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

As of and for the year ended December 31, 2021

April 30, 2022

Contents

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Independent Auditor's Report on the Consolidated Financial Statements

To the Shareholders of
Telefónica Celular del Paraguay Sociedad Anónima Emisora (TELECEL S.A.E.)

Opinion

We have audited the accompanying consolidated financial statements of **Telefónica Celular del Paraguay Sociedad Anónima Emisora and their subsidiaries (the Group)**, which comprise the consolidated statement of financial position as of December 31, 2021, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of **Telefónica Celular del Paraguay Sociedad Anónima Emisora** as of December 31, 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for opinion

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

Key audit matters

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

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

1. Revenue Recognition

Description of the matter

The Group's revenue comprises sale of services from its mobile business (including Mobile Financial Services - MFS) and its cable and other fixed services, as well as related devices and equipment. Recurring revenue consists of monthly subscription fees, airtime and data usage fees, interconnection fees, roaming fees, fixed services (Pay-TV and internet), B2B services, MFS commissions and fees from other telecommunications services such as data services, short message services and other value-added services.

Auditing the revenue from these services was complex and is an area of significant risk due to both the bundling of these services and the complexity of the Group's systems and processes used to record revenue. Also, the application of revenue recognition accounting standards involves several management key judgments and estimates.

How we addressed the matter in our audit

Our audit procedures over revenue included, among others:

- We evaluated the design and tested the operating effectiveness of controls around access rights, system development, program changes and IT dependent business controls to establish that changes to the system were authorized developed and implemented including those over: set-up of customer accounts, pricing data, segregation of duties and the linkage to usage data that drives revenue recognition.

- We tested the end-to-end reconciliation from the billing systems to the general ledger.

- We tested journal entries processed between the billing systems and general ledger.

- We assessed the accounting for credits and discounts and tested the accuracy of customer invoices.

- We assessed the assumptions applied by management to determine the allocation of the transaction price, after consideration of these credits and discounts, to telecom services and handsets and tested the stand-alone selling prices.

- We obtained a sample of customer contracts, including modifications to the contracts, and compared customer contract terms to the revenue systems.

- We evaluated the adequacy of the Group's disclosures included in the Note B.1. in relation to revenue recognition matters.

2. Accounting for Business Combinations

Description of the matter

As described in the Note A.1.2 of the consolidated financial statements, the Group acquired control over, and therefore consolidated **Servicios y Productos Multimedios S.A. ("SPM")** for net consideration of USD 370.1 million as of June, 29, 2020, and **Mobile Cash Paraguay S.A. ("Tigo Cash")** for net consideration of PYG 4,461 million as of May 20,2020. These transactions were accounted for as business combinations. The purchase accounting of **Servicios y Productos Multimedios S.A. ("SPM")** and **Mobile Cash Paraguay S.A ("Tigo Cash")** was provisional as of December 31, 2020 and it was concluded as of December 31, 2021.

Auditing the Company´s accounting for its acquisition of **SPM** and **Tigo Cash** was especially challenging and involved difficult professional judgments due to the complexity of the process to determine the fair value of the acquired identifiable assets and liabilities assumed. The significant estimation uncertainty was primarily due to the complexity of the valuation models used by management to measure the fair value of the contingent consideration and technology-related intangible assets and the sensitivity of the respective fair values to the significant underlying assumptions.

We consider these transactions to be a key audit matter because of the significance of the amounts involved and their impact on the consolidated financial statements, the inherent judgment involved in making fair value estimates and the complexity involved in identifying intangible assets.

How we addressed the matter in our audit

Our audit procedures over the Business Combination, included among others:

- Inspecting the purchase agreements and evaluating the terms and conditions and management's accounting for such terms and conditions in its purchase price allocation.

- We reviewed the Management's methodologies and assumptions adopted to determine the provisional as well as final amounts for recognizing the business combination, including the process to assign the fair value of the acquired identifiable assets and liabilities assumed, as well as the accounting criteria adopted to book the transaction.

- We assessed whether the underlying assumptions adopted by the Management were consistent with publicly available information and external market data.

- We also assessed the completeness and accuracy of the underlying data through our inspection of and comparison to historical information.

- We evaluated the adequacy of the related disclosures in the Note A.1.2 to the consolidated financial statements.

Responsibilities of the Management for the consolidated financial statements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

LUIS ALBERTO AYALA ALBERTINI ACOSTA

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April 30, 2022

Consolidated statement of comprehensive income

for the year ended December 31, 2021

PYG millions	Notes	2021	2020 (i)
Revenue	B.1.	3,767,473	3,153,159
Cost of sales	B.2.	(955,184)	(721,062)
Gross profit		**2,812,289**	**2,432,097**
Operating expenses *(ii)*	B.2.	(1,407,279)	(1,310,738)
Depreciation	E.2.2. , E.2.4.	(596,607)	(466,229)
Amortization	E.1.3.	(337,249)	(280,801)
Other operating income (expenses), net		24,822	(900)
Operating profit		**495,976**	**373,429**
Interest expense	C.3.3.	(330,518)	(408,953)
Interest and other financial income		2,258	51,849
Exchange loss, net		18,748	(138,557)
Profit (Loss) before taxes		**186,464**	**(122,232)**
Charge for taxes, net	B.5.1.	(37,019)	(9,748)
Total comprehensive income (loss) for the year		**149,445**	**(131,980)**
Attributable to:			
Equity holders of the company		**149,445**	**(131,980)**

(i) Restated as a result of the finalization of the purchase accounting in respect of the latest acquisitions (see note A.1.2)
(ii) Operating expenses includes recharges of VCF (Value-creating fees) for the support services provided by Millicom to the Group for PYG 253,226 million in 2021 (2020 PYG 213,923 million).

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

Consolidated statement of financial position

at December 31, 2021

PYG millions	Notes	December 31, 2021	December 31, 2020 (i)
ASSETS			
NON-CURRENT ASSETS			
Intangible assets, net	E.1.3.	3,443,561	3,451,387
Property, plant and equipment, net	E.2.2.	2,388,592	2,384,146
Right of use assets	E.2.4.	439,710	457,351
Contract costs, net	F.6.	38	53
Other non-current assets		53,709	45,731
TOTAL NON-CURRENT ASSETS		**6,325,610**	**6,338,668**
CURRENT ASSETS			
Inventories, net	F.2.	31,206	39,001
Trade receivables, net	F.1.	274,638	295,669
Contract assets, net	F.6.	48,541	45,790
Amounts due from related parties	G.4.	17,920	12,588
Prepayments and accrued income	F.4.	140,469	185,918
Supplier advances for capital expenditure		25,290	37,014
Other current assets		86,477	83,394
Restricted cash	C.4.2.	153,778	206,151
Cash and cash equivalents	C.4.1.	1,051,928	817,782
TOTAL CURRENT ASSETS		**1,830,247**	**1,723,307**
TOTAL ASSETS		**8,155,857**	**8,061,975**

(i) Restated as a result of the finalization of the purchase accounting in respect of the latest acquisitions (see note A.1.2)

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

Consolidated statement of financial position

at December 31, 2021

PYG millions	Notes	December 31, 2021	December 31, 2020 (i)
EQUITY AND LIABILITIES EQUITY			
Share capital and premium	C.1.	327,245	327,245
Legal reserve	C.1.1.	50,110	50,110
Other reserves	B.4.1., C.1.2.	74,997	69,520
Retained profits		105,314	237,294
Profit (Loss) for the year attributable to equity holders		149,445	(131,980)
Equity attributable to owners of the Company		**707,111**	**552,189**
TOTAL EQUITY		**707,111**	**552,189**
LIABILITIES			
Non-current liabilities			
Debt and financing	C.3.	5,081,346	4,929,306
Lease liabilities	C.3.4.	453,864	467,259
Provisions and other non-current liabilities	F.5.2.	316,893	354,447
Deferred tax liabilities		63,909	81,537
Total non-current liabilities		**5,916,012**	**5,832,549**
Current liabilities			
Debt and financing	C.3.	92,467	162,124
Payables and accruals for capital expenditure		451,785	344,514
Lease liabilities	C.3.4.	125,752	126,999
Other trade payables		121,104	170,019
Amounts due to related parties	G.4.	72,082	155,827
Accrued interest and other expenses		170,505	137,079
Current income tax liabilities		26,679	39,449
Contract liabilities	F.6.	62,054	64,803
Provisions and other current liabilities	F.5.1.	410,306	476,423
Total current liabilities		**1,532,734**	**1,677,237**
TOTAL LIABILITIES		**7,448,746**	**7,509,786**
TOTAL EQUITY AND LIABILITIES		**8,155,857**	**8,061,975**

(i) Restated as a result of the finalization of the purchase accounting in respect of the latest acquisitions (see note A.1.2)

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

Consolidated statement of Cash flow

for the year ended December 31, 2021

PYG millions	Notes	2021	2020 (i)
Cash flows from operating activities			
Profit/(loss) before taxes from continuing operations		186,464	(122,232)
Adjustments to reconcile to net cash:			
Interest expense	C.3.3.	330,518	408,953
Interest and other financial income		(2,258)	(51,849)
Exchange loss on foreign exchange		(18,748)	138,557
Adjustments for non-cash items:			
Depreciation and amortization	E.1.3., E.2.2., E.2.4.	933,857	747,030
Loss/(gain) on disposal and impairment of assets, net		(9,934)	20,582
Share based compensation		5,477	5,476
Changes in working capital:			
Decrease / (Increase) in trade receivables, prepayments and other		12,015	94,292
(Increase) / Decrease in inventories		7,796	2,413
(Decrease) / Increase in trade and other payables		(24,049)	35,804
Changes in contract assets, liabilities and costs, net		(6,234)	15,953
Total changes in working capital		**(10,472)**	**148,462**
Interest paid		(386,328)	(399,477)
Interest received		1,563	70,447
Taxes paid		(63,054)	(16,974)
Net cash provided by operating activities		**967,085**	**948,975**
Cash flows from investing activities:			
Acquisition of subsidiaries, net of cash acquired		—	(2,438,375)
Purchase of intangible assets and licenses	E.1.4.	(184,161)	(250,107)
Purchase of property, plant and equipment	E.2.3.	(594,536)	(243,233)
Debt and other financing granted to / repaid by related parties, net		—	1,172,429
Net cash used in investing activities		**(778,697)**	**(1,759,286)**
Cash flows from financing activities:			
Repayment of debt and financing	C.5.	(341,158)	(477,175)
Proceeds from issuance of debt and other financing	C.5.	450,000	2,141,427
Repayment of Leases		(58,802)	(46,432)
Payment of dividends to equity holders	C.2.	—	(211,007)
Net cash used by financing activities		**50,040**	**1,406,813**
Exchange impact on cash and cash equivalents, net		(4,282)	34,139
Net increase in cash and cash equivalents		**234,146**	**630,641**
Cash and cash equivalents at the beginning of the year		**817,782**	187,141
Cash and cash equivalents at the end of the year		**1,051,928**	**817,782**

