and other external financing

PYG millions	Issuance date	Maturity date	Fixed interest rate	As at December 31, 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%	205,934	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%	364,426	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 other external financing				**1,071,680**	**955,359**

(*) This Facility is guaranteed by Millicom

C.3.3. Finance lease

Telecel's finance leases consist of long-term lease of tower space from tower companies on which Telecel locates its network equipment.

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.

Finance lease liabilities

PYG millions	Maturity	2018	2017
Lease of tower space	2,030	162,525	115,029
Total finance lease liabilities		**162,525**	**115,029**

C. Capital structure and financing (Cont.).

Tower Sale and Leaseback

In 2017, the Group announced an agreement to sell and leaseback approximately 1,400 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. As a result of this transaction, Telecel will receive approximately PYG 700 billion (equivalent to USD125 million) in cash. 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	1,276
Expected total cash proceeds (PYG millions)	718,394
Cash proceeds for the year 2017 (PYG millions)	425,941
Cash proceeds for the year 2018 (PYG millions)	223,670
Upfront gain on sale recognized for the year 2017 (PYG millions)	147,341
Upfront gain on sale recognized for the year 2018 (PYG millions)	110,136

C.3.4. Covenants

The Group's financing facilities are subject to a number of covenants including net leverage ratio, debt service coverage ratios, debt to earnings ratios, and cash levels. In addition, certain of its financings contain restrictions on sale of businesses or significant assets within the businesses. At 31 December 2018 there were no breaches in financial covenants.

C.4. Cash and deposits

C.4.1. Cash and cash equivalents

PYG millions	2018	2017
Cash and cash equivalents in USD	51,521	433,880
Cash and cash equivalents in PYG	96,250	54,166
Total cash and cash equivalents	**147,771**	**488,046**

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

Cash deposits with bank with maturities of more than three months that generally earn interest at market rates are classified as time deposits.

C. Capital structure and financing (Cont.).

C.5. Net debt

PYG millions	2018	2017
Net debt at the beginning of the year (i)	2,238,041	2,043,286
Cash items		
Proceeds from issuance of debt and other financing	200,000	367,000
Repayment of debt and other financing	(85,020)	(55,727)
Increase in finance leases	47,498	115,029
Net decrease (increase) in cash and cash equivalents	340,275	(177,124)
Non-cash items		
Exchange movement on debt and other financing (G.4)	115,193	(54,423)
Net debt at the end of the year	**2,855,987**	**2,238,041**

(i) Total borrowings less cash and cash equivalents.

D. Financial risk management

Exposure to interest rate, foreign currency, liquidity, capital management and credit risks arise in the normal course of Telecel's business. The Group analyses each of these risks individually as well as on an interconnected basis and defines and implements strategies to manage the economic impact on the Group's performance in line with its financial risk management policy. Telecel's risk management strategies may include the use of derivatives. Telecel's policy prohibits the use of such derivatives in the context of speculative trading.

D.1. Interest rate risk

Debt and financing issued at floating interest rates expose the Group to cash flow interest rate risk. Debt and financing issued at fixed rates expose the Group to fair value interest rate risk. The Group's exposure to risk of changes in market interest rates relate to both of the above. To manage this risk, the Group's policy is to maintain a combination of fixed and floating rate debt with target for the debt to be distributed between fixed and variable rates. The Group actively monitors borrowings against this target and applies a dynamic interest rate hedging approach. The target mix between fixed and floating rate debt is reviewed periodically. The purpose of Telecel's policy is to achieve an optimal balance between cost of funding and volatility of financial results, while taking into account market conditions as well as our overall business strategy. At 31 December 2018, approximately 94% of the Group's borrowings are at a fixed rate of interest.

D.1.1. Fixed and floating rate debt

Financing at 31 December 2018 Amounts due within:	Amounts due within:						
PYG millions	**1 year**	**1-2 years**	**2-3 years**	**3-4 years**	**4-5 years**	**>5 years**	**Total**
Fixed rate financing	197,727	258,667	228,356	1,934,529	152,732	69,222	2,841,233
Weighted average nominal interest rate	7.76%	7.64%	7.43%	7.20%	9.07%	8.95%	7.57%
Floating rate financing (i)	15,157	15,156	15,156	15,156	15,156	86,744	162,525
Weighted average nominal interest rate	2.02%	2.02%	2.02%	2.02%	2.02%	2.02%	2.02%
Total	**212,884**	**273,823**	**243,512**	**1,949,685**	**167,888**	**155,966**	**3,003,758**
Weighted average nominal interest rate	7.45%	7.34%	7.15%	6.93%	6.85%	5.10%	7.19%

(i) Comprised of finance leases whose discount rates are reviewed on a yearly basis.

