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

For the three month period
ended March 31, 2020

May 28, 2020

Unaudited Interim Condensed Consolidated Financial Statements

for the three-month period ended March 31, 2020

Unaudited interim condensed consolidated statement of comprehensive income for the three-month period ended March 31, 2020

PYG millions	Notes	Three months ended March 31, 2020	Three months ended March 31, 2019
Revenue		672,020	721,666
Cost of sales		(133,319)	(131,987)
Gross profit		**538,701**	**589,679**
Operating expenses		(302,553)	(251,979)
Depreciation		(90,949)	(83,933)
Amortization		(53,215)	(50,714)
Other operating income (expenses), net		4,337	5,673
Operating profit		**96,321**	**208,726**
Interest expense		(95,315)	(147,158)
Interest and other financial result, net		(52,594)	12,867
Exchange loss, net		(12,833)	(34,192)
Profit before taxes		**(64,421)**	**40,243**
Charge for taxes, net		7,947	(15,311)
Net profit and comprehensive income for the period		**(56,474)**	**24,932**
Attributable to:			
Equity holders of the company		**(56,474)**	**24,932**

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

Unaudited Interim Condensed Consolidated Financial Statements

for the three-month period ended March 31, 2020

Unaudited interim condensed consolidated statement of financial position as at March 31, 2020

PYG millions	Notes	31 March 2020	31 December 2019 (audited)
ASSETS			
NON-CURRENT ASSETS			
Intangible assets, net	5	908,802	1,008,187
Property, plant and equipment, net	4	1,459,275	1,529,791
Right of use assets		402,129	413,565
Deferred tax assets		81,914	83,627
Contract costs, net		398	597
Other non-current assets		49,702	45,685
Amounts due from related parties LT		80,242	80,242
TOTAL NON-CURRENT ASSETS		**3,054,462**	**3,161,694**
CURRENT ASSETS			
Inventories, net		55,846	45,451
Trade receivables, net		317,461	328,507
Contract assets, net		69,924	70,930
Amounts due from related parties ST	8	2,561,527	1,876,868
Prepayments and accrued income		203,201	179,984
Supplier advances for capital expenditure		15,346	18,436
Other current assets		90,605	57,205
Cash and cash equivalents		1,061,355	187,141
TOTAL CURRENT ASSETS		**4,375,265**	**2,764,522**
TOTAL ASSETS		**7,429,727**	**5,926,216**

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

Unaudited interim condensed consolidated statement of financial position as at March 31, 2020 (continued)

PYG millions	Notes	31 March 2020	31 December 2019 (audited)
EQUITY AND LIABILITIES EQUITY			
Share capital and premium		164,008	164,008
Legal reserve		50,110	50,110
Other reserves		14,957	13,122
Retained profits		448,301	237,294
Profit for the year attributable to equity holders		(56,474)	211,007
Equity attributable to owners of the Company		**620,902**	**675,541**
TOTAL EQUITY		**620,902**	**675,541**
LIABILITIES			
Non-current liabilities			
Debt and financing LT	6	4,658,207	2,962,608
Lease liabilities		384,968	395,741
Provisions and other non-current liabilities		398,875	412,214
Total non-current liabilities		**5,442,050**	**3,770,563**
Current liabilities			
Debt and financing ST	6	95,224	278,212
Payables and accruals for capital expenditure		197,964	272,600
Lease liabilities		86,461	86,566
Other trade payables		178,467	138,496
Amounts due to related parties	8	274,134	249,893
Accrued interest and other expenses		254,277	190,550
Current income tax liabilities		10,307	3,993
Contract liabilities		78,152	78,945
Provisions and other current liabilities		191,789	180,857
Total current liabilities		**1,366,775**	**1,480,112**
TOTAL LIABILITIES		**6,808,825**	**5,250,675**
TOTAL EQUITY AND LIABILITIES		**7,429,727**	**5,926,216**

