# Unaudited Interim Amended and Restated Condensed Consolidated Financial Statements of Telefónica Celular del Paraguay S.A.E.

For the six month period
ended June 30, 2020

November 26, 2020

# Unaudited Interim Condensed Consolidated Financial Statements

for the six-month period ended June 30, 2020

## Unaudited interim condensed consolidated statement of comprehensive income for the six-month period ended June 30, 2020

| PYG millions | Notes | Six month ended 30 June, 2020 | Increase/ (Decrease) | Six month ended 30 June, 2020 (Restated) [(1)] | Six month ended 30 June, 2019 |
|---|---|---|---|---|---|
| Revenue | | 1,818,567 | (520,056) | 1,298,511 | 1,440,165 |
| Cost of sales | | (466,525) | 177,528 | (288,997) | (265,919) |
| **Gross profit** | | **1,352,042** | **(342,528)** | **1,009,514** | **1,174,246** |
| Operating expenses | | (518,105) | (28,695) | (546,800) | (529,020) |
| Depreciation | | (244,332) | 58,915 | (185,417) | (210,269) |
| Amortization | | (117,716) | 10,276 | (107,440) | (94,376) |
| Other operating income (expenses), net | | (1,241) | 4,641 | 3,400 | 7,386 |
| Corporate fees | 5 | (142,462) | 83,531 | (58,931) | - |
| **Operating profit** | | **328,186** | **(213,860)** | **114,326** | **347,967** |
| Interest expense | | (206,333) | 6,692 | (199,641) | (228,422) |
| Interest and other financial result, net | | 35,465 | 11,170 | 46,635 | 27,881 |
| Other non operating income (expenses) | | 144,671 | (36,950) | 107,721 | - |
| Exchange loss, net | | (102,721) | 38,655 | (64,066) | (45,653) |
| **Profit (loss) before taxes** | | **199,268** | **(194,293)** | **4,975** | **101,773** |
| Charge for taxes, net | | (9,168) | 16,878 | 7,710 | (36,326) |
| **Profit Loss for the year** | | **190,100** | **(177,415)** | **12,685** | **65,447** |
| **Attributable to:** | | | | | |
| Equity holders of the company | | 190,100 | (177,415) | 12,685 | 65,447 |

[(1)] Restatement – see note 3.

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

# Unaudited Interim Condensed Consolidated Financial Statements

for the six-month period ended June 30, 2020

## Unaudited interim condensed consolidated statement of financial position as at June 30, 2020

| PYG millions | Notes | 30 June 2020 | Increase / (Decrease) | 30 June 2020 (Restated) [1] | 31 December 2019 (audited) |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **NON-CURRENT ASSETS** | | | | | |
| Intangible assets, net | **7** | 3,337,639 | (195,177) | 3,142,462 | 1,008,187 |
| Property, plant and equipment, net | **6** | 2,195,890 | - | 2,195,890 | 1,529,791 |
| Right of use assets | | 498,810 | - | 498,810 | 413,565 |
| Deferred tax assets | | 80,979 | - | 80,979 | 83,627 |
| Contract costs, net | | 226 | - | 226 | 597 |
| Other non-current assets | | 45,456 | - | 45,456 | 45,685 |
| Amounts due from related parties | | - | - | - | 80,242 |
| **TOTAL NON-CURRENT ASSETS** | | **6,159,000** | **(195,177)** | **5,963,823** | **3,161,694** |
| | | | | | |
| **CURRENT ASSETS** | | | | | |
| Inventories, net | | 34,984 | - | 34,984 | 45,451 |
| Trade receivables, net | | 330,764 | (6,320) | 324,444 | 328,507 |
| Contract assets, net | | 73,646 | - | 73,646 | 70,930 |
| Amounts due from related parties | **9** | 2,377,738 | - | 2,377,738 | 1,876,868 |
| Prepayments and accrued income | | 213,790 | - | 213,790 | 179,984 |
| Supplier advances for capital expenditure | | 21,587 | - | 21,587 | 18,436 |
| Other current assets | | 91,938 | | 91,938 | 57,205 |
| Restricted Cash | | - | 122,926 | 122,926 | |
| Cash and cash equivalents | | 944,376 | (116,607) | 827,769 | 187,141 |
| **TOTAL CURRENT ASSETS** | | **4,088,823** | **(1)** | **4,088,822** | **2,764,522** |
| **TOTAL ASSETS** | | **10,247,823** | **(195,178)** | **10,052,645** | **5,926,216** |

[1] Restatement – see note 3.