Financing at 31 December 2017 Amounts due within:	Amounts due within:						
PYG millions	**1 year**	**1-2 years**	**2-3 years**	**3-4 years**	**4-5 years**	**>5 years**	**Total**
Fixed rate financing	85,020	197,726	258,537	189,293	1,780,040	100,442	2,611,058
Weighted average nominal interest rate	7.75%	7.71%	7.57%	7.32%	7.07%	9.22%	7.53%
Floating rate financing	9,931	9,931	9,931	9,931	9,931	65,374	115,029
Weighted average nominal interest rate	2.02%	2.02%	2.02%	2.02%	2.02%	2.02%	2.02%
Total	**94,951**	**207,657**	**268,468**	**199,224**	**1,789,971**	**165,816**	**2,726,087**
Weighted average nominal interest rate	7.51%	7.48%	7.35%	7.11%	6.88%	6.38%	7.28%

D.2. Foreign currency risks

The Group seeks to reduce its foreign currency exposure through a policy of matching, as far as possible, assets and liabilities denominated in foreign currencies, or entering into agreements that limit the risk of exposure to currency fluctuations against the US dollar reporting currency. In some cases, The Group may also borrow in US dollars where it is either commercially more advantageous to incur debt obligations in US dollars or where US dollar denominated borrowing is the only funding source available. In these circumstances, The Group accepts the remaining currency risk associated with financing, principally because of the relatively high cost of forward cover, when available.

D. Financial risk management (Cont.)

D.2.1. Debt denominated in USD and other currencies

PYG millions /	2018		2017	
USD millions	**USD**	**PYG**	**USD**	**PYG**
Debt denominated in USD	297	1,769,553	296	1,655,699
Debt denominated in PYG	-	1,234,205	-	1,070,388
Total debt	**297**	**3,003,758**	**296**	**2,726,087**

D.3. Credit and counterparty risk

Financial instruments that subject the Group to credit risk include cash and cash equivalents, trade receivables, supplier advances and other current assets. Counterparties to agreements relating to the Group's cash and cash equivalents are significant financial institutions with investment grade ratings. Management does not believe there are significant risks of non-performance by these counterparties and maintain a diversified portfolio of banking partners. Allocation of deposits across banks are managed such that the Group's counterparty risk with a given bank stays within limits which have been set based on each banks credit rating.

A large portion of revenue of the Group comprises prepaid products and services. For postpaid customers, the Group follows risk control procedures to assess the credit quality of the customer, taking into account its financial position, past experience and other factors.

Accounts receivable also comprise balances due from other telecom operators. Credit risk of other telecom operators is limited due to the regulatory nature of the telecom industry, in which licenses are normally only issued to credit worthy companies. The Group maintains a provision for impairment of trade receivables based upon expected collectability.

D.4. Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Group has significant indebtedness but also has significant cash balances. Telecel evaluates its ability to meet its obligations on an ongoing basis using a recurring liquidity planning tool. This tool considers the operating net cash flows generated from its operations and the future cash needs for borrowing, interest payments, dividend payments and capital and operating expenditures required in maintaining and developing its operating businesses.

The Group manages its liquidity risk through use of bank overdrafts, bank loans, bonds, non-bank loans, and finance leases. The Group believes that there is sufficient liquidity available in the markets to meet ongoing liquidity needs. Additionally, The Group is able to arrange offshore funding. The Group has a diversified financing portfolio with commercial banks representing about 24% of its gross financing (2017: 22%), bonds 59% (2017: 61%), Development Finance Institutions 12% (2017: 13%) and finance leases 5% (2017: 4%).

Maturity Profile of Net Financial Liabilities at 31 December 2018

PYG million	Less than 1 year	1 to 5 years	> 5 years	Total
Total debt and financing	(212,884)	(2,690,234)	(100,640)	(3,003,758)
Cash and cash equivalents	147,771	-	-	147,771
Net cash (debt) including derivatives related to debt	**(65,113)**	**(2,690,234)**	**(100,640)**	**(2,855,987)**
Future interest commitments	(223,673)	(564,426)	(7,948)	(796,047)
Trade payables (excluding accruals)	(828,930)	-	-	(828,930)
Other financial liabilities (including accruals)	(553,211)	(391,215)	-	(944,426)
Trade receivables	1,986,397	-	-	1,986,397
Other financial assets	327,008	28,246	-	355,254
Net financial liabilities	**642,478**	**(3,617,629)**	**(108,588)**	**(3,083,739)**

