



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

For the three-month period
ended March 31, 2023

May 31, 2023

Unaudited Interim Condensed Consolidated Financial Statements

for the three-month period ended March 31, 2023

Unaudited interim condensed consolidated statement of comprehensive income for the three-month period ended March 31, 2023

PYG millions	Notes	Three months ended March 31, 2023	Three months ended March 31, 2022
Revenue		1,001,595	954,436
Cost of sales		(254,657)	(234,814)
Gross profit		746,937	719,622
Operating expenses (ii)		(360,570)	(346,240)
Depreciation		(172,174)	(159,565)
Amortization		(83,039)	(74,256)
Other operating income (expenses), net		18,840	2,546
Operating profit		149,995	142,107
Interest expense		(151,073)	(113,447)
Interest and other financial result, net		2,372	1,291
Exchange gain (loss), net		69,435	(20,792)
Profit before taxes		70,729	9,159
Charge for taxes, net		875	(1,768)
Profit (loss) for the period		71,604	7,391
Attributable to:			
Owners of the company		71,457	6,626
Non-controlling interests		147	765

PYG millions	Notes	Three months ended March 31, 2023	Three months ended March 31, 2022
Profit (loss) for the period		71,604	7,391
Other comprehensive income (to be reclassified to statement of income in subsequent periods), net of tax			
Change in value of cash flow hedges, net of tax effects		—	(469)
Total comprehensive income (loss) for the period		71,604	6,922
Attributable to:			
Owners of the company		71,457	6,157
Non-controlling interests		147	765

(ii) As of March 31, 2023, operating expenses include recharges of Value-creating fees (VCF) for the support services provided by Millicom to the Group for PYG 63,990 million (March 31, 2022: PYG 71,318 million).

Unaudited Interim Condensed Consolidated Financial Statements

for the three-month period ended March 31, 2023

Unaudited interim condensed consolidated statement of financial position as at March 31, 2023

PYG millions	Notes	March 31, 2023	December 31, 2022 (audited)
ASSETS			
NON-CURRENT ASSETS			
Intangible assets, net		3,213,957	3,242,412
Property, plant and equipment, net		2,357,639	2,432,874
Right of use assets		625,845	632,959
Contract costs, net		77	114
Other non-current assets		46,389	46,599
TOTAL NON-CURRENT ASSETS		6,244,156	6,354,959
CURRENT ASSETS			
Inventories, net		45,363	28,094
Trade receivables, net		313,304	308,799
Contract assets, net		31,433	35,956
Amounts due from related parties	8	12,637	13,934
Prepayments and accrued income		176,441	126,398
Supplier advances for capital expenditure		21,213	34,850
Other current assets		90,322	122,533
Restricted cash		157,989	176,757
Cash and cash equivalents		481,573	539,636
TOTAL CURRENT ASSETS		1,330,275	1,386,956
TOTAL ASSETS		7,574,431	7,741,915

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

Unaudited Interim Condensed Consolidated Financial Statements

for the three-month period ended March 31, 2023

Unaudited interim condensed consolidated statement of financial position as at March 31, 2023 (continued)

PYG millions	Notes	March 31, 2023	December 31, 2022 (audited)
EQUITY AND LIABILITIES EQUITY			
Share capital and premium		327,245	327,245
Legal reserve		50,110	50,110
Other reserves		82,388	81,122
Retained profits		80,872	171,405
Profit (loss) for the period/year attributable to owners of the company		71,457	(90,533)
Equity attributable to owners of the Company		612,072	539,349
Non-controlling interests		1,482	1,335
TOTAL EQUITY		613,554	540,684
LIABILITIES			
Non-current liabilities			
Debt and financing	6	4,596,261	4,700,109
Lease liabilities		628,641	634,482
Provisions and other non-current liabilities		235,634	268,809
Deferred tax liabilities		57,802	56,714
Total non-current liabilities		5,518,338	5,660,114
Current liabilities			
Debt and financing	6	272,418	283,858
Payables and accruals for capital expenditure		201,539	344,929
Lease liabilities		158,471	153,044
Other trade payables		182,098	125,495
Amounts due to related parties	8	26,662	32,552
Accrued interest and other expenses		255,296	212,477
Current income tax liabilities		13,499	7,706
Contract liabilities		52,562	60,502
Provisions and other current liabilities		279,994	320,554
Total current liabilities		1,442,539	1,541,117
TOTAL LIABILITIES		6,960,877	7,201,231
TOTAL EQUITY AND LIABILITIES		7,574,431	7,741,915

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

Unaudited Interim Condensed Consolidated Financial Statements

for the three-month period ended March 31, 2023

Unaudited interim condensed consolidated statement of cash flows for the three-month period ended March 31, 2023