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 June 30, 2020 (continued)

| PYG millions | Notes | 30 June 2020 | Increase / Decrease | 30 June 2020 (Restated) [1] | 31 December (audited) |
|---|---|---|---|---|---|
| **EQUITY AND LIABILITIES EQUITY** | | | | | |
| Share capital and premium | 9 | 168,469 | - | 168,469 | 164,008 |
| Legal reserve | | 50,110 | - | 50,110 | 50,110 |
| Other reserves | | 16,008 | - | 16,008 | 13,122 |
| Retained profits | | 237,294 | 1 | 237,295 | 237,294 |
| Profit for the year attributable to equity holders | | 190,100 | (177,415) | 12,685 | 211,007 |
| **Equity attributable to owners of the Company** | | **661,981** | **(177,414)** | **484,567** | **675,541** |
| **TOTAL EQUITY** | | **661,981** | **(177,414)** | **484,567** | **675,541** |
| **LIABILITIES** | | | | | |
| **Non-current liabilities** | | | | | |
| Debt and financing | 8 | 4,773,913 | - | 4,773,913 | 2,962,608 |
| Lease liabilities | | 483,362 | - | 483,362 | 395,741 |
| Provisions and other non-current liabilities | | 416,008 | - | 416,008 | 412,214 |
| **Total non-current liabilities** | | **5,673,283** | **-** | **5,673,283** | **3,770,563** |
| **Current liabilities** | | | | | |
| Debt and financing | 8 | 112,924 | - | 112,924 | 278,212 |
| Payables and accruals for capital expenditure | | 218,280 | - | 218,280 | 272,599 |
| Lease liabilities | | 81,245 | - | 81,245 | 86,566 |
| Other trade payables | | 117,625 | - | 117,625 | 138,498 |
| Amounts due to related parties | 11 | 2,520,080 | (17,764) | 2,502,316 | 249,893 |
| Accrued interest and other expenses | | 213,065 | - | 213,065 | 190,550 |
| Current income tax liabilities | | 155,658 | - | 155,658 | 3,993 |
| Contract liabilities | | 89,306 | - | 89,306 | 78,945 |
| Provisions and other current liabilities | | 404,376 | - | 404,376 | 180,856 |
| **Total current liabilities** | | **3,912,559** | **(17,764)** | **3,894,795** | **1,480,112** |
| **TOTAL LIABILITIES** | | **9,585,842** | **(17,764)** | **9,568,078** | **5,250,675** |
| **TOTAL EQUITY AND LIABILITIES** | | **10,247,823** | **(195,178)** | **10,052,645** | **5,926,216** |

[1] Restatement – see note 3.