D. Financial risk management (Cont.)

Maturity Profile of Net Financial Liabilities at 31 December 2017

PYG million	Less than 1 year	1 to 5 years	> 5 years	Total
Total debt and financing	(94,951)	(2,575,691)	(55,445)	(2,726,087)
Cash and cash equivalents	488,046	-	-	488,046
Net cash (debt) including derivatives related to debt	**393,095**	**(2,575,691)**	**(55,445)**	**(2,238,041)**
Future interest commitments	(204,736)	(662,603)	(10,584)	(877,923)
Trade payables (excluding accruals)	(612,155)	-	-	(612,155)
Other financial liabilities (including accruals)	(500,135)	(304,798)	-	(804,933)
Trade receivables	1,555,739	-	-	1,555,739
Other financial assets	179,904	38,873	-	218,777
Net financial liabilities	**811,712**	**(3,504,219)**	**(66,029)**	**(2,758,536)**

D.5. Capital management

The primary objective of the Group's capital management is to ensure a strong credit rating and solid capital ratios in order to support its business and maximize shareholder value.

The Group manages its capital structure with reference to economic conditions and imposed restrictions such as debt covenants and local regulations. To maintain or adjust its capital structure, the Group may make dividend payments to shareholders, return capital to shareholders through share repurchases or issue new shares.

The Group reviews its gearing ratio (net debt divided by total capital plus net debt) periodically. Net debt includes interest bearing loans and borrowings, less cash and cash equivalents (included restricted cash) and pledged and time deposits related to bank borrowings. Capital represents equity attributable to the equity holders of the parent.

Net debt to EBITDA (i)

PYG millions	Note	2018	2017
Net debt	C.5	2,855,987	2,238,041
EBITDA		1,431,674	1,413,391
Net debt to EBITDA		**1.99**	**1.58**

(i) We define EBITDA as our earnings before interests, taxes, depreciation and amortization.

Gearing ratio

PYG millions	Note	2018	2017
Net debt	C.5	2,855,987	2,238,041
Equity		1,028,666	1,046,804
Net debt and Equity		**3,884,653**	**3,284,845**
Gearing ratio		**74%**	**68%**

E. Long-term assets

E.1. Intangible assets

The Group's intangible assets mainly consist of goodwill arising from acquisitions, customer lists acquired through acquisitions, licenses and rights to operate and use spectrum.

E.1.1. Accounting for intangible assets

Intangible assets acquired in business acquisitions are initially measured at fair value at the date of acquisition, and those which are acquired separately are measured at cost. Internally generated intangible assets, excluding capitalized development costs, are not capitalized but expensed to the income statement in the expense category consistent with the function of the intangible assets. Subsequently intangible assets are carried at cost, less any accumulated amortization and any accumulated impairment losses.

Intangible assets with finite useful lives are amortized over their estimated useful economic lives using the straight-line method and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for intangible assets with finite useful lives are reviewed at least at each financial year-end. Changes in expected useful lives or the expected beneficial use of the assets are accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates.

Amortization expense on intangible assets with finite lives is recognized in the consolidated income statement in the expense category consistent with the function of the intangible assets.

Goodwill

Goodwill represents the excess of cost of an acquisition over the Group's share in the fair value of identifiable assets less liabilities and contingent liabilities of the acquired subsidiary, at the date of the acquisition. If the fair value or the cost of the acquisition can only be determined provisionally, then goodwill is initially accounted for using provisional values. Within 12 months of the acquisition date any adjustments to the provisional values are recognized. This is done when the fair values and the cost of the acquisition have been finally determined. Adjustments to provisional fair values are made as if the adjusted fair values had been recognized from the acquisition date. Goodwill on acquisition of subsidiaries is included in "intangible assets, net". Goodwill on acquisition of joint ventures or associates is included in "investments in joint ventures and associates". Following initial recognition, goodwill is measured at cost, less any accumulated impairment losses. Gains or losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Where goodwill forms part of a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed of in this manner is measured based on the relative values of the operation disposed and the portion of the cash generating unit retained.

Impairment testing of goodwill

Goodwill from CGUs is tested for impairment at least each year and more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment losses on goodwill are not reversed.

Goodwill arising on business combinations is allocated to each of the Group's cash generating units (CGUs) or groups of cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is allocated:

- Represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- Is not larger than an operating segment.

Impairment is determined by assessing the recoverable amount (value in use) and, if appropriate, the fair value less costs to sell of the CGU (or group of CGUs), to which the goodwill relates. Where the recoverable amount and fair value less costs to sell of the CGU (or group of CGUs) is less than the carrying amount, an impairment loss is recognized for the lower amount.