(i) Restated as a result of the finalization of the purchase accounting in respect of the latest acquisitions (see note A.1.2)

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

Consolidated statement of changes in equity

for the year ended December 31, 2021

PYG millions	Number of shares	Share Capital and premium	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 loss for the year	—	—	(131,980)	—	—	(131,980)
Effect of acquisition of subsidiaries (see Note A.1.2.,C.1.2.)	—	158,776	—	—	50,922	209,698
Dividends	—	—	(211,007)	—	—	(211,007)
Increase of Share Capital (see Note A.1.2.)	272	4,461	—	—	—	4,461
Share based compensation (see Note B.4.)	—	—	—	—	5,476	5,476
Balance as of Balance as of December 31, 2020 (i)	**10,272**	**327,245**	**105,314**	**50,110**	**69,520**	**552,189**
Total comprehensive income for the year	—	—	149,445	—	—	149,445
Share based compensation (see Note B.4.)	—	—	—	—	5,477	5,477
Balance as of December 31, 2021	**10,272**	**327,245**	**254,759**	**50,110**	**74,997**	**707,111**

(i) Restated as a result of the finalization of the purchase accounting in respect of the latest acquisitions (see note A.1.2)

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

Notes to the consolidated financial statements

for the year ended December 31, 2021

Introduction

Corporate information

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 Group 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. Avda. Zavalas Cué esq. Artillería, 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.

The Board of Directors (“Board”) approved these consolidated financial statements for issuance on April 30, 2022.

Business activities

Telecel is the leading provider of telecommunications services in Paraguay. The group provides a wide range of mobile communications, cable TV and broadband services, direct to home satellite services as well as other related products such as digital and mobile financial services, to residential, business and wholesale customers.

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

Impact in our market and business

During 2021, economic activity recovered in Paraguay as the government eased the lockdown implemented at the beginning of the pandemic. Meanwhile, vaccination rates were above 40% (full doses). Paraguay experienced a spike in the number of COVID cases during the last semester of 2021, but the government generally refrained from imposing strict lockdowns, choosing instead to use curfews or voluntary quarantine programs, which had a negligible effect on commercial activity.

Impact of the crisis on accounting matters

As of December 31, 2021, and for the year ended December 31, 2021, management did not identify any significant adverse accounting effects as a result of the pandemic.

IFRS consolidated financial statements

Basis of preparation

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

The consolidated financial statements for the year ended December 31, 2021 have been prepared in accordance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standard Board (IASB).

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

Consolidation

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

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

Foreign currency

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

IFRS consolidated financial statements (Continued)

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

		2021	2020	Change	2021	2020	Change
Exchange rates to the US dollar	**Functional currency**	**Year-end rate**	**Year-end rate**	**%**	**Average rate**	**Average rate**	**%**
Paraguay	Guaraní PYG	6,886	6,900	-0.2%	6,790	6,758	0.5%

New and amended IFRS accounting standards

The following new or amended standards 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.

- 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.
- Amendments effective for annual periods starting on January 1, 2023:
  - Amendments to IAS 1, 'Presentation of Financial Statements' : These amendments clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. The amendments also clarify 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'
  - Amendments to IFRS 17, 'Insurance contracts'.
  - IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors' - Definition of accounting estimates.

The following changes to standards are effective for annual periods starting on January 1, 2023 and their potential impact on the Group consolidated financial statements is currently being assessed by Management:

- Amendments to IAS 12, 'Income Taxes: Deferred tax related to Assets and liabilities arising from a Single Transaction' - These amendments clarify that the initial recognition exception does not apply to the initial recognition of leases and decommissioning obligations. These amendments apply prospectively to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, an entity should apply the amendments for the first time by recognising deferred tax for all temporary differences related to leases and decommissioning obligations at the beginning of the earliest comparative period presented.

Judgments and critical estimates

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

Judgments

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

- **Acquisitions** – measurement at fair value of existing and newly identified assets, including the measurement of property, plant and equipment and intangible assets, liabilities, contingent liabilities and remaining goodwill; the assessment of useful lives; as well as the accounting treatment for transaction costs (see notes A.1.2., E.1.1., E.2.1.);
- **Impairment testing** – key assumptions related to future business performance, perpetual growth rates and discount rates (see notes E.1.1., E.1.2.);
- **Contingent liabilities** – whether or not a provision should be recorded for any potential liabilities (see note G.2.).
- **Leases** – In determining the lease term, including the assessment of whether the exercise of extension or termination options is reasonably certain and the corresponding impact on the selected lease term (see notes E.2.4. and G.1.).
- **Deferred tax assets** – recognition based on likely timing and level of future taxable profits together with future tax planning strategies (see note B.5.3.).
- **Revenue recognition** - Whether or not the Group acts as principal or as an agent, when there is one or several performance obligations and the determination of stand-alone selling prices (see note B.1).

Estimates

Estimates are based on historical experience and other factors, including reasonable expectations of future events, including the effects of the COVID-19 pandemic. These factors are reviewed in preparation of the financial statements, although due to inherent uncertainties in the evaluation process, actual results may differ from original estimates. Estimates are subject to change as new information becomes available and may significantly affect future operating results. Significant estimates have been applied in respect of the following items:

- Accounting for property, plant and equipment, and intangible assets in determining fair values at acquisition dates, particularly for assets acquired in business combinations and sale and leaseback transactions (see notes E.1.1., E.2.1.).
- Useful lives of property, plant and equipment and intangible assets (see notes E.1.1., E.2.1.).
- Provisions, in particular provisions for asset retirement obligations, legal and tax risks (see note F.5.).
- Tax liabilities, in particular in respect of uncertainty over income tax treatments (see note F.5.).
- Revenue recognition (see note B.1.1.).
- Impairment testing including discount rates and long term growth rates (see notes E.1.1., E.1.2.)
- For leases, estimates in determining the incremental borrowing rate for discounting the lease payments in case interest rate implicit in the lease cannot be determined (see note E.2.4.)
- Accounting for share-based compensation in particular estimates of forfeitures and future performance criteria (see note B.4.1.)

Comparatives figures

Certain reclassifications have been made to the prior year's annual accounts to enhance comparability with the current year's annual accounts. As a result, certain line items have been amended in the statement of financial position and the related notes to the annual accounts. Comparative figures have been adjusted to conform to the current year's presentation. The changes in presentation has no impact on Group Financial Statements.

A. The Telecel Group

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

A.1. Subsidiaries

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

A. The Telecel Group (Continued)

The consolidated financial statements of the Group are comprised of the financial statements of the Company and its subsidiaries: Lothar Systems S.A. (99% owned), Servicios y Productos Multimedios S.A. (99.9% owned), Mobile Cash Paraguay S.A. (99% owned) and Teledeportes Paraguay S.A. (99.7% owned) as at December 31 each year. The subsidiaries applied consistent accounting policies as the Company for the same reporting year.

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

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Subsidiaries are fully consolidated from the date on which control is transferred to Telecel. If facts and circumstances indicate that there are changes to one or more of the elements of control, a reassessment is performed to determine if control still exists.

Subsidiaries are de- consolidated from the date that control ceases. Transactions with non-controlling interests are accounted for as transactions with equity owners of the Group. Gains or losses on disposals to non-controlling interests are recorded in equity. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is also recorded in equity.

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

Scope changes 2021

There were no material acquisitions in 2021.

Scope changes 2020

Business combinations

During the year ended December 31, 2020, and as a result of a shareholding restructuring, the Company made the acquisitions under common control of Servicios y Productos Multimedios SA (“SPM”) and Mobile Cash Paraguay SA (“MCP”).

The final purchase accounting and differences compared to the provisional fair values reported as at December 31, 2020 are shown below:

		Impact of finalization of purchase accounting of				
PYG millions	December 31, 2020 As reported	Servicios y Productos Multimedios SA	Mobile Cash Paraguay SA	Disclosure reclassifications	December 31, 2020 Restated	Reason for the change
Consolidated statement of financial position						
ASSETS						
NON-CURRENT ASSETS						
Intangible assets, net	3,338,901	(66,498)	178,984		3,451,387	(i)
Property, plant and equipment, net	2,254,137	130,009	—		2,384,146	(ii)
Deferred tax assets	84,656	—	—	(84,656)	—	(vii)
CURRENT ASSETS						
Amounts due from related parties ST	12,594	—	(6)		12,588	(iii)
EQUITY						
Share capital and premium	168,469	—	158,776		327,245	(iv)
Other reserves	49,869	—	19,651		69,520	(v)
Profit (Loss) for the year attributable to equity holders	(29,849)	(84,779)	(17,352)		(131,980)	(vi)
LIABILITIES						
Deferred tax	—	148,290	17,903	(84,656)	81,537	(vii)

(i) Impact on goodwill and customer lists resulting from the adjustments explained below for SPM and MCP.
(ii) A fair value step-up has been recognized on property, plant and equipment, mainly on customer premise equipment, towers and other civil works and other network equipment.
(iii) Reversal of amounts due from related parties previously recognized

A. The Telecel Group (Continued)

(iv) Impact of the 272 new shares premium issued by the Company as consideration for MCP shares contribution.
(v) Related to MCP's bargain purchase impact.
(vi) Impact of the amortization and depreciation of the intangible and property, plant and equipment step-up and the impact of SPM's final price adjustment.
(vii) Deferred tax impact of these previously explained adjustments. The company has considered as a "non-deductible expense" the amortization of the higher value of the Assets resulting from the PPA. However, the Group will evaluate to present a binding consultation to have the Local Tax Authority's position on the case.

		Impact of finalization of purchase accounting of			
PYG millions	**December 31, 2020 As reported**	**Servicios y Productos Multimedios SA**	**Mobile Cash Paraguay SA**	**December 31, 2020 Restated**	**Reason for the change**
Consolidated statement of comprehensive income					
Depreciation	(441,045)	(25,184)	—	(466,229)	(i)
Amortization	(238,532)	(22,994)	(19,275)	(280,801)	(ii)
Exchange loss, net	(97,140)	(41,417)	—	(138,557)	(iii)
Charge for taxes, net	(16,487)	4,816	1,923	(9,748)	(iv)

(i) Property, plant and equipment step-up effect in depreciation.
(ii) Amortization charge of customer lists acquired through the acquisitions.
(iii) Impact of SPM's final price adjustment.
(iv) Impact of the effect of deferred tax as a result of the depreciation and amortization of the explained above (see (i) and (ii)).