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

Unaudited Interim Condensed Consolidated Financial Statements

for the three-month period ended March 31, 2020

Unaudited interim condensed consolidated statement of cash flows for the three-month period ended March 31, 2020

PYG millions	Notes	March 31, 2020	March 31, 2019
Cash flows from operating activities			
Profit before taxes from continuing operations		(82,798)	40,243
Adjustments to reconcile to net cash:			
Interest expense, net		95,315	147,158
Interest and other financial income		(18,307)	(12,867)
Exchange gain on foreign exchange		13,844	34,192
Adjustments for non-cash items:			
Depreciation and amortization		144,164	134,647
Gain on disposal and impairment of assets, net		13,029	(5,673)
Shared Based Compensation		1,835	548
Changes in working capital:			
Increase in trade receivables, prepayments and other current assets		(49,317)	(162,608)
Increase in inventories		(10,395)	(10,545)
(Decrease) increase (in trade and other payables		76,869	90,156
Changes in contract assets, liabilities and costs, net		592	7,367
Total changes in working capital		**17,749**	**(75,630)**
Interest paid		(64,682)	(27,998)
Interest received		18,317	232
Taxes paid		7,561	(2,752)
Net cash provided by operating activities		**146,026**	**232,100**
Cash flows from investing activities:			
Purchase of intangible assets and licenses	5	(110,860)	(158,924)
Purchase of property, plant and equipment	4	(12,746)	(40,541)
Proceeds from sale of property, plant and equipment	4, 5	5,111	7,521
Debt and other financing granted to related parties, net		(657,408)	(174,688)
Net cash used in investing activities		**(775,903)**	**(366,632)**
Cash flows from financing activities:			
Repayment of debt and financing		(435,313)	(70,958)
Repayment of Leases		(5,274)	(5,876)
Proceeds from issuance of debt and other financing		1,942,027	177,000
Net cash used by financing activities		**1,501,440**	**100,166**
Exchange impact on cash and cash equivalents, net		8,970	2,240
Net increase (decrease) in cash and cash equivalents		**880,533**	**(32,126)**
Cash and cash equivalents at the beginning of the year		187,141	147,771
Cash and cash equivalents at the end of the year		**1,067,674**	**115,645**

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Unaudited Interim Condensed Consolidated Financial Statements

for the three-month period ended March 31, 2020

Unaudited interim condensed consolidated statements of changes in equity for the period ended December 31, 2019 and March 31, 2020

PYG millions	Number of shares	Share Capital	Retained profits	Legal reserves	Other Reserves	Total equity
Balance as of December 31, 2018	**10,000**	**164,008**	**807,342**	**50,110**	**7,206**	**1,028,666**
Adjustment on adoption of IFRS 15 and IFRS 9 (net of tax)	-	-	-	-	-	-
Total comprehensive income for the year			211,007			211,007
Dividends			(570,048)	-	-	(570,048)
Share based compensation	-	-	-	-	5,916	5,916
Balance as of December 31, 2019	**10,000**	**164,008**	**448,301**	**50,110**	**13,122**	**675,541**
Total comprehensive income for the period	-	-	(56,138)	-	-	(56,138)
Dividends	-	-		-	-	-
Share based compensation	-	-	-	-	1,835	1,835
Balance as of March 31, 2020	**10,000**	**164,008**	**391,827**	**50,110**	**14,956**	**620,902**

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

Notes to the unaudited interim condensed consolidated statements

1. ORGANIZATION

Telefónica Celular del Paraguay S.A.E. (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 businesses in Paraguay. The Company was formed in 1992. The general administration of the Company is located at Zavala Cue esq. Artilleria, Fernando de la Mora, Paraguay.

Telecel is a wholly owned subsidiary of Millicom International III N.V. The ultimate parent company is Millicom International Cellular S.A. a Luxembourg Société Anonyme whose shares are traded on the Nasdaq Stock Market in the U.S under ticker symbol TIGO and on Nasdaq Stockholm TIGO_SDB.