E. Long-term assets (Cont.)

Licenses

Licenses are recorded at either historical cost or, if acquired in a business combination, at fair value at the date of acquisition. Cost includes cost of acquisition and other costs directly related to acquisition and retention of licenses over the license period. These costs may include estimates related to fulfillment of terms and conditions related to the licenses such as service or coverage obligations, and may include up-front and deferred payments.

Licenses have a finite useful life and are carried at cost less accumulated amortization and any accumulated impairment losses. Amortization is calculated using the straight-line method to allocate the cost of the licenses over their estimated useful lives. The terms of licenses, which have been awarded for various periods, are subject to periodic review for, amongst other things, rate setting, frequency allocation and technical standards. Licenses are initially measured at cost and are amortized from the date the network is available for use on a straight-line basis over the license period. Licenses held, subject to certain conditions, are usually renewable and generally non-exclusive. When estimating useful lives of licenses, renewal periods are included only if there is evidence to support renewal by the Group without significant cost.

Trademarks and customer lists

Trademarks and customer bases are recognized as intangible assets only when acquired or gained in a business combination. Their cost represents fair value at the date of acquisition. Trademarks and customer bases have indefinite or finite useful lives. Indefinite useful life trademarks are tested for impairment annually. Finite useful life trademarks are carried at cost, less accumulated amortization. Amortization is calculated using the straight-line method to allocate the cost of the trademarks and customer bases over their estimated useful lives. The estimated useful lives for trademarks and customer bases are based on specific characteristics of the market in which they exist. Trademarks and customer bases are included in “Intangible assets, net”.

Estimated useful lives	Years
Trademarks	1 to 15
Customer lists	4 to 9

Programming and content rights

Programming and content master rights which are purchased or acquired in business combinations which meet certain criteria are recorded at cost as intangible assets. The rights must be exclusive, related to specific assets which are sufficiently developed, and probable to bring future economic benefits and have validity for more than one year. Cost includes consideration paid or payable and other costs directly related to the acquisition of the rights, and are recognized at the earlier of payment or commencement of the broadcasting period to which the rights relate.

Programming and content rights capitalized as intangible assets have a finite useful life and are carried at cost, less accumulated amortization and any accumulated impairment losses. Amortization is calculated using the straight-line method to allocate the cost of the rights over their estimated useful lives.

Non-exclusive and programming and content rights for periods less than one year are expensed over the period of the rights.

Indefeasible rights of use

There is no universally-accepted definition of an indefeasible rights of use (“IRU”). These agreements come in many forms. However, the key characteristics of a typical arrangement include:

- The right to use specified network infrastructure or capacity;
- For a specified term (often the majority of the useful life of the relevant assets);
- Legal title is not transferred;
- A number of associated service agreements including Operations and Maintenance (“O&M”) and co-location agreements. These are typically for the same term as the IRU; and

E. Long-term assets (Cont.)

- Any payments are usually made in advance.

IRUs are accounted for either as a lease, or service contract based on the substance of the underlying agreement.

IRU arrangements will qualify as a lease if, and when:

- The purchaser has an exclusive right for a specified period and has the ability to resell (or sub-let) the capacity; and
- The capacity is physically limited and defined; and
- The purchaser bears all costs related to the capacity (directly or not) including costs of operation, administration and maintenance; and
- The purchaser bears the risk of obsolescence during the contract term.
  If all of these criteria are not met, the IRU is treated as a service contract.

If an IRU is determined to be a lease, the following indicators need to be present in order for the capitalization of an IRU as a finance lease to be considered:

- The Group will be consuming the major part of the useful economic life of the asset (generally considered to be 75% of the total remaining useful economic life of the asset). The Group assumes that the useful economic life of a new fiber cable is 15 years;
- Substantially all of the risks and rewards of ownership are transferred to the Group (e.g. Telecel can sublease excess capacity on the cables to other operators; Telecel is responsible for maintaining the cables during the contract period);
- Neither party has the right to terminate the contract early (other than for “force majeure”);
- The contract price is not subject to renegotiation or change (other than for inflationary increases);
- The minimum contractual payments are for substantially all of the fair value of the asset (generally considered to be greater or equal to 90% of the fair value of the leased asset);
- The Group can determine the fair value of the leased asset;
- The Group has physical access rights to the cable. Otherwise the IRU will be considered as an operating lease.

A finance lease of an IRU of network infrastructure (cables or fiber) is accounted for as a tangible asset. A finance lease of a capacity IRU (wavelength) is accounted for as an intangible asset.

Estimated useful lives of finance leases of IRUs of capacity are between 12 and 15 years, or shorter if the estimated useful life of the underlying cable is shorter.