Mobile Cash Paraguay SA:

On 20 May 2020, the parent shareholder of the Company contributed its 99% shareholding in Mobile Cash Paraguay S.A. into the Company. As consideration for this contribution, the Company issued 272 new shares to its parent for a value of PYG 4,461 million.

Since that date, the Company controls Mobile Cash Paraguay SA (MCP) and fully consolidates it, recognizing non-controlling interests for the 1% shareholding it does not own.

For the purchase accounting, the Company determined the provisional fair values of Mobile Cash Paraguay SA's identifiable assets and liabilities based on transaction and relative fair values. The final purchase accounting and differences compared to the provisional fair values reported as at December 31, 2020 for MCP are shown below:

	Provisional Fair values (100%) (PYG millions)	**Provisional Fair values (100%) (PYG millions)**	**Differences**
Intangible assets (excluding goodwill) (i)	5,742	184,726	178,984
Property, plant and equipment, net	1,703	1,703	—
Current assets (excluding cash and trade receivables)	3,386	3,380	(6)
Trade receivables	2,194	2,194	—
Restricted Cash	116,635	116,635	—
Cash and cash equivalents	86,377	86,377	—
Total Assets acquired	**216,037**	**395,015**	**178,978**
Other debt and financing	179,401	179,401	—
Other liabilities	910	910	—
Deferred tax liabilities (ii)		**17,903**	**17,903**
Total Liabilities assumed	**180,311**	**198,214**	**17,903**
Fair value of assets acquired and liabilities assumed, net (iii)	35,726	196,801	161,075
Purchase consideration *(iv)*	4,455	163,231	158,776
Bargain purchase (See Note C.1.2..) (v)	**(31,271)**	**(50,922)**	**(19,651)**

(i) Intangible assets not previously recognized at the date of acquisition, are mainly customer lists for an amount of PYG 198,259 million (approximately US$ 29.8 million), with estimated useful lives of 6 years.
(ii) Deferred tax liability of PYG 19,826 million resulting from the above adjustment.
(iii) Fair value of assets acquired and liabilities assumed updated to December 2020.
(iv) The purchase consideration change refers to the difference between the fair value and the nominal value of the Mobile Cash Paraguay S.A. shares that were delivered in exchange of the 272 shares issued by Telecel.

A. The Telecel Group (Continued)

(v) The excess of the fair value of the net identifiable assets acquired, over the consideration transferred has been recorded as equity contribution under 'Other reserves' considering the transaction is a business combination under common control.

Bargain purchase determined at the date of acquisition, June 2020 ("Final Fair value of assets acquired and liabilities assumed, net" determined at May 2020, amount to PYG millions 214,159).

For convenience purposes, the acquisition date was set on June 1, 2020 as there were no material transactions from May 20, 2020 to that date. From June 1, 2020 to December 31, 2020, MCP contributed PYG 103,660 million of revenue and a net profit of PYG 47,868 million to the Group. If the acquisition had occurred on January 1, 2020 incremental revenue for the Group for the twelve-month period ended December 31, 2020 would have been PYG 164,293 million and incremental net profit for that period would have been PYG 75,256 million.

Key assumptions used in fixed assets valuation

The following valuation methods and key estimates were used for the valuation of the main classes of fixed assets:

Major class of assets	Valuation method	Key assumption 1	Key assumption 2	Key assumption 3
Contract Between MFS & Telecel	Fair Value based on projected Cash Flow	Discount rate: 12,3%	Customer base growth 1% YoY	EBITDA margin: ~47% in average
Property, plant & equipment	Book Value	N/A	N/A	N/A

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 a final cash consideration of US$ 370.1 million (after final price adjustment).

The transfer of ownership of shares of SPM was approved by the appropriate regulator "Comisión Nacional de Telecomunicaciones (CONATEL)" on June 3, 2020 by Board Resolution Nº 1182/2020. Since that date, the Company controls and fully consolidates SPM, recognizing non-controlling interests for the remaining 0.10% shareholding it does not own.

The final purchase accounting and differences compared to the provisional fair values reported as at December 31,2020 for SPM are shown below:

	Provisional Fair values (100%) (PYG millions)	Provisional Fair values (100%) (PYG millions)	Differences
Intangible assets (excluding goodwill) (i)	106,433	1,463,107	1,356,674
Property, plant and equipment, net (ii)	809,906	939,914	130,008
Right of use assets, net	111,755	111,755	—
Other non-current assets	1,515	1,515	—
Current assets (excluding cash and trade receivables)	274,168	274,168	—
Trade receivables	17,034	17,034	—
Cash and cash equivalents	36,179	36,179	—
Total Assets acquired	**1,356,990**	**2,843,672**	**1,486,682**
Lease liabilities	115,535	115,535	—
Other debt and financing	947,844	947,844	—
Other liabilities	38,641	38,641	—
Deferred tax liabilities (iii)	—	148,290	148,290
Total Liabilities assumed	**1,102,020**	**1,250,310**	**148,290**
Fair value of assets acquired and liabilities assumed, net (iv)	254,970	1,593,362	1,338,392
Acquisition Price *(v)*	2,560,937	2,519,520	(41,417)
Goodwill *(vi)*	**2,305,967**	**882,796**	**(1,423,171)**

(i) Intangible assets not previously recognized at the date of acquisition, are mainly customer lists for an amount of PYG 1,379,668 million (approximately US$ 202.6 million) with estimated useful lives of 30 years.

A. The Telecel Group (Continued)

(ii) *A fair value step-up of PYG 155,192 million (approximately US$ 23 million) has been recognized on property, plant and equipment, mainly on customer premise equipment PYG 78,618 million (approximately US$11.5 million), towers and other civil works PYG 35,181 million (approximately US$5 million), and other network equipment PYG 22,296 million (approximately US$3 million). The expected remaining useful lives were estimated at 6-7 years on average.*
(iii) *Deferred tax liability of PYG 153,106 million resulting from the above adjustments.*
(iv) *Fair value of assets acquired and liabilities assumed updated to December 2020.*
(v) *Impact of SPM's final price adjustment.*
(vi) *Goodwill determined at the date of acquisition, June 2020 ("Final Fair value of assets acquired and liabilities assumed, net" determined at June 2020, amount to PYG millions 1,636,724).*

Key assumptions used in fixed assets valuation

The following valuation methods and key estimates were used for the valuation of the main classes of fixed assets:

Major class of assets	**Valuation method**	**Key assumption 1**	**Key assumption 2**	**Key assumption 3**
Customer lists	Fair Value based on projected Cash Flow	Discount rate: 9.3%	Annual Churn rate: ~2.1% blended B2C and B2B for the full 30Y estimation	EBITDA margin: ~28.75% in average
Property, plant & equipment	Cost approach	Economic useful life (range): 3-10 years	Remaining useful life (minimum): 2-30 years	N/A

The goodwill is currently not tax deductible, and is attributable to expected synergies and convergence with our legacy mobile business in the country, as well as to the fair value of the assembled work force. For convenience purposes, the acquisition date was set on July 1, 2020 as there were no material transactions from June 29, 2020 to that date. From July 1, 2020 to December 31, 2020, SPM contributed PYG 524,014 million of revenue and a net profit of PYG 110,042 million to the Group. If the acquisition had occurred on January 1, 2020 incremental revenue for the Group for the twelve-month period ended December 31, 2020 would have been PYG 988,870 million and incremental net profit for that period would have been PYG 138,978 million.

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

For the years ended December 31, 2021 and 2020, The Group did not dispose of any significant investments.

B. Performance

B.1. Revenue

The Group's revenue comprises sale of services from its mobile business (including Mobile Financial Services - MFS) and its cable and other fixed services, as well as related devices and equipment. Recurring revenue consists of monthly subscription fees, airtime and data usage fees, interconnection fees, roaming fees, fixed services (Pay-TV and internet), B2B services, MFS commissions and fees from other telecommunications services such as data services, short message services and other value added services.

Revenue from continuing operations by category

PYG millions	Timing of revenue recognition	2021	2020
Mobile	Over time	1,797,178	1,727,763
Home *(i)*	Over time	1,036,667	614,355
Corporate	Over time	490,854	435,029
Content	Over time	44,957	35,615
Mobile Financial Services *(ii)*	Over time	180,378	103,660
Other revenue	Point in time	17,411	26,763
Service		**3,567,445**	**2,943,185**
Telephone and equipment and other	Point in time	200,028	209,974
Total		**3,767,473**	**3,153,159**

(i) *The increase in the Home revenue is a result of the consolidation of Servicios y Productos Multimedios S.A.*
(ii) *The increase in the Mobile Financial Services revenue is a result of the consolidation of Mobile Cash Paraguay S.A.*

B. Performance (Continued)

B.1.1. Accounting for revenue

Revenue recognition

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

The Group applies the following practical expedients foreseen in IFRS 15:

- No adjustment to the transaction price for the means of a financing component whenever the period between the transfer of a promised good or service to a customer and the associated payment is one year or less; when the period is more than one year the financing component is adjusted, if material.
- Disclosure in the Group Financial Statements the transaction price allocated to unsatisfied performance obligations only for contracts that have an original expected duration of more than one year (e.g. unsatisfied performance obligations for contracts that have an original duration of one year or less are not disclosed).
- Application of the practical expedient not to disclose the price allocated to unsatisfied performance obligations, if the consideration from a customer corresponds to the value of the entity's performance obligation to the customer (i.e, if billing corresponds to accounting revenue).
- Application of the practical expedient to recognize the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset that otherwise would have been recognized is one year or less.

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

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

Prepaid scratch / SIM cards are services where customers purchase a specified amount of airtime or other credit in advance. Revenue is recognized as the credit is used. Unused credit is carried in the statement of financial position as a contract liability. Where customers purchase a specified amount of airtime or other credit in advance, revenue is recognized as the credit is used.
Telephone and equipment sales are recognized as revenue once the customer obtains control of the good. That criteria is fulfilled when the customer has the ability to direct the use and obtain substantially all of the remaining benefits from that good.
Revenue from provision of Mobile Financial Services (MFS) is recognized once the primary service has been provided to the customer.

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

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

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

Principal-Agent, some arrangements involve two or more unrelated parties that contribute to providing a specified good or service to a customer. In these instances, the Group determines whether it has promised to provide the specified good or service itself (as a principal) or to arrange for those specified goods or services to be provided by another party (as an agent). For example, performance obligations relating to services provided by third-party content providers (i.e., mobile Value Added Services or "VAS") or service providers (i.e., wholesale international traffic) where the Group neither controls a right to the provider's service nor controls the underlying service itself are presented net because the Group is acting as an agent. The Group generally acts as a principal for other types of services where the Group is the primary obligor of the arrangement. In cases the Group determines that it acts as a principal, revenue is recognized in the gross amount, whereas in cases the Group acts as an agent revenue is recognized in the net amount.