On January 17, 2020, the Board of Directors authorized these Unaudited Interim Condensed Consolidated Financial Statements for issuance.

2. SUMMARY OF CONSOLIDATION AND ACCOUNTING POLICIES

These interim condensed consolidated financial statements of the Group are unaudited. They are presented in Paraguayan Guaraníes and have been prepared in accordance with International Accounting Standard ("IAS") 34 'Interim Financial Reporting' issued by the International Accounting Standard (IASB). In the opinion of management, these unaudited interim condensed consolidated financial statements reflect all adjustments that are necessary for a proper presentation of the results for interim periods. The Company's operations are not affected by significant seasonal or cyclical patterns.

These unaudited interim condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2019. These financial statements are prepared in accordance with consolidation and accounting policies consistent with the 2019 consolidated financial statements, except for the changes described below.

COVID-19 - Qualitative and quantitative assessment on business activities, financial situation and economic performance

The outbreak of a novel and highly contagious form of coronavirus ("COVID-19"), which the World Health Organization has declared to constitute a pandemic, has resulted in numerous deaths, adversely impacted global commercial activity and contributed to significant volatility in global equity and debt markets. The impact of the outbreak is rapidly evolving, and most countries globally, including Paraguay, have reacted by implementing severe restrictions on travel and public gatherings, including the closing of offices, businesses, schools, retail stores and other public venues, and by instituting curfews or quarantines.
Such measures, as well as the general uncertainty surrounding the dangers of COVID-19, have produced a significant disruption in economic activity and are having an adverse impact on transportation, hospitality, tourism, entertainment and other industries. As a result, many economists now project a severe global recession and a contraction in economic activity in Latin America in 2020.

Impact on our markets and business
To date, Paraguay is the country that has reported the lowest cases and fatalities in Latin America. The countries where Millicom operates have reported fewer cases and fatalities related to COVID-19 than in Europe and the United States, but this may reflect a relative lack of testing and reporting, and the number of cases and deaths both continue to rise. That said, most governments were quick to implement severe restrictions, which may prove effective at containing the spread of the virus and its impact on health systems and economies.
As one of the largest private companies in Paraguay, we have been supporting local governments and health officials in many ways, especially by communicating important information to the public.
Our business is at the core of the contingency plans for the millions of individuals and companies who rely on us to connect them to their family and friends, business partners, and to the world. As a result, we have observed an increase in traffic of approximately 40% on our fixed networks since restrictions were imposed on the population by the government, whilst the impact on our mobile networks have been more modest. However, we have also seen the negative impact of the disruption to our sales and distribution channels caused by the

closure of many of our stores and points of sale. These closures impact our ability to service and to collect from our customers and to sell products and services, including postpaid mobile and residential cable subscriptions and prepaid SIM cards and top-ups.
We are working closely with the government to ensure our full compliance with the measures, and we have gradually rolled out "lifeline products" to retain customers who are temporarily unable to pay for our services, while also providing an incentive for other customers to continue to pay fully and in a timely manner.
Finally, our supply chain continues to function without any meaningful interruption, and we have taken steps to continue to secure sufficient inventory and supplies.

Management action
It is difficult to predict whether the challenges we have been facing since mid-March will continue for the remainder of 2020 or 2021 and beyond. Considering this, since Q2 some measures were applied to preserve cash flow and liquity for 2020 in direct costs as a consequence of a recession, will be offset mainly in Bad Debt costs. The expenses are expected to be reduced coming from prioritized measures, and expenses related to salesforce and A&P. Additionally, costs related to certain activities such as entertainment, training as part of ERC, lower maintenance, and collection and billing related costs as a result of less billing, along with a decrease in decrease, among other impacts.