The costs of an IRU recognized as operating lease is recognized as prepayment and amortized in the income statement on a straight-line basis over the lease term.

The costs of an IRU recognized as service contract is recognized as prepayment and amortized in the income statement as incurred over the duration of the contract.

E.1.2. Impairment of non-financial assets

At each reporting date Telecel assesses whether there is an indication that a non-financial asset may be impaired. If any such indication exists, or when annual impairment testing for a non-financial asset is required, an estimate of the asset’s recoverable amount is made. The recoverable amount is determined based on the higher of its fair value less cost to sell, and its value in use, for individual assets, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Where no comparable market information is available, the fair value, less cost to sell, is determined based on the estimated future cash flows discounted to their present value using a discount rate that reflects current market conditions for the time value of money and risks specific to the asset. The foregoing analysis also evaluates the appropriateness of the expected useful lives of the assets. Impairment losses of continuing operations are recognized in the consolidated income statement in expense categories consistent with the function of the impaired asset.

E. Long-term assets (Cont.)

At each reporting date an assessment is made as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. Other than for goodwill, a previously recognized impairment loss is reversed if there has been a change in the estimate used to determine the asset's recoverable amount since the last impairment loss was recognized. If so, the carrying amount of the asset is increased to its recoverable amount. The increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss.

After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

E.1.3. Movements in intangible assets

Movements in intangible assets 2018

PYG millions	Goodwill	Licenses (ii)	Content	Customer lists	Other (i)	Total
Opening balance, net	**293,019**	**383,419**	**58,145**	**15,748**	**220,175**	**970,506**
Additions	-	220,352	-	-	133,617	353,969
Impairments and net disposals	-	-	-	-	(2,778)	(2,778)
Amortization charge (i)	-	(71,305)	(19,381)	(15,748)	(51,887)	(158,321)
Transfers	-	(4,997)	-	-	(66,972)	(71,969)
Closing balance, net	**293,019**	**527,469**	**38,764**	**-**	**232,155**	**1,091,407**
Cost	293,019	789,955	155,051	126,830	585,067	1,949,922
Accumulated amortization	-	(262,486)	(116,287)	(126,830)	(352,912)	(858,515)
Net	**293,019**	**527,469**	**38,764**	**-**	**232,155**	**1,091,407**

Movements in intangible assets 2017

PYG millions	Goodwill	Licenses (ii)	Content	Customer lists	Other (i)	Total
Opening balance, net	**284,404**	**312,940**	**98,449**	**36,747**	**182,505**	**915,045**
Additions/acquisitions	8,615	104,629	-	-	143,856	257,100
Impairments and net disposals	-	-	(20,925)	-	-	(20,925)
Amortization charge (i)	-	(49,958)	(19,381)	(20,997)	(47,717)	(138,053)
Transfers	-	15,808	-	-	(58,469)	(42,661)
Closing balance, net	**293,019**	**383,419**	**58,143**	**15,750**	**220,175**	**970,506**
Cost	293,019	574,972	155,052	126,828	521,422	1,671,293
Accumulated amortization	-	(191,553)	(96,909)	(111,078)	(301,247)	(700,787)
Net	**293,019**	**383,419**	**58,143**	**15,750**	**220,175**	**970,506**

(i) The caption "Other" includes mainly software licenses and development of intangibles.
(ii) In the current period, 4G licenses were acquired for PYG 193,242 million (2017 PYG 175,543 million). It also includes Spectrum and other social obligations.

E.1.4. Cash used for the purchase of intangible assets

Cash used for intangible asset additions

PYG millions	2018	2017
Additions	(353,969)	(257,100)
Change in advances to suppliers	(6,904)	(124)
Change in accruals and payables for intangibles	90,282	(34,575)
Cash used from continuing operations for additions	**(270,591)**	**(291,799)**

E. Long-term assets (Cont.)

E.2. Property, plant and equipment

E.2.1. Accounting for property, plant and equipment

Items of property, plant and equipment are stated at either historical cost, or the lower of fair value and present value of the future minimum lease payments for assets under finance leases, less accumulated depreciation and accumulated impairment. Historical cost includes expenditure that is directly attributable to acquisition of items. The carrying amount of replaced parts is derecognized.

Depreciation is calculated using the straight-line method over the shorter of the estimated useful life of the asset and the remaining life of the license associated with the assets, unless the renewal of the license is contractually possible.

Estimated useful lives	Years
Buildings	40 years or lease period, if shorter
Networks (including civil works)	5 to 15 years or lease period, if shorter
Other	2 to 7

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. The assets' residual value and useful life is reviewed, and adjusted if appropriate, at each statement of financial position date. An asset's carrying amount is written down immediately to its recoverable amount if its carrying amount is greater than its estimated recoverable amount.