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

# Unaudited Interim Condensed Consolidated Financial Statements

for the six-month period ended June 30, 2020

## Unaudited interim condensed consolidated statement of cash flows for the six-month period ended June 30, 2020

| PYG millions | Notes | June 30, 2020 | Increase / Decrease | June 30, 2020 (Restated) (1) | June 30, 2019 |
|---|---|---|---|---|---|
| **Cash flows from operating activities** | | | | | |
| Profit before taxes from continuing operations | | **199,268** | **(194,293)** | **4,975** | **101,773** |
| **Adjustments to reconcile to net cash:** | | | | | |
| Interest expense, net | | 206,333 | (6,692) | 199,641 | 228,422 |
| Interest and other financial income | | (35,465) | (11,170) | (46,635) | (27,881) |
| Exchange gain on foreign exchange | | 102,721 | (38,655) | 64,066 | 45,653 |
| **Adjustments for non-cash items:** | | | | | |
| Depreciation and amortization | | 362,048 | (69,428) | 292,620 | 304,645 |
| Gain on disposal and impairment of assets, net | | 1,241 | (4,641) | (3,400) | (7,386) |
| Shared based compensation | | 2,886 | - | 2,886 | 1,981 |
| **Changes in working capital:** | | | | | |
| Increase in trade receivables, prepayments and other current assets | | (3,909) | (1,239) | (5,148) | (119,766) |
| (Decrease) increase in inventories | | 9,490 | (3,060) | 6,430 | (9,726) |
| Increase in trade and other payables | | 2,436,756 | 29,123 | 2,465,879 | 78,903 |
| Changes in contract assets, liabilities and costs, net | | 1,674 | - | 1,674 | 8,839 |
| **Total changes in working capital** | | **2,444,011** | **24,824** | **2,486,835** | **(41,750)** |
| Interest paid | | (223,658) | 16,873 | (206,785) | (153,930) |
| Interest received | | 46,866 | - | 46,866 | 467 |
| Taxes (paid) refunded | | 81,697 | 19,571 | 101,268 | (12,957) |
| **Net cash provided by operating activities** | | **3,187,948** | **(263,611)** | **2,924,337** | **439,037** |
| **Cash flows from investing activities:** | | | | | |
| Acquisition of subsidiaries, joint-ventures and associates, net of cash acquired | **3** | - | (2,508,596) | (2,508,596) | - |
| Purchase of intangible assets and licenses | **6** | (215,432) | 50,434 | (164,998) | (238,977) |
| Purchase of property, plant and equipment | **5** | (155,370) | 123,707 | (31,663) | (72,062) |
| Proceeds from sale of property, plant and equipment | **5, 6** | 6,803 | (318) | 6,485 | 7,981 |
| Debt and other financing (granted to) obtained from related parties, net | | (722,621) | (192,701) | (915,322) | (111,819) |
| Cash (used in) provided by other investing activities, net | | (2,668,102) | 2,668,102 | - | - |
| **Net cash used in investing activities** | | **(3,754,722)** | **140,628** | **(3,614,094)** | **(414,877)** |
| **Cash flows from financing activities:** | | | | | |
| Repayment of debt and financing | | (436,992) | 6 | (436,986) | (1,962,941) |
| Repayment of Leases | | (8,058) | - | (8,058) | (13,370) |
| Proceeds from issuance of debt and other financing | | 1,942,027 | - | 1,942,027 | 2,233,163 |
| Payment of dividends to equity holders | | (477,649) | 285,996 | (191,653) | - |
| **Net cash provided by financing activities** | | **1,019,328** | **286,002** | **1,305,330** | **256,852** |
| Exchange impact on cash and cash equivalents, net | | 29,408 | (4,353) | 25,055 | 3,435 |
| **Net increase in cash and cash equivalents** | | **481,962** | **158,666** | **640,628** | **284,447** |
| Cash and cash equivalents at the beginning of the year | | 462,414 | (275,273) | 187,141 | 147,771 |
| **Cash and cash equivalents at the end of the year** | | **944,376** | **(116,607)** | **827,769** | **432,218** |

(1) Restatement – see note 3.

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

## Unaudited interim condensed consolidated statements of changes in equity for the period ended June 30, 2019 and June 30, 2020

| PYG millions | Number of shares [2] | Share Capital [2] | Retained profits [1] | 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** |
| Total comprehensive income for the year | - | - | 65,447 | - | - | 65,447 |
| Dividends | - | - | (570,048) | - | - | (570,048) |
| Share based compensation | - | - | - | - | 1,981 | 1,981 |
| **Balance as of June 30, 2019 (unaudited)** | **10,000** | **164,008** | **302,741** | **50,110** | **9,187** | **526,046** |
| | | | | | | |
| **Balance as of December 31, 2019 (audited)** | **10,000** | **164,008** | **448,301** | **50,110** | **13,122** | **675,541** |
| Total comprehensive income for the period | - | - | 12,685 | - | - | 12,685 |
| Dividends | - | - | (211,006) | - | - | (211,006) |
| Increase of share capital | 272 | 4,461 | - | - | - | 4,461 |
| Share based compensation | - | - | - | - | 2,886 | 2,886 |
| **Balance as of June 30, 2020 (unaudited) [1]** | **10,272** | **168,469** | **249,980** | **50,110** | **16,008** | **484,567** |

(1) Restatement – see note 3.
(2) See note 9 - Capital Structure and Financing.