Impact on liquidity and financial resources
As of March 31, 2020, we had PYG 1,067,675 million in cash and cash equivalents. During the period, Telecel made a retap of $ 250 million (PYG 1,640,750 million) on the Unsecured Senior Notes with an interest rate of 5.875%. Additionally we also had the issuance of local bonds in Q1 by PYG 35 billion in order to complete the PYG 300 billion program. These were totally subscribed with a successful demand.
Regarding credit facilities, we have refinanced our loan with Banco Itaú Paraguay S.A. with an additional credit of PYG 51.54 million. We kept the fixed rate at 9% with maturity of 5 years.
We are currently in compliance with all of our covenants.

Impact on accounting matters
As COVID-19 continues to spread, the potential impacts, including a global, regional or other economic recession, are increasingly uncertain and difficult to assess. Nevertheless, we have identified potential significant accounting implications in the following areas:

- Impairment of trade receivables / Revenue recognition

  Given the very recent outbreak in our country, we did not see any significant effects on collections as of March closing. However, this area is monitored very closely by management. As such, IFRS 9 provision matrix and bad debt provisions are being updated on a monthly basis to reflect the probability of collecting receivables. In addition, we continue to monitor and review revenue recognition in accordance with the requirements of IFRS 15, in particular with respect to the probability of collectability.

- Income taxes

  Considering the current outbreak and the uncertainty around its effects, management considered that a full Effective Tax Rate ("ETR") approach was appropriate to determine the Q1 2020 group tax charge.
  Nevertheless, despite the fact that this outbreak is still very recent and its effect on future periods yet to be assessed, when such ETR has not been considered as representative for the period, a further analysis was performed to reach a more meaningful ETR, based on the best assessment possible with the available information. In some specific cases, such as lossmaking operations or one-offs (prior year adjustments, tax audits, non-routine transactions), a deeper analysis was performed to assess the impact on the resulting tax charge.
  The Q1 2019 tax charge was the result of a full current and deferred tax computation. However, the ETR methodology was used to assess the reliability of the resulting tax charge. Therefore, the Q1 2019 tax charge can be considered as comparable to the Q1 2020 tax charge.

There might be implications on other accounting areas such as revenue recognition, inventories or share-based payments, but we currently do not expect these to be significant as of today. Finally, as of the date of this report, we have determined there are no material uncertainties that might cast significant doubt upon our operation's ability to continue as a going concern.

New and amended IFRS standards

The following changes to standards effective for annual periods starting on January 1, 2020 have been adopted by the Group and did not have any significant impact on the Group's accounting policies or disclosures and did not require retrospective adjustments:

- Amendments to the conceptual framework. The IASB has revised its conceptual framework.
- Amendments to IAS 1, 'Presentation of financial statements', and IAS 8, 'Accounting policies, changes in accounting estimates and errors'.
- Amendments to IFRS 9, IAS 39 and IFRS 7 - Interest Rate Benchmark Reform.
- Amendments to IFRS 3 - definition of a business. This amendment revises the definition of a business.

The following changes to standards not yet effective are not expected to materially affect the Group:

- IFRS 17, 'Insurance contracts' - effective for annual periods starting on January 1, 2021- IFRS 17 will not have an impact for the Group.
- Amendments to IAS 1, 'Presentation of Financial Statements' - effective for annual periods starting on January 1, 2022- This amendment clarifies that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability.

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

Acquisitions

During the three month period ended March 31, 2020, Telecel did not complete any significant acquisitions.

4. PROPERTY, PLANT AND EQUIPMENT

During the three-month period ended, the Group added property, plant and equipment for PYG 12,746 million (March 31, 2019: PYG 40,541 million) and received PYG 5,111 million in cash from disposal of property, plant and equipment (March, 2019: PYG 7,521 million).

5. INTANGIBLE ASSETS

During the three-month period ended March 31, 2020, the Group added intangible assets of PYG 110,860 million (March 31, 2019: PYG 158,924 million) and did not receive proceeds from disposal of intangible assets (March 31, 2019: PYG nil).