B. Performance (Continued)

Revenue from the sale of cables, fiber, wavelength or capacity contracts, when part of the ordinary activities of the operation, is recognized as recurring revenue. Revenue is recognized when the cable, fiber, wavelength or capacity has been delivered to the customer, based on the amount expected to be received from the customer.

Revenue from operating lease of tower space is recognized over the period of the underlying lease contracts. Leases revenue is apportioned between lease of tower space and interest income.

Significant judgments

The determination of the standalone selling price for contracts that involve more than one performance obligation may require significant judgment, such as when the selling price of a good or service is not readily observable.

The Group determines the standalone selling price of each performance obligation in the contract in accordance to the prices that the Group would apply when selling the same services and/or telephone and equipment included in the obligation to a similar customer on a standalone basis. When standalone selling price of services and/or telephone and equipment are not directly observable, the Group maximizes the use of external input and uses the expected cost plus margin approach to estimate the standalone selling price.

B.2. Expenses

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

Cost of sales

PYG millions	2021	2020
Direct costs of services sold	(669,867)	(409,709)
Cost of telephone, equipment and other accessories	(217,589)	(219,886)
Bad debt and obsolescence costs	(67,728)	(91,467)
Cost of sales	**(955,184)**	**(721,062)**

Operating expenses

PYG millions	2021	2020
Marketing expenses	(298,672)	(237,917)
Network maintenance costs	(94,649)	(59,874)
Employee related costs	(515,876)	(353,302)
External and other services	(85,629)	(89,168)
Rentals and operating leases	(17,127)	(16,707)
Billing and payments	(50,655)	(51,580)
Corporate Fees	(253,226)	(213,923)
Other operating expenses	(91,445)	(288,267)
Operating expenses, net	**(1,407,279)**	**(1,310,738)**

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

Cost of sales

Cost of sales is recorded on an accrual basis.

Incremental costs of obtaining a contract

Incremental costs of obtaining a contract, including dealer commissions, are capitalized as Contract Costs in the statement of financial position and amortized in operating expenses over the expected benefit period, which is based on the average duration of contracts with customer (see practical expedient in note B.1.1.).

B. Performance (Continued)

B.3. Segmental information

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

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

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

B.4. People

Number of permanent employees	2021	2020
Continuing operations *(i)*	4,795	5,050
Total	**4,795**	**5,050**

PYG millions	2021	2020
Wages and salaries	(369,678)	(257,350)
Social security	(54,599)	(37,385)
Share based compensation	(5,730)	(5,476)
Other employee related costs (ii)	(85,869)	(53,091)
Total	**(515,876)**	**(353,302)**

(i) The decrease in the number of employees is explained by prior call center now being outsourced.
(ii) Other employee related costs mainly comprise severance, vacation costs, personnel insurance, recruitment and relocation costs and other allowances.

B.4.1. Share based compensation

1. Equity-settled

Share awards are granted to management and key employees of the Company. Awards are settled in shares of Millicom International Cellular S.A.

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

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

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

Cost of share based compensation PYG millions	2021	2020
2018 incentive plans	—	(609)
2019 incentive plans	(524)	(2,332)
2020 incentive plans	(1,076)	(2,535)
2021 incentive plans	(4,130)	—
Total	**(5,730)**	**(5,476)**

B. Performance (Continued)

Performance share plan (for plans issued from 2018*)*

Shares granted under this performance share plan vest at the end of the three-year period, subject to performance conditions, 25% based on Relative Total Shareholder Return (“Relative TSR”), 25% based on the achievement of the Service Revenue target measured on a 3-year CAGRs from year one to year three of the plan (“Service Revenue”) and 50% based on the achievement of the Operating Free Cash Flow (“Operating Free Cash Flow”) target measured on a 3-year CAGRs from year one to year three of the plan. From 2020 onwards, the Operating Free Cash Flow target has been redefined to consider payments made in respect of leases. As a result, the target is since then the Operating Free Cash Flow after Leases ("OFCFaL").

For the performance share plans, and in order to calculate the fair value of the TSR portion of those plans, it is necessary to make a number of assumptions which are set out below. The assumptions have been set based on an analysis of historical data as at grant date.

Performance share plan (for plans issued from 2021)

Shares granted under this performance share plan generally follow the same rules as for previous performance share plans. However, and to reflect the need for retention and to align more with U.S. practice, Millicom have added time vested Restricted Stock Units (“RSU’s”) as a component of the LTI 2021 representing 35% of the award. The RSU’s will vest at the end of three years depending on satisfactory service condition. The Relative TSR, which account for 20% of the award, will be measured over the 10 trading days before / after December 31 of the last year of the corresponding three-year measurement period. The Service Revenue (15%) and Operating Cash Flow after Leases ("OCFaL") (30%) performance conditions will not be measured based on a CAGR anymore but on the actual cumulative achievement against the 3-year cumulative targets to better reflect the performance over the three-year period rather than simply the end point as is the case with a CAGR target.

For the performance share plans, and in order to calculate the fair value of the TSR portion of those plans, it is necessary to make a number of assumptions which are set out below. The assumptions have been set based on an analysis of historical data as at grant date.

Assumptions and fair value of the shares under the TSR portion(s)

	Risk-free rate %	Dividend yield %	Share price volatility(i) %	Award term (years)	Share fair value (in PYG)
Performance share plan 2021 (Relative TSR)	0.29	1.28	46.28	2.82	364,878
Performance share plan 2020 (Relative TSR)	0.61	1.47	24.54	2.93	383,263
Performance share plan 2019 (Relative TSR)	-0.24	3.01	26.58	2.93	342,843
Performance share plan 2018 (Relative TSR)	-0.39	3.21	30.27	2.93	397,310

(i) Historical volatility retained was determined on the basis of a three-year historic average.

The cost of the long-term incentive plans which are conditional on market conditions is calculated as follows:

Fair value (market value) of shares at grant date (as calculated above) x number of shares expected to vest.

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

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

B. Performance (Continued)

Shares expected to vest

Deferred Plan	2021 plans	2020 plans	2019 plans	2018 plans
Initial shares granted	24,030	13,430	19,646	12,535
Revision for forfeitures	—	—	(2,031)	(6,113)
Total before issuances	24,030	13,430	17,615	6,422
Shares issued in 2019	—	—	—	1,223
Shares issued in 2020	—	—	5,570	1,197
Shares issued in 2021	—	4,030	5,105	—
Shares still expected to vest	24,030	9,400	6,940	4,002
Estimated cost over the vesting period (PYG millions)	6,961	4,472	7,764	2,662

2. Cash-settled

In 2021, and in the light of the impact on future LTI awards as a consequence of the impact of COVID-19 on our business, the Board awarded a one-time Retention Plan to a selected group of executives, including the CEO and CFO. The plan is based on Market Stock Units (“MSU”) and is a performance-based scheme where the outcome is dependent on the share price at the time of vesting. The number of MSUs granted to each participant is determined on the basis of a share price at inception of $43.09 for Tranche 2022 and $47.00 for Tranche 2023 (targets consider that Millicom share price at grant date - $39.17 - will appreciate 10% for Tranche 2022 and 20% for tranche 2 from the grant price). At the vesting date, the value of the MSU will be determined by the 30-trading day average share price ending on June 30, 2022 for Tranche 2022, and the 30-trading day average share price ending on June 30, 2023 for Tranche 2023. For each Tranche, the payment will be made in cash 12 months after those dates, provided the participant is still employed (subject to limited allowances for good leavers). For every participant, payment is capped at 150% of their Target MSU Award Value set up for each Tranche. Participants of the Retention Plan were required to forfeit their awards under the LTI plans 2019 and 2020 in respect of the Financial targets (Service Revenue and Operating Cash flow growths), provided that the TSR component will continue to be active for these schemes.

The MSU is a cash-settled share-based payment plan and Millicom will measure the services acquired over the relevant service period and the liability incurred at the fair value of the liability. Until the liability is settled, Millicom is required to remeasure the fair value of the liability at the end of each reporting period and at the date of settlement, with any changes in value recognised the statement of income.

As of December 31, 2021, the fair value of the liability was determined by using Millicom's share price (using a Black-Scholes model would not result in material differences) and amounts to PYG 253 million (the expense for the year is for the same amount).

B.4.2. Directors and executive management

Compensation for the Board of Directors for the year ended December 31, 2021 and 2020 was as follows:

PYG millions	2021	2020
Fees	1,196	1,007
Other benefits	139	125
Total	**1,335**	**1,132**

Remuneration charge for the Executive Team for the year ended December 31, 2021 and 2020 was as follows:

PYG millions	2021	2020
Base salary	10,123	8,815
Bonus	4,043	3,409
Pension	592	399
Other benefits	6,074	5,210
Total before share based compensation	**20,832**	**17,833**
Share based compensation in respect of LTIP	5,730	5,476
Total	**26,562**	**23,309**

B. Performance (Continued)

B.5. Taxation

B.5.1. Income tax expense

The Company's effective tax rate is 2021: 19.85%, 2020: 7.98%.

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

In %	2021	2020 (i)
Weighted average statutory tax rate *(ii)*	10.00	(10.00)
Effect of:		
Limitation on the deductibility of interests, royalties and technical assistance with related parties (VCF) *(iii)*	5.08	11.72
Non deductible bonuses	0.18	1.64
Other taxes	(9.77)	(12.93)
Other *(iv)*	14.36	17.55
Effective tax rate	**19.85**	**7.98**

(i) Restated as a result of the finalization of the purchase accounting in respect of the latest acquisitions (see note A.1.2)
(ii) Statutory tax rate applied on the (loss) of profit before taxes.
(iii) Since January 1st, 2020 a new tax reform came into force. Expenses for interests, royalties and technical assistance paid to related parties are considered deductible if the expense does not exceed the market price. The corresponding withholdings have been made and the amount of the expenses does not represent 30% of the taxable base of the fiscal year before the inclusion of those expenses.
(iv) Includes prior year adjustments and other expenses that do not meet fiscal requirements for deductibility.