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., Lothar Systems S.A., Servicios y Productos Multimedios S.A. and Mobile Cash Paraguay S.A. (Note 3) (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. (MICSA) 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.

### 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 business***

To date, Paraguay is one of the countries that has reported the lowest cases and fatalities in Latin America. 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 and applying sanitation measures in our stores and offices.

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 the world. As a result, we have observed an increase in traffic of approximately 30% on our fixed networks since restrictions were imposed on the population by the government that represents almost an increase of 26% of bandwidth costs, whilst the impact on our mobile networks have been more modest.

During the last three month, the local football championship was suspended, and this has negatively impacted demand for our Pay TV services.

We have worked closely with the government to ensure our full compliance with the measures, and we had 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.

During the second quarter, Tigo Money was a key strategic partner to the Government, distributing subsidies to 415,000 people, of which approximately 6 out of 10 beneficiaries were women. Small businesses without point of sale system sold food and collected funds with their mobile wallets and cell phones, multiplying the government's help that also reached small shops in very remote areas of the country, reactivating the economy.

Our supply chain continues to function without any meaningful interruption, and we have taken steps to continue to secure sufficient inventory and supplies.

Even though the social restriction protocols have softened, health security measures continue, and the country is still on phase 3 of Covid-19 quarantine, while some regions have returned to the initial phase 0 of restrictive measures.

***Management action***

It is difficult to predict whether the challenges we have been facing since March will continue for the remainder of 2020 or 2021 and beyond. Considering this, we have taken steps to reduce costs, including selling and marketing and employee-related costs.

***Impact on liquidity and financial resources***

As of June 30, 2020, we had PYG 827,769 million in cash and cash equivalents. The company's accumulated debt financing, including lease liabilities and amounts due to related parties amounted to PYG 7,953,760 million, of which a modest portion is maturing near term, including PYG 2,696,485 million is 2020, PYG 170,141 million in 2021, PYG 168,008 million in 2022 and PYG 4,919,126 three and more years. The Group is currently in compliance with all of its covenants and interest payments.

On April 23, the Board approved an advanced payment of dividends for Servicios y Productos Multimedios S.A. based on the preliminary results, totalling PYG 227,839 million. On June 25, after receiving the audited financial staments from our external auditors, we got the final results for PYG 214,347 million. Consequently, on July 28, the Company received the return of excess advance dividends from Millicom Holding 300 N.V. for PYG 12,142 million ($1.7 million), net after withholding tax.

***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*

During Q2 2020, and as a result of worsening collections, the Group has recognised additional bad debt provisions for an amount of PYG 20.403 million (aprox. $2.9 million) compared to the level of provisions recorded during Q1 2020 and the same amount compared to Q2 2019.

As of June 30, 2020, the total bad debt provisions covered 100% of the receivables overdue by more than 90 days.

*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.
- Amendment to IFRS 16, 'Leases' - COVID 19 Rent Concessions - effective for annual periods starting on June 1, 2020. This amendment provides an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. Lessees can elect to account for such rent concessions in the same way as they would if they were

not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs.

- 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, 2023- IFRS 17 will not have an impact for the Group.
- Amendments to IFRS 4 'Insurance contracts' (deferral of effective date of IFRS 9) - effective for annual periods starting on January 1, 2021- These amendments extend the effective date to apply IFRS 9 for insurance contracts to January 1, 2023 in order to align with the effective date of IFRS 7. These amendments will not have an impact for the Group.
- Amendments to IAS 1, 'Presentation of Financial Statements' - effective for annual periods starting on January 1, 2023- 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.
- Amendments to IFRS 9, IAS 39 and IFRS 7 - Interest Rate Benchmark Reform - Phase 2 - effective for annual periods starting on January 1, 2021. The amendments address issues that arise during the reform of an interest rate benchmark, including the replacement of one benchmark with an alternative one.
- Amendments to:
  - IFRS 3 'Business Combinations' - Reference to Conceptual Framework.
  - IAS 16 'Property, Plant and Equipment' - Proceeds before intended use.
  - IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' - Cost of fulfilling a contract.
  - Annual improvements to IFRS Standards 2018-2020, affecting IFRS 1, IFRS 9, IFRS 16 and IAS 41.