6. DEBT AND FINANCING

In April 2019, Telecel issued $300 million (PYG 1,914,000 million) 5.875% senior notes due 2027 (the "Telecel 2027 Notes"). The Telecel 2027 Notes bear interest at 5.875% p.a., payable semi-annually in arrears on April 15th and October 15th of each year, starting on October 15th, 2019. The net proceeds of the Telecel 2027 Notes were used to finance the purchase of the Telecel 2022 Notes.

On June 2019, Telecel registered to issue bonds on the Paraguayan stock market. Telecel enrolled a program by PYG 300.000.000.000 (approximately $47 million) to be launched in different series from 1 year to 10 years.

The first three series were launched on June 5th, 2019 by PYG 230.000.000.000 (approximately $37 million). They were registered and issued as follows: (i) PYG 115.000.000.000 (approximately $18 million) at an 8.75% rate, due June 3rd, 2024; (ii) PYG 50.000.000.000 (approximately $ 7.8 million) at a 9.25% rate, due May 29th, 2026; and (iii) PYG 65.000.000.000 (approximately $ 10 million) a at 10%, due May 31st, 2029.

In December 2019, Telecel issued two additional series by PYG 35.000.000.000 as follows: (iv) PYG 10.000.000.000 at a 9,25% rate, due December 30th, 2026; and (v) PYG 25.000.000.000 at a 10% rate, due December 24th, 2029.

In January 2020, Telecel made a retap of the Unsecured Senior Notes due 2027 by $ 250 million with an interest rate of 5.875%. This issuance was fully subscribed and we received $ 16 million as premium proceed, resulting in an effective interest rate of 4.81%. $ 2.7 million of related unamortized costs were recognized and the Redeemed Notes were classified as current liabilities.

Additionally, in January 2020, we have refinanced our outstanding PYG 103.08 billion loan with Banco Itaú Paraguay S.A. with an additional credit of PYG 51.54 billion. The fixed rate was kept at 9% with maturity in 5 years.

In February 2020, Telecel, IPS (Instituto de Previsión Social) and IIC (Interamerican Investment Corporation) signed an agreement to cancel the outstanding credit facility with the Paraguayan Social Security Entity (IPS) paying the principal plus cumulate interests by an amount of PYG 319.232 million.

Finally, in February 2020, Telecel completed the issuance of the remaining program with the following series: (vi) PYG 15,000,000,000 at a 9.25% rate, due by January 29th, 2027; and (vii) PYG 20,000,000,000 at 10%, due by January 31st, 2030.

PYG Millions	Carrying Value	Fair Value (i)	Carrying Value	Fair Value (i)
	As at March 2020	As at March 2020	As at December 2019	As at December 2019
Borrowings and local bonds	1,085,769	1,086,332	1,331,537	1,530,095

(i) Fair values are measured with reference to Level 1 (for listed bonds) or 2.

USD Millions	Carrying Value	Fair Value (i)	Carrying Value	Fair Value (i)
	As at March 2020	As at March 2020	As at December 2019	As at December 2019
International bonds	550	591	300	323

(i) Fair values are measured with reference to Level 1 (for listed bonds) or 2

Bank and Development Financial Institution financings

(PYG millions)	Issuance date	Maturity date	Fixed interest rate	As at March 30, 2020	As at December 31, 2019
Banco Itaú Paraguay S.A.	10/2015	09/2020	9.00%	153,876	102,980
Inter-American Development Bank / IPS (*)	07/2017	05/2022	10.08%	-	304,446
Banco Regional S.A.E.C.A.	07/2018	06/2025	8.90%	115,000	115,000
Banco Bilbao Vizcaya Argentaria	01/2019	11/2025	8.94%	176,571	176,552
Banco Continental S.A.E.C.A.	09/2019	09/2026	9.00%	342,915	369,288
Bank and Development Financial Institution financing				**788,362**	**1,068,266**

(*) This Facility is guaranteed by Millicom.