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

PYG millions	2021	2020 (i)
Current income tax charge	(54,647)	(25,548)
Net deferred income tax benefit	17,628	15,800
Income tax expense	**(37,019)**	**(9,748)**

(i) Restated as a result of the finalization of the purchase accounting in respect of the latest acquisitions (see note A.1.2)

The tax effect of significant items comprising the Group's net deferred tax assets as of December 31, 2021 and 2020 are as follows:

	Balance Sheet At December 31, 2021		Income statements Year ended December 31, 2020	
PYG millions	**2021**	**2020(i)**	**2021**	**2020(i)**
Provision for doubtful debtors	26,865	27,185	(320)	3,069
Temporary differences between book and tax basis of intangible assets and property, plant and equipment	(142,478)	(170,933)	28,455	17,385
Temporary differences by IFRS 16	6,528	4,755	1,773	439
Temporary differences for tower sales; License, social and other obligation	50,108	67,103	(16,995)	(4,121)
Other temporary differences	(4,932)	(9,647)	4,715	(972)
Deferred tax liabilities	**(63,909)**	**(81,537)**	**17,628**	**15,800**

(i) Restated as a result of the finalization of the purchase accounting in respect of the latest acquisitions (see note A.1.2)

B.5.2. Current tax assets and liabilities

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

B. Performance (Continued)

B.5.3. Deferred tax

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

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

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

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

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

C. Capital structure and financing

C.1. Share capital, share premium and reserves

As at December 31, 2021, 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 December 31, 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.

	2021	2020 (i)
Authorized and registered share capital (number of shares) (ii)	10,333	10,333
Subscribed and fully paid up share capital (number of shares)	10,272	10,272
Par value per share (PYG millions)	16.4	16.4
Share premium (PYG millions)	158,776	158,776
Share capital (PYG millions)	168,469	168,469
Total	**327,245**	**327,245**

(i) Restated as a result of the finalization of the purchase accounting in respect of the latest acquisitions (see note A.1.2).
(ii) During 2020, in accordance with the resolution of the Extraordinary General Meeting, the Company issued 333 common shares at a par value of PYG 16.4 million each, of which 272 shares were subscribed and fully paid-in, with the remaining 61 shares pending subscription and integration.

C.1.1. Legal reserve

Paraguayan legislation requires share companies (corporations) to allocate at least 5% of their annual net earnings to a legal reserve up to a level of 20% of subscribed capital (whether fully paid or not). As at December 31, 2021 and 2020 PYG 50,110 million of the Group’s retained profits represent legal reserves that are unavailable to be distributed to its owners.

C.1.2. Other reserves

As of December 31, 2021, the Group has recognized an equity contribution for PYG 50,922 million resulting from the difference between the fair value of the consideration transferred and the fair value of the net assets of Mobile Cash Paraguay SA. that took place in May 2020 (see note A.1.2).

C. Capital structure and financing (Continued)

C.2. Dividend distributions

On May 28, 2021, Telecel's shareholders decided not to proceed to the payment of a dividend related to 2020.

On April 20, 2020, a dividend distribution of PYG 211,007 million from Telecel's retained profits at December 31, 2019, was approved by the shareholders at the AGM and paid in equal portions in May and November 2019.

C.3. Debt and financing

Debt and financing by type PYG millions	2021	2020
Debt and financing due after more than one year:		
Bank financing (C.3.2)	646,913	946,165
Bond financing (C.3.1)	4,526,900	4,145,265
Total debt and financing	**5,173,813**	**5,091,430**
Less: portion payable within one year	(92,467)	(162,124)
Total debt and financing due after more than one year	**5,081,346**	**4,929,306**
Debt and financing due within one year:		
Portion of current debt payable within one year	92,467	162,124
Total debt and financing	**5,173,813**	**5,091,430**

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

C.3.1. Bond financing

International Bonds - Senior Notes 2027

In April 2019, Telecel issued US$ 300 million (PYG 2,065,737 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$250 million (PYG 1,721,448 million) of 5.875% Telecel 2027 Notes (the "New Notes"), representing an additional issuance from the Senior Notes described above. The New Notes are treated as a single class with the initial notes, and were priced at 106.375 for an implied yield to maturity of 4.817%. The corresponding US$ 15.9 million premium received will be 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$ 43,567,986) 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$ 33,402,122). They were registered and issued as follows: (i) PYG 115,000,000,000 (US$ 16,701,061) at an 8.75% rate, due June 3rd, 2024; (ii) PYG 50,000,000,000 (US$ 7,261,331) at a 9.25% rate, due May 29th, 2026; and (iii) PYG 65,000,000,000 (US$ 9,439,730) at a 10% rate, due May 31st, 2029. In December 2019, Telecel issued two additional series for PYG 35,000,000,000 (US$ 5,082,932) as follows: (iv) PYG 10,000,000,000 (US$ 1,452,266) at a 9.25% rate, due December 30th, 2026; and (v) PYG 25,000,000,000 (US$ 3,630,665) 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$ 2,178,399) at a 9.25% rate, due by January 29th, 2027; and (vii) PYG 20,000,000,000 (US$ 2,904,532) at a 10% rate, due by January 31st, 2030.

C. Capital structure and financing (Continued)

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 Multimedios 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 Multimedios S.A. became guarantor of the 5.875% Notes due 2027.

The fair value of Telecel´s financial instruments are shown at amounts at which the instruments could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The fair value of all financial assets and all financial liabilities, except debt and financing approximate their carrying value largely due to the short-term maturities of these instruments. The fair values of all debt and financing have been estimated by the Group, based on discounted future cash flows at market interest rates.

Continuing in local market, Telecel registered a second bond program for PYG 1,040,700,000,000 (US$ 151,137,342) that has been emitted partially on October 1, 2021 for the total amount of PYG 400,000,000,000 (US$ 58,090,648) in three different series from 5 years to 10 years. The first of three series were launched for PYG 98,000,000,000 (US$ 14,232,209) at an 6.00% rate, due September 25, 2026; second emission for PYG 142,000,000,000 (US$ 20,622,180) at a 6.70% rate, due September 29, 2028; and the last of three series for PYG 160,000,000,000 (US$ 23,236,259) at a 7,50% rate, due September 30, 2031.

Other than the items disclosed below, the fair values of financial assets and financial liabilities approximate their carrying values as at December 31, 2021:

PYG Million	Carrying Value	Fair Value (i)
	As at December 2021	As at As at December 2021
Debt and financing	5,173,813	5,177,064

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

C.3.2. Bank and other external financing

PYG millions	Issuance Currency	Issuance date	Maturity date	Fixed interest rate	As at December 31, 2021	As at December 31, 2020
Banco Regional S.A.E.C.A.	PYG	07/2018	06/2025	8.90%	90,096	115,000
Banco GNB En Proceso de Fusión	PYG	01/2019	11/2025	8.94%	63,266	176,628
Banco Continental S.A.E.C.A.	PYG	09/2019	09/2026	9.00%	263,900	316,595
Banco Continental S.A.E.C.A.	PYG	12/2020	12/2023	5.00%	179,651	199,410
Banco Itaú Paraguay S.A.	PYG	01/2020	12/2024	9.00%	—	138,532
Banco GNB En Proceso de Fusión	PYG	12/2021	11/2024	7.15%	50,000	—
Bank and other external financing					**646,913**	**946,165**

C.3.3. Interest expense

The Group’s interest and other financial expenses comprised the following:

PYG millions	2021	2020
Interest expense on bonds and bank financing	(319,770)	(319,673)
Interest expense on leases	(9,800)	(79,590)
Others	(948)	(9,690)
Total Interest Expense	**(330,518)**	**(408,953)**

C. Capital structure and financing (Continued)

C.3.4. Lease liabilities

Lease liabilities are presented in the statement of financial position as follows:

PYG millions	2021	2020
Current	125,752	126,999
Non-current	453,864	467,259
Total Lease liabilities	**579,616**	**594,258**

As permitted under IFRS 16, The Group has elected not to recognize a lease liability for short term leases (leases with an expected term of 12 months or less) or for leases of low value assets. Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are rather recognized on a straight-line basis as an expense in the statement of income. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture. In addition, certain variable lease payments are not permitted to be recognized as lease liabilities and are expensed as incurred.

The expenses relating to payments not included in the measurement of the lease liability are disclosed in operating expenses (note B.2.) and are as follows:

PYG millions	2021	2020
Expense relating to short-term leases (included in operating expenses)	**17,127**	**16,707**

At December 31, 2021, the Group has not committed to any material leases which had not yet commenced and has no material lease contracts with variable lease payments.

The Group's leasing activities and how these are accounted for

The Group leases various lands, sites, towers (including those related to towers sold and leased back), offices, warehouses, retail stores, equipment and cars. Rental contracts are typically made for fixed periods but may have extension options as described below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the reduction of the liability and finance cost. The finance cost is charged to the statement of income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable.
- variable lease payment that are based on an index or a rate.
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. As it is generally impracticable to determine that rate, the Group uses the lessee’s incremental borrowing rate, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions. The incremental borrowing rate applied can have a significant impact on the net present value of the lease liability recognized under IFRS 16. The Group determines the incremental borrowing rate by considering the risk-free rate, the country risk, the industry risk, the credit risk and the currency risk, as well as the lease and payment terms and dates.

The Group is also exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is adjusted against the right-of-use asset by discounting the revised lease payments using either the initial discount rate or a revised discount rate. The initial discount rate is used if future lease payments are reflecting market or index rates or if they are in substance fixed. The discount rate is revised, if a change in floating interest rates occurs.

C. Capital structure and financing (Continued)

The Group reassess the variable payment only when there is a change in cash flows resulting from a change in the reference index or rate and not at each reporting date.

According to IFRS 16, lease term is defined as the non-cancellable period for which a lessee has the right to use an underlying asset, together with both: (a) periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option; and (b) periods covered by an option to terminate if the lessee is reasonably certain not to exercise that option. The assessment of such options is performed at the commencement of a lease. As part of the assessment, The Group introduced the 'time horizon concept': the reasonable term under which the company expects to use a leased asset considering economic incentives, management decisions, business plans and the fast-paced industry Telecel operates in. The assessment must be focused on the economic incentives for The Group to exercise (or not) an option to early terminate/extend a contract. The Group has decided to work on the basis the lessor will generally accept a renewal/not early terminate a contract, as there is an economic incentive to maintain the contractual relationship.

The Group considered the specialized nature of most of its assets under lease, the low likelihood the lessor can find a third party to substitute The Group as a lessee and past practice to conclude that, the lease term can go beyond the notice period when there is more than an insignificant penalty for the lessor not to renew the lease. This analysis requires judgment and has a significant impact on the lease liability recognized under IFRS 16.

Under IFRS 16, the accounting for sale and leaseback transactions has changed as the underlying sale transaction needs to be first analyzed using the guidance of IFRS 15. The seller/lessee recognizes a right-of-use asset in the amount of the proportional original carrying amount that relates to the right of use retained. Accordingly, only the proportional amount of gain or loss from the sale must be recognized.

Finally, the Group has taken the additional following decisions when adopting the standard:

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

Finance lease liabilities

Under IAS 17, leases which transferred substantially all risks and benefits incidental to ownership of the leased item to the lessee were capitalized at the inception of the lease. The amount capitalized was the lower of the fair value of the asset or the present value of the minimum lease payments.