All of these amendments are effective for annual periods starting on January 1, 2022.

## 3. RESTATEMENT OF PREVIOUSLY ISSUED FINANCIAL STATEMENTS

The management of the Company has determined the need to restate the financial statements, issued as of and for the six-month period ended June 30, 2020, after reassessing the accounting treatment of the acquisition of Servicios y Productos Multimedios SA (SPM) and Mobile Cash Paraguay SA (MCASH), by Telefonica Celular del Paraguay SAE (Telecel). The Company has determined that the balances, transactions and cash flows disclosed in the financial statements previously issued, contain inaccuracies resulting from the methodology used to consolidate.

The Company had considered, in its initially issued consolidated financial statements, the balances as of June 30, 2020 of SPM and MCASH and their results and cash flows from January 1, 2020 to June 30, 2020. However, in accordance with IFRS 3, the results and cash flows should have been consolidated from the date of acquisition (see note 4), hence, from May 20, 2020 and June 29, 2020, respectively, instead of January 1, 2020.

As a consequence, in accordance with IAS 8, management restated the financial statements initially issued, considering the following points:

- The statement of comprehensive income and cash flows were restated to reflect the consolidation of MCASH and SPM's results and cash flows from their actual acquisition dates (i.e. from May 20 and June 29, 2020, respectively), and not from January 1, 2020 as initially disclosed.

- Similarly to the statement of comprehensive income, the statement of financial position was restated to reflect the first consolidation of MCASH and SPM's balances from their actual acquisition dates, and not from January 1, 2020 as initially disclosed, with a corresponding impact on initial goodwill.

Considering the materiality of the above changes, management has disclosed the effects of the restatements in the corresponding primary statements under a separate column ('Increase/Decrease') showing the differences with balances, results and cash flows initially disclosed.

In addition, the effects of the above changes for the six-month period ended June 30, 2020, on the statement of changes in equity, were as follows:

| PYG millions | Number of shares | Share Capital | Retained profits | Legal reserves | Other Reserves | Total equity |
|---|---|---|---|---|---|---|
| **Balance as of December 31, 2019** | **10,000** | **164,008** | **517,199** | **50,110** | **13,122** | **744,439** |
| Total comprehensive income for the year | - | - | 190,100 | - | - | 190,100 |
| Dividends | - | - | (279,905) | - | - | (279,905) |
| Increase of share capital | 272 | 4,461 | - | - | - | 4,461 |
| Share based compensation | - | - | - | - | 2,886 | 2,886 |
| **Balance as of June 30, 2020** | **10,272** | **168,469** | **437,394** | **50,110** | **16,008** | **661,981** |
| | | | | | | |
| **Increase/Decrease in Balance as of December 31, 2019 (audited)** | **-** | **-** | **(68,898)** | **-** | **-** | **(68,898)** |
| Increase / Decrease in Total comprehensive income for the period | - | - | (177,415) | - | - | (177,415) |
| Increase / Decrease in Dividends | - | - | 68,898 | - | - | 68,898 |
| Increase / Decrease in Share capital | - | - | - | - | - | - |
| Increase / Decrease in Share based compensation | - | - | - | - | - | - |
| **Increase /Decrease in Balance as of June 30, 2020** | **-** | **-** | **(187,415)** | **-** | **-** | **(177,415)** |
| | | | | | | |
| **Balance as of December 31, 2019 (audited)** | **10,000** | **164,008** | **448,301** | **50,110** | **13,122** | **675,541** |
| Total comprehensive income for the period | - | - | 12,685 | - | - | 12,685 |
| Dividends | - | - | (211,007) | - | - | (211,007) |
| Increase of share capital | 272 | 4,461 | - | - | - | 4,461 |
| Share based compensation | - | - | - | - | 2,886 | 2,886 |
| **Balance as of June 30, 2020 (unaudited and restated)** | **10,272** | **168,469** | **249,979** | **50,110** | **16,008** | **484,566** |