Construction in progress consists of the cost of assets, labor and other direct costs associated with property, plant and equipment being constructed by the Group, or purchased assets which have yet to be deployed. When the assets become operational, the related costs are transferred from construction in progress to the appropriate asset category and depreciation commences.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Ongoing routine repairs and maintenance are charged to the income statement in the financial period in which they are incurred.

Costs of major inspections and overhauls are added to the carrying value of property, plant and equipment and the carrying amount of previous major inspections and overhauls is derecognized.

Equipment installed on customer premises which is not sold to customers is capitalized and amortized over the customer contract period.

A liability for the present value of the cost to remove an asset on both owned and leased sites (for example cell towers) and for assets installed on customer premises (for example set-top boxes), is recognized when a present obligation for the removal exists. The corresponding cost of the obligation is included in the cost of the asset and depreciated over the useful life of the asset, or lease period if shorter.

Borrowing costs that are directly attributable to the acquisition or construction of a qualifying asset are capitalized as part of the cost of that asset when it is probable that such costs will contribute to future economic benefits for the Group and the costs can be measured reliably.

E. Long-term assets (Cont.)

E.2.2. Movements in tangible assets

Movements in tangible assets 2018

PYG millions	Network equipment	Land and Buildings	Construction in Progress	Other (i)	Total
Opening balance, net	**1,477,077**	**66,957**	**196,813**	**93,371**	**1,834,218**
Additions	67,341	-	275,503	66	342,910
Impairments and net disposals	(62,716)	(12)	(186)	178	(62,736)
Depreciation charge	(318,349)	(1,288)	-	(44,297)	(363,934)
Asset retirement obligations	827	1,536	-	-	2,363
Transfers	261,047	1,845	(193,466)	28,576	98,002
Closing balance at December 31, 2018	**1,425,227**	**69,038**	**278,664**	**77,894**	**1,850,823**
Cost	4,137,709	80,981	278,664	306,782	4,804,136
Accumulated depreciation	(2,712,482)	(11,943)	-	(228,888)	(2,953,313)
Net	**1,425,227**	**69,038**	**278,664**	**77,894**	**1,850,823**

Movements in tangible assets 2017

PYG millions	Network equipment	Land and Buildings	Construction in Progress	Other (i)	Total
Opening balance, net	**1,519,458**	**64,206**	**269,174**	**107,788**	**1,960,626**
Additions/acquisitions	127,517	-	244,024	884	372,425
Impairments and net disposals	(153,089)	-	(474)	(803)	(154,366)
Depreciation charge	(325,984)	(1,121)	-	(40,189)	(367,294)
Asset retirement obligations	16,043	2,576	-	-	18,619
Transfers	293,132	1,296	(315,911)	25,691	4,208
Closing balance at December 31, 2017	**1,477,077**	**66,957**	**196,813**	**93,371**	**1,834,218**
Cost	3,940,086	77,914	196,813	278,414	4,493,227
Accumulated depreciation	(2,463,009)	(10,957)	-	(185,043)	(2,659,009)
Net	**1,477,077**	**66,957**	**196,813**	**93,371**	**1,834,218**

(i) The caption “Other” includes mainly office equipment and motor vehicles.

Borrowing costs capitalized for the years ended December 31, 2018 and 2017 were not significant.

E.2.3. Cash used for the purchase of tangible assets

Cash used for tangible asset additions

PYG millions	2018	2017
Additions	(342,910)	(372,425)
Change in advances to suppliers	(35,501)	4,416
Change in accruals and payables for tangibles	82,573	128,132
Cash used for additions	**(295,838)**	**(239,877)**

E. Long-term assets (Cont.)

E.2.4 Proceeds from sale of property, plant and equipment

Proceeds from sale of property, plant and equipment

PYG millions	**2018**	**2017**
Tower sale, net of taxes	223,670	425,941
Other	8,153	7,019
Total	**231,823**	**432,960**

E.3. Assets held for sale

If Telecel decides to sell subsidiaries, investments in joint ventures or associates, or specific non-current assets in its businesses, these items qualify as assets held for sale if certain conditions are met.

E.3.1. Classification of assets held for sale

Non-current assets (or disposal groups) are classified as assets held for sale and stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is expected to be recovered principally through sale, not through continuing use. Liabilities of disposal groups are classified as “Liabilities directly associated with assets held for sale”.

