



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

For the three-month period
ended March 31, 2021

May 31, 2021

Unaudited Interim Condensed Consolidated Financial Statements

for the three-month period ended March 31, 2021

Unaudited interim condensed consolidated statement of comprehensive income for the three-month period ended March 31, 2021

PYG millions	Notes	Three-months ended March 31, 2021	Three-months ended March 31, 2020
Revenue		927,518	672,020
Cost of sales		(240,092)	(133,319)
Gross profit		687,426	538,701
Operating expenses (i)		(334,714)	(302,553)
Depreciation		(134,957)	(90,949)
Amortization		(58,388)	(53,215)
Other operating income (expenses), net		3,103	4,337
Operating profit		162,470	96,321
Interest expense		(103,013)	(95,315)
Interest and other financial result, net		201	(52,594)
Exchange gain (loss), net		372,776	(12,833)
Profit (loss) before taxes		432,434	(64,421)
Charge for taxes, net		(46,672)	7,947
Profit (loss) for the period		385,762	(56,474)
Attributable to:			
Equity holders of the company		385,762	(56,474)

(i) As of March 31, 2021, operating expenses includes recharges of VCF (Value-creating fees) for the support services provided by Millicom to the Group for PYG 62,473 million (March 31, 2020: PYG 73,676 million)

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, 2021

Unaudited interim condensed consolidated statement of financial position as at March 31, 2021

PYG millions	Notes	March 31, 2021	December 31, 2020 (audited)
ASSETS			
NON-CURRENT ASSETS			
Intangible assets, net	5	3,310,296	3,338,901
Property, plant and equipment, net	4	2,190,548	2,254,137
Right of use assets		451,463	457,351
Deferred tax assets		83,813	84,656
Contract costs, net		26	53
Other non-current assets		50,881	45,731
TOTAL NON-CURRENT ASSETS		6,087,027	6,180,829
CURRENT ASSETS			
Inventories, net		43,554	39,001
Trade receivables, net		294,940	295,669
Contract assets, net		49,935	45,790
Amounts due from related parties	8	16,224	12,594
Prepayments and accrued income		216,748	185,918
Supplier advances for capital expenditure		30,182	37,014
Other current assets		40,802	83,394
Restricted cash		129,187	206,151
Cash and cash equivalents		548,059	817,782
TOTAL CURRENT ASSETS		1,369,631	1,723,313
TOTAL ASSETS		7,456,658	7,904,142

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, 2021

Unaudited interim condensed consolidated statement of financial position as at March 31, 2021 (continued)

PYG millions	Notes	March 31, 2021	December 31, 2020 (audited)
EQUITY AND LIABILITIES EQUITY			
Share capital and premium		168,469	168,469
Legal reserve		50,110	50,110
Other reserves		51,213	49,869
Retained profits		207,445	237,294
Profit (Loss) for the year attributable to equity holders		385,762	(29,849)
TOTAL EQUITY		862,999	475,893
LIABILITIES			
Non-current liabilities			
Debt and financing	6	4,428,550	4,929,306
Lease liabilities		461,020	467,259
Provisions and other non-current liabilities		316,996	354,447
Total non-current liabilities		5,206,566	5,751,012
Current liabilities			
Debt and financing	6	95,800	162,124
Payables and accruals for capital expenditure		185,843	344,514
Lease liabilities		79,877	78,873
Other trade payables		143,412	170,019
Amounts due to related parties	8	106,189	155,827
Accrued interest and other expenses		276,951	185,205
Current income tax liabilities		48,917	39,449
Contract liabilities		71,603	64,803
Provisions and other current liabilities		378,501	476,423
Total current liabilities		1,387,093	1,677,237
TOTAL LIABILITIES		6,593,659	7,428,249
TOTAL EQUITY AND LIABILITIES		7,456,658	7,904,142

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Unaudited Interim Condensed Consolidated Financial Statements

for the three-month period ended March 31, 2021

Unaudited interim condensed consolidated statement of cash flows for the three-month period ended March 31, 2021