## 4. ACQUISITION OF SUBSIDIARIES

**Acquisitions 2020**

During the six-month period ended June 30, 2020, and as a result of a shareholding restructuring, the Company made the following acquisitions under common control:

**a) Mobile Cash Paraguay SA:**

On 20 May 2020, the parent shareholder of the Company contributed its 99.99% shareholding in Mobile Cash Paraguay SA into Telecel SAE. As consideration for this contribution, Telecel SAE issued 272 new shares to its parent for a value of PYG 4,461 million. Since that date, Telecel SAE controls Mobile Cash Paraguay SA (MCP) and fully consolidates it, recognising non-controlling interests for the 0.01% shareholding it does not own.

The purchase consideration also includes potential indemnifications from the sellers (including tax and litigation contingencies). For the purchase accounting, Telecel SAE determined the provisional fair values of Mobile Cash Paraguay SA's identifiable assets and liabilities based on transaction and relative fair values. The purchase accounting is still provisional at June 30, 2020, particularly in respect of the valuation of identified assets and liabilities, as well as, the final price adjustment. Management expects to finalize the purchase accounting in Q4 2020.

The provisional purchase accounting as at June 30, 2020 is as follows:

| | Provisional Fair values (100%) (PYG millions) | Decrease / Increase | Provisional Fair values (100%) (PYG millions) (Restated) [1] |
|---|---|---|---|
| Intangible assets, net | 5,869 | (127) | 5,742 |
| Property, plant and equipment, net | 1,821 | (118) | 1,703 |
| Current assets (excluding cash and trade receivables) | 120,619 | (55,331) | 65,288 |
| Trade receivables | 570 | 1,624 | 2,194 |
| Restricted Cash | - | 116,635 | 116,635 |
| Cash and cash equivalents | 144,915 | (58,538) | 86,377 |
| **Total Assets acquired** | **273,794** | **4,145** | **277,939** |
| Other debt and financing | 111,292 | 53,433 | 164,725 |
| Deferred tax liabilities | - | 128 | 128 |
| Other liabilities | 13,049 | (12,139) | 910 |
| **Total Liabilities assumed** | **124,341** | **41,422** | **165,763** |
| Fair value of assets acquired and liabilities assumed, net | 149,453 | (37,277) | 112,176 |
| Purchase consideration | 4,455 | - | 4,455 |
| **Gain on purchase [*]** | **(144,998)** | **37,277** | **(107,721)** |

[*] Included in the consolidated statement of comprehensive income as Other non-operating income.

[1] Restatement – see note 3.

**b) Servicios y Productos Multimedios SA:**

On 29 June 2020, through a Share Purchase Agreement (SPA), the Company acquired 99.90% of Servicios y Productos Multimedios SA (SPM) from Millicom Holdings 300 NV for approximately $372 million (subject to potential purchase price adjustments) in cash, payable within 90 days from closing the shares purchase agreement.

The transfer of ownership of shares of SPM was approved by the appropriate regulator “Comisión Nacional de Telecomunicaciones (CONATEL)” on June 03, 2020 by Board Resolution Nº 1182/2020.

Since that date, Telecel SAE controls and fully consolidates SPM, recognizing non-controlling interests for the remaining 0.10% shareholding it does not own.

The purchase consideration also includes potential indemnifications from the sellers (including tax and litigation contingencies). For the purchase accounting, Telecel SAE determined the provisional fair values of SPM's identifiable assets and liabilities based on transaction and relative fair values. The purchase accounting is still provisional at June 30, 2020, particularly in respect of the valuation of identified assets and liabilities, as well as, the final price adjustment. Management expects to finalize the purchase accounting in Q4 2020.