E.3.2. Telecel’s assets held for sale

In 2017, the Group announced an agreement to sell and leaseback approximately 1,400 wireless communications towers to a subsidiary of ATC (refer to note C above). 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 December 31, 2018:

Assets and liabilities reclassified as held for sale (PYG millions)	**As at December 31, 2018**	**As at December 31,2017**
Towers	12,422	38,456
Total assets of held for sale	**12,422**	**38,456**
Towers	2,433	10,276
Total liabilities directly associated with assets held for sale	**2,433**	**10,276**
Net assets held for sale / book value	**9,989**	**28,180**

F. Other assets and liabilities

F.1. Trade receivables

The Group's trade receivables mainly comprise interconnect receivables from other operators, postpaid mobile and residential cable subscribers as well as B2B customers. The nominal value of receivables adjusted for impairment approximates the fair value of trade receivables.

PYG millions	2018	2017
Gross trade receivables	616,764	603,283
Less: provisions for impairment of receivables	(219,219)	(216,758)
Trade receivables, net	**397,545**	**386,525**

Aging of trade receivables PYG millions	Neither past due nor impaired	Past due (net of impairments) < 30 days	30-90 days	>90 days	Total
2018					
Telecom operators	10,824	575	453	2,150	14,002
Own customers	267,944	17,937	5,163	26,088	317,132
Others	58,523	2,681	2,023	3,184	66,411
Total	**337,291**	**21,193**	**7,639**	**31,422**	**397,545**
2017					
Telecom operators	11,240	842	1,379	2,791	16,252
Own customers	202,502	82,886	22,266	-	307,654
Others	52,352	5,175	5,092	-	62,619
Total	**266,094**	**88,903**	**28,737**	**2,791**	**386,525**

Trade receivables are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method, less provision for expected credit losses. The Group recognizes an allowance for expected credit losses (ECLs) applying a simplified approach in calculating the ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime of ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The provision for expected credit losses is recognized in the consolidated statement of income within Cost of sales.

F.2. Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the first-in, first-out (FIFO) method. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Inventories

PYG millions	2018	2017
Telephone and equipment	28,700	38,380
SIM cards	687	1
Other	8,366	4,895
Total Inventory	**37,753**	**43,276**

F. Other assets and liabilities (Cont.)

F.3. Trade payables

Trade payables are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method where the effect of the passage of time is material.

F.4. Prepayment and accrued income

PYG millions	2018	2017
Accrued income from rendered services	104,119	117,268
Prepayments	58,504	40,652
Total Prepayment and accrued income	**162,623**	**157,920**

F.5. Current and non-current provisions and other liabilities

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, if it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain.

The expense relating to any provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax cost of debt rate that reflects, where appropriate, risks specific to the liability. Where discounting is used, increases in the provision due to the passage of time are recognized as interest expenses.

F.5.1. Current provisions and other liabilities

Current

PYG millions	2018	2017
Deferred revenue *(i)*	-	128,492
Customer deposits	34,611	36,588
Current legal provisions	8,845	6,822
Other tax payables	11,700	15,619
Prepayment card	20,980	16,866
Advanced payments	2,708	4,873
Tax risk provision	9,300	-
Other	73,172	22,593
Total	**161,316**	**231,853**

(i) Deferred revenue has been reclassified to Contract Liabilities as a result of the adoption of IFRS 15. See the 'Accounting Policy Changes' note.

F.5.2. Non-current provisions and other liabilities

Non-current

PYG millions	2018	2017
Deferred income on tower deals	210,423	142,711
Long-term portion of asset retirement obligations	104,754	96,692
Acc. payable and accruals for the purchase of license and spectrum (non-current)	74,234	63,459
Other	1,804	1,936
Total	**391,215**	**304,798**

F. Other assets and liabilities (Cont.)

F.6. Assets and liabilities related to contract with customers

Contract assets, net

PYG millions	2018
Long-term	8,552
Short-term	69,722
Less: provisions for expected credit	-
Total	**78,274**

Contract liabilities

PYG millions	2018
Long-term	3,014
Short-term	140,502
Total	**143,516**

The Group recognized revenue for PYG 136,165 million in 2018 that was included in the contract liability balance at the beginning of the year.

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at December 31, 2018 is PYG 158,677 million (expected to be recognized as revenue in the 2020 financial year) (i).
(i) This amount does not consider contracts that have an original expected duration of one year or less, neither contracts in which consideration from a customer corresponds to the value of the entity's performance obligation to the customer (i.e. billing corresponds to accounting revenue).

Contract costs, net (i)

PYG millions	2018
Net at January	519
Contract costs	1,117
Amortization of contract	(792)
Net at December	**844**

(i) Incremental costs of obtaining a contract are expensed when incurred if the amortization period of the asset that Telecel otherwise would have recognized is one year or less.