PYG millions	Notes	March 31, 2021	March 31, 2020
Cash flows from operating activities			
Profit (Loss) before taxes from continuing operations		432,434	(82,798)
Adjustments to reconcile to net cash:			
Interest expense, net		103,013	95,315
Interest and other financial income		(200)	(18,307)
Exchange loss (gain) on foreign exchange		(372,776)	13,844
Adjustments for non-cash items:			
Depreciation and amortization		193,345	144,164
Gain on disposal and impairment of assets, net		(3,103)	13,029
Shared based compensation		1,344	1,835
Changes in working capital:			
Increase in trade receivables, prepayments and other current assets		(14,581)	(49,317)
(Decrease) increase in inventories		(4,552)	(10,395)
Increase (Decrease) in trade and other payables		(29,564)	76,869
Changes in contract assets, liabilities and costs, net		2,653	592
Total changes in working capital		(46,044)	17,749
Interest paid		(42,616)	(64,682)
Interest received		66	18,317
Taxes (paid) refunded		(4,324)	7,561
Net cash provided by operating activities		261,139	146,027
Cash flows from investing activities:			
Purchase of intangible assets and licenses	5	(142,951)	(110,860)
Purchase of property, plant and equipment	4	(118,838)	(12,746)
Proceeds from sale of property, plant and equipment	4, 5	1,826	5,111
Debt and other financing (granted to) obtained from related parties, net		-	(657,408)
Net cash used in investing activities		(259,963)	(775,903)
Cash flows from financing activities:			
Repayment of debt and financing		(236,872)	(435,313)
Repayment of Leases		(13,999)	(5,274)
Proceeds from issuance of debt and other financing		-	1,942,027
Net cash provided by (used in) financing activities		(250,871)	1,501,440
Exchange impact on cash and cash equivalents, net		(20,027)	8,970
Net increase (decrease) in cash and cash equivalents		(269,723)	880,533
Cash and cash equivalents at the beginning of the year		817,782	187,141
Cash and cash equivalents at the end of the year		548,059	1,067,674

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Unaudited Interim Condensed Consolidated Financial Statements

for the three-month period ended March 31, 2021

Unaudited interim condensed consolidated statements of changes in equity for the three-month periods ended March 31, 2021 and March 31, 2020

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	448,301	50,110	13,122	675,541
Total comprehensive income for the period	-	-	(56,474)	-	-	(56,474)
Share based compensation	-	-	-	-	1,835	1,835
Balance as of March 31, 2020 (unaudited)	10,000	164,008	391,827	50,110	14,957	620,902
Balance as of December 31, 2020 (audited)	10,272	168,469	207,445	50,110	49,869	475,893
Total comprehensive income for the period	-	-	385,762	-	-	385,762
Share based compensation	-	-	-	-	1,344	1,344
Balance as of March 31, 2021 (unaudited)	10,272	168,469	593,207	50,110	51,213	862,999

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

Notes to the unaudited interim condensed consolidated financial statements

for the three- month period ended March 31, 2021

Notes to the unaudited interim condensed consolidated statements

1. GENERAL

Telefónica Celular del Paraguay S.A.E. (the "Company"), a Paraguayan Company, and its subsidiaries: Teledeportes Paraguay S.A., Lothar Systems S.A., Mobile Cash Paraguay S.A. and Servicios y Productos Multimedios S.A. (the "Group" or "Telecel") is a Paraguayan group providing communications, information, entertainment, cable TV, mobile financial services and solutions in Paraguay. The Company maintains multiple license contracts with the Comisión Nacional de Telecomunicaciones (Conatel), the regulator of the telecommunications system in Paraguay, to operate cellular and cable telephony business in Paraguay and with the Banco Central del Paraguay to operate as an EMPE (Entidad de Medio de Pago Electrónico), which is the form under which Tigo Money operates since March, 2015. The Company was formed in 1992.

The general administration of the Company is located at Avda. Mariscal López esq. Tte. Insaurralde, 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. ("MIC S.A."), a Luxembourg Société Anonyme whose shares are traded (as Swedish Depositary Receipts) 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.

2. SUMMARY OF CONSOLIDATION AND ACCOUNTING POLICIES

I. Basis of presentation

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, 2020, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the IASB. These financial statements are prepared in accordance with consolidation and accounting policies consistent with the December 31, 2020 consolidated financial statements, except for the changes described below.

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

Impact on our business

Throughout 2020 as today, the Company responded to the economic impacts and operational setbacks from COVID-19 with strong governance and oversight.

The vaccination campaign in Paraguay started to lag behind other countries in the region, only beginning at the end of March to vaccinate medical personnel, less than 1% of population. This delay and vaccination uncertainty has resulted in customers balancing the prioritization of their health and connectivity, while seeking to optimize their resources.

Impact of the crisis on accounting matters

As a consequence of the COVID-19 crisis, we had identified potential significant accounting implications in the following area:

- Impairment of trade receivables

As of March 31, 2021, the above accounting area has not been significantly affected.