Analysis of debt and other financing by maturity

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

$ millions	As at March 31, 2020	As at December 31, 2019
Due within:		
One year	95,224	278,115
One-two years	142,124	233,533
Two-three years	142,124	170,979
Three-four years	142,124	122,700
Four-five years	256,380	226,200
After five years	3,975,455	2,209,294
Total debt	**4,753,431**	**3,240,821**

7. COMMITMENTS AND CONTINGENCIES

Litigation & claims

Telecel operates 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 and regulation, including interconnection, license renewal and tariffs, which may impact the profitability 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 March 31, 2020, the total amount of provisions related to claims against the Group's operations was PYG 8,218 million (December 31, 2019: PYG 8,218 million). Management is of the opinion that while it is impossible to ascertain the ultimate legal and financial liability with respect to these claims, the ultimate outcome of these contingencies is not anticipated to have a material effect on the Group's financial position and operations.

Capital commitments

At March 31, 2020, the Company had fixed commitments to purchase network equipment, land and buildings, other fixed assets and intangible assets of PYG 31,887million (December 31, 2019: PYG 345,496 million).

8. RELATED PARTY TRANSACTIONS

The following net transactions were conducted and the relevant incomes/(expenses) recorded with related parties during the three-month period ended March 31, 2020:

PYG millions (unaudited)	Three months ended March 31, 2020	Three months ended March 31, 2019
Millicom - Other Paraguayan Operations	63,295	34,280
Millicom - Non-Paraguayan companies	55,843	(13,273)
Total	**119,139**	**21,007**

As at March 31, 2020 the Group had the following balances with related parties:

PYG millions (unaudited)	At March 31, 2020	At December 31, 2019
Receivables Short Term		
Millicom - Other Paraguayan Operations	626,463	334,719
Millicom - Non-Paraguayan companies	1,935,064	1,542,149
Total	**2,561,527**	**1,876,868**

PYG millions (unaudited)	At March 31, 2020	At December 31, 2019
Receivables Long Term		
Millicom - Other Paraguayan Operations	80,242	80,242
Total	**80,242**	**80,242**

PYG millions (unaudited)	At March 31, 2020	At December 31, 2019
Payables		
Millicom - Other Paraguayan Operations	200,475	227,860
Millicom - Non-Paraguayan companies	73,659	20,033
Total	**274,134**	**247,893**

9. SUBSEQUENT EVENTS

Tax

Due to the state of sanitary emergency due to the COVID-19 pandemic, the Tax Administration of Paraguay has determined some extensions of tax due dates and / or payment facilities that are:

- Extension of the Corporate Income Tax corresponding to the 2019 financial year, from April to June and payment in 4 (four) consecutive installments.

- Extension of the Value Added Tax corresponding to the month of March, from April to May.

- Extension of the 4 (four) Advances of Corporate Income Tax 2020, from May, July, September and November to July, September, November and December respectively.

The Financial Statements publication has been also postponed to July 31, 2020 by the Tax authority, due to the COVID-19 pandemic.

Consolidation entities

In April 2020, and as a result of shareholding restructuring, Telecel's shareholder, Millicom International III N.V., will increase its participation in the Company by endorsing in favour of Telecel the 99 shares owned by it in Mobile Cash. As a result, Telecel will become the majority shareholder of Mobile Cash (with the 99 shares transmitted by endorsement).

Commitments

In April 2020, intercompany loans were agreed between Telecel and Servicios y Productos Multimedios (SPM) for $ 35 million and between TELECEL and Mobile Cash Paraguay (MFS) for $ 5 million.

Others

In April 2020, the following dividends were paid: Telecel for $ 29.5 million (net of taxes), SPM (advance) for $ 31.5M (net) and MFS (advance) for $ 8.3 million (net).

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