G. Additional disclosure items

G.1. Fees to auditors

PYG millions	2018	2017
Audit fees	1,069	916
Total	**1,069**	**916**

G.2. Capital and operational commitments

Telecel has a number of capital and operational commitments to suppliers and service providers in the normal course of its business. These commitments are mainly contracts for acquiring network and other equipment, and leases for towers and other operational equipment.

G.2.1. Capital commitments

At 31 December 2018 the Group had fixed commitments to purchase network equipment, land and buildings, other fixed assets and intangible assets of PYG 686,857 million (December 31, 2017: PYG 631,198 million).

G.2.2. Lease commitments

Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement and involves an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and whether or not the arrangement conveys a right to use the asset. 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. 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.

Operating leases

Operating leases are all other leases that are not finance leases. Operating lease payments are recognized as expenses in the consolidated income statement on a straight-line basis over the lease term.

Operating leases mainly comprise land in which cell towers are located (including those related to towers sold and leased back) and buildings. Total operating lease expense from continuing operations for the year ended 31 December 2018 was PYG 19,115 million (2017: PYG 16,702 million – see note B.2.).

Annual operating lease commitments

PYG millions	2018	2017
Within: one year	28,823	36,300
Between: one to five years	91,763	80,257
After: five years	71,417	2,747
Total	**192,003**	**119,304**

G. Additional disclosure items (Cont.)

Finance leases

Finance 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 at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges 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 charged directly against income. Where a finance lease results from a sale and leaseback transaction, any excess of sales proceeds over the carrying amount of the assets is deferred and amortized over the lease term.

Capitalized leased assets are depreciated over the shorter of the estimated useful lives of the assets, or the lease term if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Finance leases mainly comprise lease of tower space (see note C.3.3.).

The corresponding finance lease liabilities at December 31, 2018 were PYG 162,525 million (2017: PYG 115,029). Interest expense on finance lease liabilities amounts to PYG 375,724 million for the year 2018 (2017: PYG 284,894).

G.3. Contingent liabilities

G.3.1. Litigation and legal risks

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 December 31, 2018, the total amount of provisions related to claims against the Group's operations was PYG 8,845 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.

G.4. Non-cash investing and financing activities

Non-cash investing and financing activities from continuing operations

PYG millions	2018	2017
Investing Activities		
Financing / (Acquisition) of property, plant and equipment	47,072	132,548
Financing / (Acquisition) of intangibles	91,993	(178,555)
Asset retirement obligations (E.2.2)	2,363	18,619
Financing Activities		
Effect of forex exchange on financial debt (C.5)	115,193	(54,423)

G.5. Related party balances and 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.

G. Additional disclosure items (Cont.)

Expenses from transactions with related parties

PYG millions	2018	2017
Millicom – Other Paraguayan operations	240,904	229,795
Millicom - Non-Paraguayan companies	2,175	-
Total	**243,079**	**229,795**

Income and gains from transactions with related parties

PYG millions	2018	2017
Millicom – Other Paraguayan operations	103,745	64,045
Millicom - Non-Paraguayan companies	26,757	9,899
Total	**130,502**	**73,944**

As at 31 December the Company had the following balances with related parties:

PYG millions	2018	2017
Receivables - Short Term		
Millicom – Other Paraguayan operations	151,951	329,723
Millicom – Non-Paraguayan companies	1,436,901	839,491
Total	**1,588,852**	**1,169,214**

PYG millions	2018	2017
Receivables - Long Term		
Millicom – Other Paraguayan operations	166,441	-
Total	**166,441**	**-**

PYG millions	2018	2017
Payables		
Millicom – Other Paraguayan operations	164,792	65,207
Millicom – Non-Paraguayan companies	6,770	10,516
Total	**171,562**	**75,723**

Loans and receivables include receivables from related parties and are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those maturing more than 12 months after the end of the reporting period. These are classified within non-current assets. Loans and receivables are carried at amortized cost using the effective interest method. Gains and losses are recognized in the statement of income when the loans and receivables are derecognized or impaired, as well as through the amortization process. In respect of impairment of financial assets, the Group assesses on a forward looking basis the expected credit losses associated with its financial assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

H. Subsequent events

BBVA loan
On January 2nd, 2019, Telecel obtained a seven-year loan from BBVA Bank for PYG 117,000 millions, denominated in Paraguayan guaranies and bears a fixed annual interest rate of 8.94%.

Legal Entity

On February 11th, 2019, the Ministerio de Hacienda, local tax authority, authorized the change of the legal entity of Telefónica Celular del Paraguay Sociedad Anónima to Telefónica Celular del Paraguay Sociedad Anónima Emisora.