The balances contemplated in finance leases correspond to the towers that have been sold until December 31, 2018, prior to the adoption of the IFRS16 standard. These balances have a maturity of 12 years so they will remain under this classification until 2030. Lease payments are allocated between finance charges (interest) and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recorded as interest expenses in the income statement. Still under IAS 17, the sale and leaseback of towers and related site operating leases and service contracts are accounted for in accordance with the underlying characteristics of the assets, and the terms and conditions of the lease agreements. When sale and leaseback agreements are concluded, the portions of assets that will not be leased back by Telecel are classified as assets held for sale as completion of their sale is highly probable. Asset retirement obligations related to the towers are classified as liabilities directly associated with assets held for sale. On transfer to the tower companies, the portion of the towers leased back are accounted for as operating leases or finance leases according to the criteria set out above.

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

Tower Sale and Leaseback

In 2017, the Group announced an agreement to sell and leaseback approximately 1,400 wireless communications towers to a subsidiary of American Tower Corporation ("ATC") whereby we agreed the cash sale of tower assets and to lease back a dedicated portion of each tower where our network equipment is installed. As a result of this transaction, Telecel received approximately PYG 700 billion (equivalent to USD125 million) in cash.

C.3.5. 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 December 31, 2021 there were no breaches in financial covenants.

C. Capital structure and financing (Continued)

C.4. Cash and deposits
C.4.1. Cash and cash equivalents

PYG millions	2021	2020
Cash and cash equivalents in USD	838,183	418,759
Cash and cash equivalents in PYG	211,182	397,059
Restricted cash	2,563	1,964
Total cash and cash equivalents	**1,051,928**	**817,782**

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less. Cash deposits with bank with maturities of more than three months that generally earn interest at market rates are classified as time deposits.

C.4.2. Restricted Cash

PYG millions	2021	2020
Mobile Financial Services	153,778	206,151
Total Restricted Cash	**153,778**	**206,151**

This cash balance is held in banks by Mobile Cash Paraguay S.A. whose use is restricted by local regulation established by Paraguay's central bank (Banco Central del Paraguay) as part of its regulatory measures for entities that have electronic payments for business (EMPE, for its acronym in Spanish). The variation is explained by the extraordinary credit received from the Government at the end of 2020 for the accreditation of the Pytyvo program due to the Covid-19 pandemic.

C.5. Net financial obligations

PYG millions	2021	2020
Total debt and financing (See Note C.3.)	5,173,813	5,091,430
Lease Liabilities (See Note C.3.4.)	579,616	594,258
Gross financial obligations	**5,753,429**	**5,685,688**
Less:		
Cash and Cash equivalents (See Note C.4.1.)	(1,051,928)	(817,782)
Net financial obligations at the end of the year	**4,701,501**	**4,867,906**

PYG millions	Assets	Liabilities from financing activities		
	Cash and Cash equivalents	Bond and Bank Financing	Lease Liability	Total
Net financial obligations as at December 31, 2020	**817,782**	**5,091,430**	**594,258**	**4,867,906**
Cash Flow	238,428	108,842	(125,432)	**(255,018)**
Recognition / Remeasurement	—	—	31,341	**31,341**
Interest accretion	—	—	79,523	**79,523**
Foreign exchange movements.	(4,282)	(8,097)	(74)	**(3,889)**
Other non-cash movements	—	(18,362)	—	**(18,362)**
Net financial obligations as at December 31, 2021	**1,051,928**	**5,173,813**	**579,616**	**4,701,501**

PYG millions	Assets	Liabilities from financing activities		
	Cash and Cash equivalents	Bond and Bank Financing	Lease Liability	Total
Net financial obligations as at December 31, 2019	**187,141**	**3,240,820**	**552,349**	**3,606,028**
Cash Flow	473,946	1,664,252	(110,149)	**1,080,157**
Change in scope (See Note A.1.2.)	122,556	—	115,535	**(7,021)**
Recognition / Remeasurement	—	—	(37,028)	**(37,028)**
Interest accretion	—	—	71,507	**71,507**
Foreign exchange movements.	34,139	229,240	2,044	**197,145**
Other non-cash movements	—	(42,882)	—	**(42,882)**
Net financial obligations as at December 31, 2020	**817,782**	**5,091,430**	**594,258**	**4,867,906**

D. Financial risk management

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

D.1. Interest rate risk

Debt and financing issued at floating interest rates expose the Group to cash flow interest rate risk. Debt and financing issued at fixed rates expose the Group to fair value interest rate risk. The Group's exposure to risk of changes in market interest rates relate to both of the above. To manage this risk, the Group's policy is to maintain a combination of fixed and floating rate debt with target for the debt to be distributed between fixed and variable rates. The Group actively monitors borrowings against this target and applies a dynamic interest rate hedging approach. The target mix between fixed and floating rate debt is reviewed periodically. The purpose of Telecel's policy is to achieve an optimal balance between cost of funding and volatility of financial results, while taking into account market conditions as well as our overall business strategy. At December 31, 2021, the total of the Group's borrowings are at a fixed rate of interest.

D.1.1. Fixed and floating rate debt

Financing at December 31, 2021 Amounts due within:	**Amounts due within:**						
PYG millions	**1 year**	**1-2 years**	**2-3 years**	**3-4 years**	**4-5 years**	**>5 years**	**Total**
Fixed rate financing	92,466	283,617	242,867	90,262	210,701	4,253,900	**5,173,813**
Weighted average nominal interest rate	6.34%	6.30%	6.31%	6.20%	6.16%	6.08%	**6.24%**

Financing at December 31, 2020 Amounts due within:	**Amounts due within:**						
PYG millions	**1 year**	**1-2 years**	**2-3 years**	**3-4 years**	**4-5 years**	**>5 years**	**Total**
Fixed rate financing	162,124	142,123	333,033	271,961	99,329	4,082,860	**5,091,430**
Weighted average nominal interest rate	6.49%	6.42%	6.35%	6.32%	6.15%	6.09%	**6.31%**

D.2. Foreign currency risks

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

D.2.1. Debt denominated in USD and other currencies

PYG millions /	**2021**		**2020**	
USD millions	**USD**	**PYG**	**USD**	**PYG**
Debt denominated in USD	556	3,830,142	558	3,847,055
Debt denominated in PYG	—	1,343,671	—	1,244,375

D.3. Credit and counterparty risk

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

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

D. Financial risk management (Continued)

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

D.4. Liquidity risk

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

The Group manages its liquidity risk through use of bank overdrafts, bank loans, bonds, non-bank loans, and leases. The Group believes that there is sufficient liquidity available in the markets to meet ongoing liquidity needs. Additionally, The Group is able to arrange offshore funding. The Group has a diversified financing portfolio with commercial banks representing about 11% of its gross financing (2020: 17%), bonds 79% (2020: 74%), and leases 10% (2020: 9%).

Maturity Profile of Net Financial Liabilities at December 31, 2021

PYG Million	Less than 1 year	1 to 5 years	> 5 years	Total
Total debt and financing	(92,467)	(827,447)	(4,253,899)	(5,173,813)
Lease Liability	(58,843)	(221,418)	(299,355)	(579,616)
Cash and cash equivalents	1,051,928	—	—	1,051,928
Net cash (debt) including derivatives related to debt	**900,618**	**(1,048,865)**	**(4,553,254)**	**(4,701,501)**
Future interest commitments related to debt and financing	(327,975)	(1,180,225)	(258,627)	(1,766,827)
Future interest commitments related to leases	(74,553)	(268,393)	(59,001)	(401,947)
Trade payables (excluding accruals)	(342,290)	—	—	(342,290)
Other financial liabilities (including accruals)	(972,225)	(281,594)	(35,299)	(1,289,118)
Trade receivables	292,558	—	—	292,558
Other financial assets	252,236	53,709	—	305,945
Net financial liabilities	**(271,631)**	**(2,725,368)**	**(4,906,181)**	**(7,903,180)**

Maturity Profile of Net Financial Liabilities at December 31, 2020

PYG Million	Less than 1 year	1 to 5 years	> 5 years	Total
Total debt and financing	(162,124)	(846,446)	(4,082,860)	(5,091,430)
Lease Liability	(126,999)	(180,486)	(286,773)	(594,258)
Cash and cash equivalents	817,782	—	—	817,782
Net cash (debt) including derivatives related to debt	**528,659**	**(1,026,932)**	**(4,369,633)**	**(4,867,906)**
Future interest commitments related to debt and financing	(330,345)	(1,159,374)	(248,482)	(1,738,201)
Future interest commitments related to leases	(75,515)	(272,115)	(231,004)	(578,634)
Trade payables (excluding accruals)	(482,455)	—	—	(482,455)
Other financial liabilities (including accruals)	(908,128)	(300,140)	(54,307)	(1,262,575)
Trade receivables	308,263	—	—	308,263
Other financial assets	306,326	45,731	—	352,057
Net financial liabilities	**(653,195)**	**(2,712,830)**	**(4,903,426)**	**(8,269,451)**

D.5. Capital management

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

D. Financial risk management (Continued)

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

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

PYG millions	Note	2021	2020 (i)
Net financial obligations	C.5.	4,701,501	4,867,906
Equity		707,111	552,189
Net financial obligations and Equity		**5,408,612**	**5,420,095**
Gearing ratio		**87%**	**90%**

(i) Restated as a result of the finalization of the purchase accounting in respect of the latest acquisitions (see note A.1.2)

E. Long-term assets

E.1. Intangible assets

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

E.1.1. Accounting for intangible assets

Intangible assets acquired in business acquisitions are initially measured at fair value at the date of acquisition, and those which are acquired separately are measured at cost. Internally generated intangible assets, excluding capitalized development costs, are not capitalized but expensed to the income statement in the expense category consistent with the function of the intangible assets. Subsequently intangible assets are carried at cost, less any accumulated amortization and any accumulated impairment losses. Intangible assets with finite useful lives are amortized over their estimated useful economic lives using the straight-line method and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for intangible assets with finite useful lives are reviewed at least at each financial year-end. Changes in expected useful lives or the expected beneficial use of the assets are accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates.

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

Goodwill

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

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

Impairment testing of goodwill

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

E. Long-term assets (Continued)

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

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

Impairment is determined by assessing the recoverable amount (value in use) and, if appropriate, the fair value less costs to sell of the CGU, to which the goodwill relates.

Impairment testing at December 31, 2021

Goodwill was tested for impairment by assessing the recoverable amount against the carrying amount of the CGU based on discounted cash flows. The recoverable amounts are based on value-in-use. The value-in-use is determined based on the method of discounted cash flows. The cash flow projections used (operating profit margins, income tax, working capital, capex and license renewal cost) are extracted from business plans approved by management and presented to the Board, covering a fifteen-year planning horizon. The Group uses a fifteen-year planning horizon to obtain a stable business outlook, in particular due to the long investment cycles in the industry and the long-term planned and expected investments in licenses and spectrum. Cash flows beyond this period are extrapolated using a perpetual growth rate. When value-in-use results are lower than the carrying values of the CGU, management determines the recoverable amount by using the fair value less cost of disposal (FVLCD) of the CGU. FVLCD is usually determined by using recent offers received from third parties (Level 1).