The provisional purchase accounting as at June 30, 2020 is as follows:

| | Provisional Fair values (100%) (PYG millions) | Decrease / Increase | Provisional Fair values (100%) (PYG millions) (Restated) (1) |
|---|---|---|---|
| Intangible assets, net | 63,227 | 43,206 | 106,433 |
| Property, plant and equipment, net | 764,587 | 45,319 | 809,906 |
| Right of use assets, net | 116,096 | (4,341) | 111,755 |
| Other non-current assets | 2,409 | (894) | 1,515 |
| Current assets (excluding cash and trade receivables) | 283,215 | 205,300 | 488,515 |
| Trade receivables | 3,400 | 13,634 | 17,034 |
| Cash and cash equivalents | 17,836 | 18,343 | 36,179 |
| **Total Assets acquired** | **1,250,770** | **320,567** | **1,571,337** |
| Lease liabilities | 116,908 | (2,114) | 114,794 |
| Other debt and financing | 764,079 | 190,993 | 955,072 |
| Deferred tax liabilities | - | 7,905 | 7,905 |
| Other liabilities | 92,462 | (53,821) | 38,641 |
| **Total Liabilities assumed** | **973,449** | **142,963** | **1,116,412** |
| Fair value of assets acquired and liabilities assumed, net | 277,321 | 177,604 | 454,925 |
| Acquisition price | 2,523,438 | - | 2,523,438 |
| **Provisional Goodwill** | **2,246,117** | **(177,604)** | **2,068,513** |

(1) Restatement – see note 3.

## 5. CORPORATE FEES

During the six-month period ended, the Group has recognized expenses for PYG 76,696 million in concept of VCF (Value-creating fees) for the support services provided by Millicom to its international affiliates to optimize services and knowledge that result in obtaining more viable, efficient and profitable telecommunications and cable operations.

## 6. PROPERTY, PLANT AND EQUIPMENT

During the six-month period ended, the Group added property, plant and equipment for PYG 16,045 million (June 30, 2019: PYG 11,648 million) and received PYG 6,485 million in cash from disposal of property, plant and equipment (June, 2019: PYG 7,981 million).

## 7. INTANGIBLE ASSETS

During the six-month period ended June 30, 2020, the Group added intangible assets of PYG 89,248 million (June 30, 2019: PYG 75,852 million) and did not receive proceeds from disposal of intangible assets (June 30, 2019: PYG nil).

## 8. 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.

In June 2019, Telecel registered to issue bonds on the Paraguayan stock market. Telecel registered a bond program for PYG 300,000,000,000 (approximately $47 million) that has been launched in different series from 5 years to 10 years.

The first three series were launched on June 5th, 2019 for 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 for 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 for $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 amortized costs were recognized and the Redeemed Notes were also classified as part of this group.

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.

Regarding outstanding loans with local Banks, Regional Bank issued on July 2018; PYG 115,000,000,000, fixed rate 8.90%, maturity 7 years, first capitalization payment would be in January 2021.

BBVA Bank issued on January 2019; PYG 177,000,000,000, fixed rate 8.70%, maturity 7 years, first capitalization payment would be in June 2021.

Continental Bank issued on September 2019; PYG 370,000,000,000, fixed rate 9.00%, maturity 7 years, next and second capitalization payment would be in September 2020.

Itaú Bank issued on Januay 2020; PYG 154,620,000,000, fixed rate 9.00%, maturity 5 years, first capitalization payment scheduled on July 2020.