Notes to the unaudited interim condensed consolidated financial statements

for the three- month period ended March 31, 2021

2. SUMMARY OF CONSOLIDATION AND ACCOUNTING POLICIES (Continued)

III. New and amended IFRS standards

The following new or amended standards became applicable for the current reporting period and did not have any significant impact on the Group's accounting policies or disclosures and did not require retrospective adjustments:

- Amendment to IFRS 16, 'Leases' - COVID 19 Rent Concessions - effective for annual periods starting on June 1, 2020. While the Group has implemented this amendment already in 2020, the IASB (in March 2021) extended its initial application beyond June 30, 2021, by one additional year.
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 - Interest Rate Benchmark Reform - Phase 2 - effective for annual periods starting on January 1, 2021. The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate.

Main reliefs provided by the Phase 2 amendments relate to:

- Changes to contractual cash flows: That is, when changing the basis for determining contractual cash flows for financial assets and liabilities required by the reform this will not result in an immediate gain or loss in the income statement but in an update of the effective interest rate (or an update in the discount rate to remeasure the lease liability as a result of the IBOR reform), and;
- Hedge accounting: That is, allowing hedge relationships that are directly affected by the reform to continue, though additional ineffectiveness might need to be recorded.

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

Amendments effective for annual periods starting on January 1, 2022:

- 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, 2023:

- 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. The IASB also issued 'Disclosure of Accounting Policies' with amendments that are intended to help preparers in deciding which accounting policies to disclose in their financial statements.
- IFRS 17, 'Insurance contracts', including amendments.
- Amendments to IAS 8, 'Accounting policies, Changes in Accounting Estimates and Errors': Definition of accounting estimates.

3. ACQUISITION OF SUBSIDIARIES

Acquisitions for the three-month periods ended March 31, 2021 and 2020

There were no material acquisitions or disposals during the three-month periods ended March 31, 2021 and 2020.

Regarding the acquisitions made during Q2 2020 of Servicios y Productos Multimedios SA (SPM) and Mobile Cash Paraguay SA (MCP), the purchase accounting disclosed as of December 2020 has not changed and is still provisional as of March 31, 2021, particularly in respect of the valuation of identified assets and liabilities. Management will finalize the purchase accounting in the course of Q2 2021.

4. PROPERTY, PLANT AND EQUIPMENT

During the three-month period ended March 21, 2021, the Group added property, plant and equipment for PYG 118,838 million (March 31, 2020: PYG 12,746 million) and received PYG 1,826 million in cash from disposal of property, plant and equipment (March 31, 2020: PYG 5,111 million). The year-to-year variations are mainly due to the consolidation of SPM and MCP (effective from Q2 2020).

Notes to the unaudited interim condensed consolidated financial statements

for the three- month period ended March 31, 2021

5. INTANGIBLE ASSETS

During the three-month period ended March 31, 2021, the Group added intangible assets of PYG 142,951 million (March 31, 2020: PYG 110,860 million) and did not receive proceeds from disposal of intangible assets (March 31, 2020: PYG nil).

6. FINANCIAL OBLIGATIONS

Debt and Financing

International Bonds - Senior Notes 2027

In April 2019, Telecel issued US\$ 300 million (PYG 1,893,333 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 January 28, 2020, Telecel issued at a premium US\$ 250 million (PYG 1,577,778 million) of 5.875% Telecel 2027 Notes (the "New Notes"), representing an additional issuance from the Senior Notes described above. The New Notes are treated as a single class with the initial notes, and were priced at 106.375 for an implied yield to maturity of 4.817%. The corresponding US\$ 15.9 million premium received is being amortized over the Senior Notes maturity.

Paraguayan Stock Exchange bonds issue

In June 2019, Telecel registered to issue bonds on the Paraguayan stock market. Telecel registered a bond program for PYG 300,000,000,000 (US\$ 47,535,220) 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 (US\$ 36,443,668). They were registered and issued as follows: (i) PYG 115,000,000,000 (US\$ 18,221,834) at an 8.75% rate, due June 3rd, 2024; (ii) PYG 50,000,000,000 (US\$ 7,922,537) at a 9.25% rate, due May 29th, 2026; and (iii) PYG 65,000,000,000 (US\$ 10,299,298) at a 10% rate, due May 31st, 2029.

In December 2019, Telecel issued two additional series for PYG 35,000,000,000 (US\$ 5,545,776) as follows: (iv) PYG 10,000,000,000 (US\$ 1,584,507) at a 9.25% rate, due December 30th, 2026; and (v) PYG 25,000,000,000 (US\$ 3,961,268) at a 10% rate, due December 24th, 2029.

Additionally, in February 2020, Telecel completed the issuance of the remaining program with the following series: (vi) PYG 15,000,000,000 (US\$ 2,376,761) at a 9.25% rate, due by January 29th, 2027; and (vii) PYG 20,000,000,000 (US\$ 3,169,015) at a 10% rate, due by January 31st, 2030.