For the year ended December 31, 2021, management concluded that no impairment should be recorded in the Group consolidated financial statements.

Impairment testing at December 31, 2020

For the year ended December 31, 2020, management concluded that no impairment should be recorded in the Group consolidated financial statements.

Key assumptions used in value in use calculations

The process of preparing the cash flow projections considers the current market condition of the CGU, analyzing the macroeconomic, competitive, regulatory and technological environments, as well as the growth opportunities of the CGU. Therefore, a growth target is defined for the CGU, based on the appropriate allocation of operating resources and the capital investments required to achieve the target. The foregoing forecasts could differ from the results obtained through time; however, the Company prepares its estimates based on the current situation the CGU. Relevance of budgets used for the impairment test is also reviewed annually, management performing regressive analysis between actual figures and budget/5YP used for previous year impairment test.

The cash flow projections the CGU is most sensitive to the following key assumptions:

- EBITDA margin is determined by dividing EBITDA by total revenues.
- CAPEX intensity is determined by dividing CAPEX by total revenues.
- Perpetual growth rate does not exceed the country IGDP ("Gross Domestic Product").
- Weighted average cost of capital ("WACC") is used to discount the projected cash flows.

The most significant estimates used for the 2021 and 2020 impairment test are shown below:

	Average EBITDA margin (%) (i)		Average CAPEX intensity (%) (i)		Perpetual growth rate (%)		WACC rate after tax (%)	
CGU	2021	2020	2021	2020	2021	2020	2021	2020
Paraguay	42.60	44.30	15.40	15.60	1.00	1.00	8.30	8.40

(i) Average is computed over the period covered by the plan.

E. Long-term assets (Continued)

Sensitivity analysis to changes in assumptions

- Management performed a sensitivity analysis on key assumptions within the test. The following maximum increases or decreases, expressed in percentage points, were considered the CGU:

Reasonable changes in key assumptions (%)	
Financial variables	
WACC rates	+/-1
Perpetual growth rates	+/-1
Operating variables	
EBITDA margin	+/-2
CAPEX intensity	+/-1

- The sensitivity analysis shows a comfortable headroom between the recoverable amounts and the carrying values for the CGU at December 31, 2021.

Licenses

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

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

Trademarks and customer lists

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

Estimated useful lives	Years
Trademarks	**1 to 15**
Customer lists	**4 to 30**

Programming and content rights

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

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

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

E. Long-term assets (Continued)

Indefeasible rights of use

There is no universally-accepted definition of an indefeasible rights of use ("IRU"). These agreements come in many forms.

However, the key characteristics of a typical arrangement include:

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

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

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

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

An IRU of network infrastructure (cables or fiber) is accounted for as a right of use asset (see E.2.4.), while capacity IRU (wavelength) is accounted for as an intangible asset.

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

E.1.2. Impairment of non-financial assets

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

Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Where no comparable market information is available, the fair value, less cost to sell, is determined based on the estimated future cash flows discounted to their present value using a discount rate that reflects current market conditions for the time value of money and risks specific to the asset.

The foregoing analysis also evaluates the appropriateness of the expected useful lives of the assets. Impairment losses of continuing operations are recognized in the consolidated income statement in expense categories consistent with the function of the impaired asset.

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

E. Long-term assets (Continued)

E.1.3. Movements in intangible assets

Movements in intangible assets 2021

PYG millions	Goodwill	Licenses	Content	Customer lists	Other (i)	Total
Opening balance, net	**1,188,243**	**346,387**	**3,655**	**1,584,984**	**328,118**	**3,451,387**
Additions	—	99,406	—	—	173,930	273,336
Impairments and net disposals	—	(7,563)	—	—	(6,986)	(14,549)
Amortization charge	—	(118,575)	(605)	(89,402)	(128,667)	(337,249)
Transfers	—	602	864	140	69,030	70,636
Closing balance, net	**1,188,243**	**320,257**	**3,914**	**1,495,722**	**435,425**	**3,443,561**
Cost	1,188,243	921,946	332,592	1,806,212	986,841	5,235,834
Accumulated amortization	—	(601,689)	(328,678)	(310,490)	(551,416)	(1,792,273)
Net	**1,188,243**	**320,257**	**3,914**	**1,495,722**	**435,425**	**3,443,561**

Movements in intangible assets 2020(iii)

PYG millions	Goodwill	Licenses	Content	Customer lists	Other (i)	Total
Opening balance, net	**293,019**	**431,000**	**19,931**		**264,229**	**1,008,187**
Change in scope (ii)	895,224	12,377	1,926	1,633,303	30,069	2,572,899
Additions	—	12,976	—		129,962	142,938
Impairments and net disposals	—	(3)	—		(500)	(503)
Amortization charge	—	(113,315)	(19,754)	(48,333)	(99,399)	(280,801)
Transfers	—	3,352	1,552		3,757	8,667
Closing balance, net	**1,188,243**	**346,387**	**3,655**	**1,584,984**	**328,118**	**3,451,387**
Cost	1,188,243	840,463	331,728	1,806,070	736,129	4,902,633
Accumulated amortization	—	(494,076)	(328,073)	(221,086)	(408,011)	(1,451,246)
Net	**1,188,243**	**346,387**	**3,655**	**1,584,984**	**328,118**	**3,451,387**

(i) The caption "Other" includes mainly software cost.
(ii) Fair values determined as of the date of acquisition.
(iii) Restated as a result of the finalization of the purchase accounting in respect of the latest acquisitions (see note A.1.2).

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

Cash used for intangible asset additions

PYG millions	2021	2020
Additions	(273,336)	(142,938)
Change in advances to suppliers	(8,109)	(7,916)
Change in accruals and payables for intangibles	97,284	(99,253)
Cash used from continuing operations for additions	**(184,161)**	**(250,107)**

E.2. Property, plant and equipment

E.2.1. Accounting for property, plant and equipment

Items of property, plant and equipment are stated at either historical cost, or the lower of fair value and present value of the future minimum lease payments for assets under leases, less accumulated depreciation and accumulated impairment. Historical cost includes expenditure that is directly attributable to acquisition of items. The carrying amount of replaced parts is derecognised. Depreciation is calculated using the straight-line method over the shorter of the estimated useful life of the asset and the remaining life of the license associated with the assets, unless the renewal of the license is contractually possible.

E. Long-term assets (Continued)

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

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

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

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

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

A liability for the present value of the cost to remove an asset on both owned and leased sites (for example cell towers) and for assets installed on customer premises (for example set-top boxes), is recognized when a present obligation for the removal exists.

The corresponding cost of the obligation is included in the cost of the asset and depreciated over the useful life of the asset, or lease period if shorter.

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

E.2.2. Movements in tangible assets

Movements in tangible assets 2021

PYG millions	Network equipment	Land and Buildings	Construction in Progress	Other (i)	Total
Opening balance, net	**1,779,544**	**72,192**	**421,103**	**111,307**	**2,384,146**
Additions	30,645	—	523,567	48,105	602,317
Impairments and net disposals	(6,319)	—	(1,099)	(5,018)	(12,436)
Depreciation charge	(496,918)	(1,085)	—	(37,026)	(535,029)
Asset retirement obligations	19,116	1,114	—	—	20,230
Transfers	433,765	3,999	(509,546)	1,146	(70,636)
Closing balance at December 31, 2021	**1,759,833**	**76,220**	**434,025**	**118,514**	**2,388,592**
Cost	5,875,797	92,198	434,025	422,234	6,824,254
Accumulated depreciation	(4,115,964)	(15,978)	—	(303,720)	(4,435,662)
Net	**1,759,833**	**76,220**	**434,025**	**118,514**	**2,388,592**

E. Long-term assets (Continued)

Movements in tangible assets 2020 (iii)

PYG millions	Network equipment	Land and Buildings	Construction in Progress	Other (i)	Total
Opening balance, net	**1,104,919**	**68,645**	**297,002**	**59,225**	**1,529,791**
Change in scope (ii)	716,509	5,453	222,487	22,352	966,801
Additions	3,057		312,474	1,784	317,315
Impairments and net disposals	(24,766)	(951)	—	(487)	(26,204)
Depreciation charge	(375,584)	(1,406)	—	(32,577)	(409,567)
Asset retirement obligations	14,466	211	—	—	14,677
Transfers	340,943	240	(410,860)	61,010	(8,667)
Closing balance at December 31, 2020	**1,779,544**	**72,192**	**421,103**	**111,307**	**2,384,146**
Cost	5,427,038	87,085	421,103	387,097	6,322,323
Accumulated depreciation	(3,647,494)	(14,893)	—	(275,790)	(3,938,177)
Net	**1,779,544**	**72,192**	**421,103**	**111,307**	**2,384,146**

(i) The caption "Other" includes mainly office equipment and motor vehicles.
(ii) Fair values determined as of the date of acquisition.
(iii) Restated as a result of the finalization of the purchase accounting in respect of the latest acquisitions (see note A.1.2).

Borrowing costs capitalized for the years ended December 31, 2021 and 2020 were not significant.

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

Cash used for tangible asset additions

PYG millions	2021	2020
Additions	(602,317)	(317,315)
Change in advances to suppliers	19,808	(2,014)
Change in accruals and payables for tangibles	(12,027)	76,096
Cash used for additions	**(594,536)**	**(243,233)**

E.2.4. Right-of-use assets

- Right-of-use assets are measured at cost comprising the following:
- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct cost, and
- restoration costs

Refer to note C.3.4.2 for further details on lease accounting policies.