| PYG Millions | Carrying Value | Fair Value (i) | Carrying Value | Fair Value (i) |
|---|---|---|---|---|
| | As at June 2020 | As at June 2020 | As at December 2019 | As at December 2019 |
| Borrowings and local bonds | 1,085,924 | 1,187,812 | 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 June 2020 | As at June 2020 | As at December 2019 | As at December 2019 |
| International bonds | 558 | 573 | 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 June 30, 2020 | As at December 31, 2019 |
|---|---|---|---|---|---|
| Banco Itaú Paraguay S.A. | 10/2015 | 09/2020 | 9.00% | 153,915 | 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% | 176,590 | 176,552 |
| Banco Continental S.A.E.C.A. | 09/2019 | 09/2026 | 9.00% | 342,941 | 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 June 30, 2020 | As at December 31, 2019 |
|---|---|---|
| Due within: | | |
| One year | 112,924 | 278,115 |
| One-two years | 142,124 | 233,533 |
| Two-three years | 142,124 | 170,979 |
| Three-four years | 284,086 | 122,700 |
| Four-five years | 125,957 | 226,200 |
| After five years | 4,079,622 | 2,209,294 |
| **Total debt** | **4,886,837** | **3,240,821** |

## 9. CAPITAL STRUCTURE AND FINANCING

### Share capital, share premium and reserves

The authorized share capital of the Company is PYG 169,469 million. As at 30 June 2020, the total subscribed and fully paid-in share capital was PYG 168,469 million consisting of 10,272 registered common shares at a par value of PYG 16.4 million each. As at 31 December 2019, 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.

| PYG millions (unaudited) | 2020 | 2019 |
|---|---|---|
| At 1 January | 164,008 | 164,008 |
| Capital increase | 4,461 | - |
| **As at 30 June** | **168,469** | **164,008** |

As explained in note 4, Telecel SAE issued 272 new shares as consideration for the contribution of 99.99% of Mobile Cash Paraguay SA for a total value of PYG 4,461 million.

## 10. 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 June 30, 2020, the total amount of provisions related to claims against the Group's operations was PYG 8,251 million (December 31, 2019: PYG 8,218 million). Management is of the opinion that while it is not possible 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 June 30, 2020, the Company had fixed commitments to purchase network equipment, land and buildings, other fixed assets and intangible assets of PYG 184,497 million (December 31, 2019: PYG 345,496 million).

## 11. RELATED PARTY TRANSACTIONS

The following net transactions, related to sales of good and services net of purchases of goods and services, were conducted and the relevant incomes/(expenses) recorded with related parties during the six-month period ended June 30, 2020:

| PYG millions (unaudited) | Six months ended June 30, 2020 | Six months ended June 30, 2019 |
|---|---|---|
| Millicom - Other Paraguayan Operations | (114,419) | 59,506 |
| Millicom - Non-Paraguayan companies | (24,063) | (27,013) |
| **Total** | **138,482** | **32,493** |

As at June 30, 2020 the Group had the following balances with related parties:

| PYG millions (unaudited) | At June 30, 2020 | At December 31, 2019 |
|---|---|---|
| **Receivables Short Term** | | |
| Millicom - Other Paraguayan Operations | 131 | 334,719 |
| Millicom - Non-Paraguayan companies | 2,377,607 | 1,542,149 |
| **Total** | **2,377,738** | **1,876,868** |

| PYG millions (unaudited) | At June 30, 2020 | At December 31, 2019 |
|---|---|---|
| **Receivables Long Term** | | |
| Millicom - Other Paraguayan Operations | **-** | 80,242 |
| **Total** | **-** | **80,242** |

| PYG millions (unaudited) | At June 30, 2020 | At December 31, 2019 |
|---|---|---|
| **Payables** | | |
| Millicom - Other Paraguayan Operations | - | 227,860 |
| Millicom - Non-Paraguayan companies | 2,520,080 | 22,033 |
| **Total** | **2,520,080** | **249,893** |

## 12. 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 June, 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.

***Significant intercompany loans***

On July 13, we received the total amount of Intercompany loans between Telecel – MIOSA (a wholly-owned subsidiary of MICSA) and Telecel – MICSA for $306 million, including principal of $301 million and interest of $5 million.

***Litigation***

On July 17, we received a notification of a new legal claim for PYG 3,000 million. The claimant is a journalist claiming non-pecuniary damages related to an unauthorized SIM card change. We have found the claim to have no merit, therefore no legal provision has been recorded.

***Others***

On July 23, the Company renewed the Football Transmission Rights Agreement with the Paraguayan Football Association (known in Spanish as APF) for a three-year term beginning on the January 1, 2021.

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