In May 2020, the Group completed the acquisition of Mobile Cash Paraguay S.A. and further on June 30, 2020, the acquisition of Servicios y Productos Multimedia S.A.. Effective as of those dates, these new entities now form part of the borrower's group for the purposes of the US\$ 550 million 5.875% Senior Notes due 2027 issued by the Group. In addition, as of July 7, 2020 Servicios y Productos Multimedia S.A. became guarantor of the 5.875% Notes due 2027.

PYG Millions	Carrying Value	Fair Value (i)	Carrying Value	Fair Value (i)
	As at March 2021	As at March 2021	As at December 2020	As at December 2020
Borrowings and local bonds	911,326	1,348,434	1,081,661	1,316,620

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

Notes to the unaudited interim condensed consolidated financial statements

for the three- month period ended March 31, 2021

6. FINANCIAL OBLIGATIONS (Continued)

USD Millions	Carrying Value	Fair Value (i)	Carrying Value	Fair Value (i)
	As at March 2020	As at March 2020	As at December 2020	As at December 2020
International bonds	557	584	558	588

(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	Initial amount	Fixed interest rate	As at March 31, 2021	As at December 31, 2020
Banco Regional S.A.E.C.A.	07/2018	06/2025	115,000	8.90%	80,500	92,000
Banco Bilbao Vizcaya Argentaria	01/2019	11/2025	177,000	8.70%	70,447	141,228
Banco Continental S.A.E.C.A.	09/2019	09/2026	370,000	9.00%	237,421	263,794
Banco Itaú Paraguay S.A.	01/2020	12/2024	154,620	9.00%	45,799	107,608
Banco Continental S.A.E.C.A.	12/2020	12/2023	200,000	5.00%	179,469	179,410
Bank and Development Financial Institution financing					613,636	784,040

Analysis of debt and other financing by maturity

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

PYG millions	As at March 31, 2021	As at December 31, 2020
Due within:		
One year	95,800	162,124
One-two years	75,800	142,124
Two-three years	270,731	333,034
Three-four years	256,537	271,960
Four-five years	99,347	99,328
After five years	3,726,135	4,082,860
Total debt	4,524,350	5,091,430

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 March 2021 there were no breaches in financial covenants.

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.

Notes to the unaudited interim condensed consolidated financial statements

for the three- month period ended March 31, 2021

7. COMMITMENTS AND CONTINGENCIES (Continued)

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, 2021, the total amount of provisions related to claims against the Group's operations was PYG 7,302 million (December 31, 2020: PYG 8,218 million), and a contingent liability of PYG 42,781 million as a result of a case against Teledeportes SA. 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 March 31, 2021, the Company had fixed commitments to purchase network equipment, land and buildings, other fixed assets and intangible assets of PYG 132,761 million (December 31, 2020: PYG 531,603 million).

8. RELATED PARTY TRANSACTIONS

The following transactions were conducted and the relevant incomes/expenses recorded with related parties during the three-month period ended March 31, 2021:

PYG millions (unaudited)	Three months ended March 31, 2021	Three months ended March 31, 2020
Expenses		
Millicom - Other Paraguayan Operations	-	(68,497)
Millicom - Non-Paraguayan companies	(69,161)	(73,721)
Total	(69,161)	(142,218)

PYG millions (unaudited)	Three months ended March 31, 2021	Three months ended March 31, 2020
Income / Gains		
Millicom - Other Paraguayan Operations	-	5,201
Millicom - Non-Paraguayan companies	4,392	17,878
Total	4,392	23,079

As at March 31, 2021 the Group had the following balances with related parties:

PYG millions (unaudited)	At March 31, 2021	At December 31, 2020
Receivables Short Term		
Millicom - Transcom Paraguay SA	149	31
Millicom - Non-Paraguayan companies (i)	16,075	12,563
Total	16,224	12,594

PYG millions (unaudited)	At March 31, 2021	At December 31, 2020
Payables		
Millicom - Transcom Paraguay SA	-	-
Millicom - Non-Paraguayan companies (ii)	106,189	155,827
Total	106,189	155,827

(i) Mainly from MIC SA due to 2019 and 2020 DTH Teleport services and with Navega, Bolivia Celular SA, Cable Costa Rica by wholesale services.

(ii) Mainly recharges of VCF (Value-creating fees) for the support services provided by Millicom to the Group.

Notes to the unaudited interim condensed consolidated financial statements

for the three- month period ended March 31, 2021

9. SUBSEQUENT EVENTS

To date, the Group has no subsequent events to report.