Right-of-use	Land and buildings	Sites rental	Tower rental	Tower under finance lease	Other network equipment	Other	Total
				PYG millions			
Opening balance, net	**26,760**	**8,247**	**276,811**	**139,968**	**5,556**	**9**	**457,351**
Additions	3,721	3,912	21,666	—	117	740	30,156
Modifications	10,527	499	6,518	—	(20)	929	18,453
Disposals	(2,008)	(372)	(1,302)	—	(358)	(632)	(4,672)
Depreciation	(10,724)	(2,268)	(30,878)	(15,936)	(1,222)	(550)	(61,578)
Closing balance, net	**28,276**	**10,018**	**272,815**	**124,032**	**4,073**	**496**	**439,710**
Cost	50,816	14,357	343,135	191,121	6,874	818	607,121
Accumulated amortization	(22,540)	(4,339)	(70,320)	(67,089)	(2,801)	(322)	(167,411)
Net at December 31, 2021	**28,276**	**10,018**	**272,815**	**124,032**	**4,073**	**496**	**439,710**

E. Long-term assets (Continued)

Right-of-use	Land and buildings	Sites rental	Tower rental	Tower under finance lease (i)	Other network equipment	Other	Total
				PYG millions			
Opening balance, net	**33,659**	**6,107**	**208,063**	**155,903**	**9,469**	**364**	**413,565**
Change in scope (ii)	7	—	111,748	—	—	—	111,755
Additions	8,503	4,550	3,123	—	—	1,061	17,237
Modifications	5,718	84	(19,233)	—	33	(342)	(13,740)
Disposals	(9,546)	(833)	(1,729)	—	(2,501)	(195)	(14,804)
Depreciation	**(11,581)**	**(1,661)**	**(25,161)**	**(15,935)**	**(1,445)**	**(879)**	**(56,662)**
Closing balance, net	**26,760**	**8,247**	**276,811**	**139,968**	**5,556**	**9**	**457,351**
Cost	41,604	10,551	317,988	191,121	7,884	865	570,013
Accumulated amortization	(14,844)	(2,304)	(41,177)	(51,153)	(2,328)	(856)	(112,662)
Net at December 31, 2020	**26,760**	**8,247**	**276,811**	**139,968**	**5,556**	**9**	**457,351**

(i) The opening balance for tower under lease is the gross book value for towers sold before January 1, 2019.
(ii) Fair values determined as of the date of acquisition.

F. Other assets and liabilities

F.1. Trade receivables

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

PYG millions	2021	2020
Gross trade receivables	543,290	567,520
Less: provisions for impairment of receivables	(268,652)	(271,851)
Trade receivables, net	**274,638**	**295,669**

Aging of trade receivables PYG millions	Neither past due nor impaired	Past due (net of impairments) < 30 days	30-90 days	>90 days	Total
2021					
Telecom operators	312	398	319	160	1,189
Own customers	168,642	34,776	18,921	20,718	243,057
Others	19,751	2,271	5,459	2,911	30,392
Total	**188,705**	**37,445**	**24,699**	**23,789**	**274,638**
2020					
Telecom operators	2,563	436	249	2,352	5,600
Own customers	178,008	40,480	16,410	18,408	253,306
Others	22,692	7,373	4,338	2,360	36,763
Total	**203,263**	**48,289**	**20,997**	**23,120**	**295,669**

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

F. Other assets and liabilities (Continued)

F.2. Inventories

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

Inventories

PYG millions	2021	2020
Telephone and equipment	22,152	26,780
SIM cards	3,547	47
Other	5,507	12,174
Total Inventory	**31,206**	**39,001**

F.3. Trade payables

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

F.4. Prepayment and accrued income

PYG millions	2021	2020
Accrued income from rendered services	107,435	158,776
Prepayments	33,034	27,142
Total Prepayment and accrued income	**140,469**	**185,918**

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

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

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

F.5.1. Current provisions and other liabilities

Current

PYG millions	2021	2020
Customer deposits	184,223	236,757
Current legal provisions	12,027	7,359
Other tax payables	21,296	20,109
Prepayment card	17,318	18,820
Deferred income on tower deals (See note C.3.4.)	14,899	14,899
Advanced payments	9,584	5,792
Other	150,959	172,687
Total	**410,306**	**476,423**

F. Other assets and liabilities (Continued)

F.5.2. Non-current provisions and other liabilities

Non-current PYG millions	2021	2020
Deferred income on tower deals (See note C.3.4.)	118,864	133,763
Long-term portion of asset retirement obligations	118,176	131,325
Acc. payable and accruals for the purchase of license and spectrum (non-current)	78,416	82,104
Other	1,437	7,255
Total	**316,893**	**354,447**

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

Contract assets, net

PYG millions	2021	2020
Long-term	12,452	10,164
Short-term	39,185	40,671
Less: provisions for expected credit	(3,096)	(5,045)
Total	**48,541**	**45,790**

Contract liabilities

PYG millions	2021	2020
Long-term	6,638	4,547
Short-term	55,416	60,256
Total	**62,054**	**64,803**

The Group recognized revenue for PYG 26,707 million in 2021 that was included in the contract liability balance at the beginning of the year.

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at December 31, 2021 is PYG 353,973 million (expected to be recognized as revenue in the 2022 financial year) *(i)*.

(i) This amount does not consider contracts that have an original expected duration of one year or less, neither contracts in which consideration from a customer corresponds to the value of the entity's performance obligation to the customer (i.e. billing corresponds to accounting revenue).

Contract costs, net *(i)*

PYG millions	2021	2020
Net at 1 January	53	597
Contract costs	51	64
Amortization of contract	(66)	(608)
Net at December 31, 2021	**38**	**53**

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

G. Additional disclosure items

G.1. Capital and operational commitments

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

G. Additional disclosure items (Continued)

G.1.1. Capital commitments

At December 31, 2021 the Group had fixed commitments to purchase mobile and fixed network equipment, land and buildings, other fixed assets and intangible assets of PYG 994,305 million (December 31, 2020: PYG 531,603 million). The increase was primarily due to mobile network investments.

G.2. Contingent liabilities

G.2.1. Litigation and legal risks

The Company and its subsidiaries are contingently liable with respect to lawsuits, legal, regulatory, commercial and other legal risks that arise in the normal course of business. As of December 31, 2021, the total amount of claims brought against Telecel and its subsidiaries is PYG 68,850 million (December 31, 2020: PYG 67,268 million).

As of December 31, 2021 the total amount of provisions related to claims against Telecel and its subsidiaries was PYG 12,027 million (December 31, 2020: PYG 7,359 million). While it is not possible to ascertain the ultimate legal and financial liability with respect to these claims and risks, the ultimate outcome is not anticipated to have a material effect on the Group's financial position and operations.

G.2.2. Tax related risks and uncertain tax position

The Group operates in a developing market where the tax system, regulations and enforcement processes have varying stages of development creating uncertainty regarding the application of the tax law and interpretation of tax treatments. The Group is also subject to regular tax audits. When there is uncertainty over whether the taxation authority will accept a specific tax treatment under the local tax law, that tax treatment is therefore uncertain. The resolution of tax positions taken by the Group, through negotiations with relevant tax authorities or through litigation, can take several years to complete and, in some cases, it is difficult to predict the ultimate outcome. Therefore, judgment is required to determine liabilities for taxes.

In assessing whether and how an uncertain tax treatment affects the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, the Group assumes that a taxation authority with the right to examine amounts reported to it will examine those amounts and have full knowledge of all relevant information when making those examinations.

The Group has a process in place, and applies significant judgment, in identifying uncertainties over income tax treatments. Management considers whether or not it is probable that a taxation authority will accept an uncertain tax treatment. On that basis, the identified risks are split into three categories (i) remote risks (risk of outflow of tax payments are up to 20%), (ii) possible risks (risk of outflow of tax payments assessed from 21% to 49%) and probable risks (risk of outflow is more than 50%). The process is repeated every quarter by the Group.

If the Group concludes that it is probable or certain that the taxation authority will accept the tax treatment, the risks are categorized either as possible or remote, and it determines the taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatment used or planned to be used in its income tax filings. The risks considered as possible are not provisioned but disclosed as tax contingencies in the Group consolidated financial statements while remote risks are neither provisioned nor disclosed.

If the Group concludes that it is probable that the taxation authority will not accept the Group's interpretation of the uncertain tax treatment, the risks are categorized as probable, and are presented to reflect the effect of uncertainty in determining the related taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates by generally using the most likely amount method – the single most likely amount in a range of possible outcomes.

If an uncertain tax treatment affects both deferred tax and current tax, the Group makes consistent estimates and judgments for both. For example, an uncertain tax treatment may affect both taxable profits used to determine the current tax and tax bases used to determine deferred tax.

If facts and circumstances change, the Group reassesses the judgments and estimates regarding the uncertain tax position taken. At December 31, 2021, the tax risks exposure of the Company is estimated at PYG 1,291,698 million, for which provisions of PYG 8,320 million have been recorded in tax liabilities; representing the probable amount of eventual claims and required payments related to those risks (2020: PYG 1,369,053 million of which provisions of PYG 8,320 million were recorded).

G. Additional disclosure items (Continued)

G.3. Non-cash investing and financing activities

Non-cash investing and financing activities from continuing operations

PYG millions	2021	2020
Investing Activities		
Financing / (Acquisition) of property, plant and equipment	53,060	72,886
Financing / (Acquisition) of intangibles	97,966	(107,259)
Asset retirement obligations	20,230	14,677
Financing Activities		
Effect of forex exchange on financial debt	(8,097)	229,240

G.4. Related party balances and transactions

The Company conducts transactions with its principal shareholder, Millicom International Cellular S.A. ("Millicom") and its subsidiaries. Transactions with related parties are conducted on normal commercial terms and conditions.

Expenses from transactions with related parties

PYG millions	2021	2020
Millicom – Other Paraguayan operations	—	131,023
Millicom - Non-Paraguayan companies (i)	270,536	218,443
Total	**270,536**	**349,466**

(i) *Millicom - Non-Paraguayan companies expenses include recharges of VCF (Value-Creating Fees) for the support services provided by Millicom to the Group for PYG 253,226 million in 2021 (2020 PYG 213,923 million).*

Income and gains from transactions with related parties

PYG millions	2021	2020
Millicom – Other Paraguayan operations (i)	123	16,604
Millicom - Non-Paraguayan companies	15,613	49,677
Total	**15,736**	**66,281**

(i) *Millicom - Other Paraguayan operations income includes transactions with Transcom S.A.*

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

PYG millions	2021	2020 (i)
Receivables - Short Term		
Millicom – Other Paraguayan operations	—	31
Millicom – Non-Paraguayan companies (ii)	17,920	12,557
Total	**17,920**	**12,588**

PYG millions	2021	2020
Payables		
Millicom – Non-Paraguayan companies (iii)	72,082	155,827
Total	**72,082**	**155,827**

(i) *Restated as a result of the finalization of the purchase accounting in respect of the latest acquisitions (see note A.1.2)*
(ii) *Mainly from MIC SA due to DTH Teleport services, Turbine digital campaign and with Navega.com, Bolivia Celular SA, Cable Costa Rica, El Salvador by wholesale services.*
(iii) *Mainly recharges of VCF (Value-creating fees) for the support services provided by Millicom to the Group.*

H. Subsequent events

Regulatory

On March 30, 2022 the telecommunications regulatory entity (CONATEL) determined the payment of an additional license fee of PYG 4,198,431,421 (U$S 609,724) for 700Mhz band license, based on latest network expansion investment. Based on bidding documents used to grant this license, the Group has concluded that this additional fee is not applicable and will be claimed.