PYG millions	Notes	March 31, 2023	March 31, 2022
Cash flows from operating activities			
Profit before taxes from continuing operations		70,729	9,159
Adjustments to reconcile to net cash:			
Interest expense, net		151,073	113,447
Interest and other financial income		(2,372)	(1,291)
Exchange loss (gain) on foreign exchange		(69,435)	20,792
Adjustments for non-cash items:			
Depreciation and amortization		255,213	233,821
Gain on disposal and impairment of assets, net		(18,840)	(2,546)
Shared based compensation		1,266	1,938
Changes in working capital:			
Increase (Decrease) in trade receivables, prepayments and other current assets		(154,337)	(34,808)
Increase (Decrease) in inventories		(17,268)	(13,175)
Increase (Decrease) in trade and other payables		105,899	(66,044)
Changes in contract assets, liabilities and costs, net		63	(2,334)
Total changes in working capital		(65,643)	(116,361)
Interest paid		(44,711)	(42,350)
Interest received		2,221	1,212
Taxes paid		2,937	(5,912)
Net cash provided by operating activities		282,438	211,909
Cash flows from investing activities:			
Purchase of intangible assets and licenses	5	(124,971)	(185,290)
Purchase of property, plant and equipment	4	(161,602)	(69,314)
Proceeds from sale of property, plant and equipment	4	528	263
Net cash used in investing activities		(286,045)	(254,341)
Cash flows from financing activities:			
Repayment of debt and financing		(37,900)	(37,900)
Repayment of Leases		(15,322)	(13,260)
Net cash provided by (used in) financing activities		(53,222)	(51,160)
Exchange impact on cash and cash equivalents, net		(1,234)	1,664
Net increase (decrease) in cash and cash equivalents		(58,063)	(91,928)
Cash and cash equivalents at the beginning of the year		539,636	1,051,928
Cash and cash equivalents at the end of the period		481,573	960,000

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

Unaudited Interim Condensed Consolidated Financial Statements

for the three-month period ended March 31, 2023

Unaudited interim condensed consolidated statements of changes in equity for the three-month periods ended March 31, 2023 and March 31, 2022

PYG millions	Number of shares	Share Capital	Retained profits	Legal reserves	Other Reserves	Non-controlling interest	Total equity
Balance as of December 31, 2021	10,272	327,245	253,491	50,110	74,997	1,268	707,111
Total comprehensive income for the period	—	—	6,157	—	—	765	6,922
Share based compensation	—	—	—	—	1,938	—	1,938
Balance as of March 31, 2022 (unaudited)	10,272	327,245	259,648	50,110	76,935	2,033	715,971
Balance as of December 31, 2022	10,272	327,245	80,872	50,110	81,122	1,335	540,684
Total comprehensive income for the period	—	—	71,457	—	—	147	71,604
Dividends declared	—	—	—	—	—	—	—
Dividends to non-controlling interests	—	—	—	—	—	—	—
Share based compensation	—	—	—	—	1,266	—	1,266
Balance as of March 31, 2023 (unaudited)	10,272	327,245	152,329	50,110	82,388	1,482	613,554

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

Notes to the unaudited interim condensed consolidated financial statements

for the three-month period ended March 31, 2023

Notes to the unaudited interim condensed consolidated statements

1. GENERAL

Telefónica Celular del Paraguay S.A.E. (the "Company"), a Paraguayan Company, and its subsidiaries: Teledeportes Paraguay S.A., Lothar Systems S.A., Mobile Cash Paraguay S.A. and Servicios y Productos Multimedios S.A. (the "Group" or "Telecel") is a Paraguayan group providing communications, information, entertainment, cable TV, mobile financial services and solutions in Paraguay. The Company maintains multiple license contracts with the Comisión Nacional de Telecomunicaciones (Conatel), the regulator of the telecommunications system in Paraguay, to operate cellular and cable telecommunications services 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. 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.

2. SUMMARY OF CONSOLIDATION AND ACCOUNTING POLICIES

I. Basis of presentation

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

These unaudited interim condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2022, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the IASB. These financial statements are prepared in accordance with consolidation and accounting policies consistent with the December 31, 2022 consolidated financial statements, except for the changes described below.

II. Current macroeconomic environment and its effect on the Group's business activities, financial situation and economic performance

Impact on our business

The tentative signs in early 2023 of a smooth landing for the global economy, with lower inflation and steady growth, have faded amid persistently high inflation. Despite a decline in inflation driven by central banks' interest rate hikes and lower energy and food prices, underlying price pressures remain stubborn due to labor shortages.

In the Paraguayan market there was a moderate inflation at the end of Q1 2023 with an stable exchange rate and the central bank maintained the 2022 monetary policy rate. GDP growth for this year is projected between 5.0%-8.0%. There is a good perspective related to soybean harvest and a potential recovery in power generation is expected to further boost economic growth. The exchange rate is predicted to be stable by the end of 2023. Despite a strong currency, inflation is forecasted at 4.5% due to various factors.

The Group continues to monitor the developments of the aforementioned events and their potential impact on performance and accounting considerations.

Notes to the unaudited interim condensed consolidated financial statements

for the three-month period ended March 31, 2023

III. New and amended IFRS standards

The following changes to 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:

- Amendments to IAS 1, 'Disclosure of Accounting Policies' that are intended to help preparers in deciding which accounting policies to disclose in their financial statements.
- IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors' - Definition of accounting estimates.
- 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 recognizing deferred tax for all temporary differences related to leases and decommissioning obligations at the beginning of the earliest comparative period presented. The Group has been applying the so-called "Linked transaction approach" in the calculation of deferred taxes related to leases (and ARO) since the adoption of IFRS 16 (in compliance with these amendments). Therefore, the adoption of these amendments did not have an impact for the Group.

The following changes to standards are effective for annual periods starting on January 1, 2024, and their potential impact on the Group consolidated financial statements is currently being assessed by Management:

- Amendments to IFRS 16 'Leases: Lease Liability in a Sale and Leaseback' - The amendment specifies the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognize any amount of the gain or loss that relates to the right of use it retains.
- Amendments to IAS 1, 'Presentation of Financial Statements': These amendments aim to improve the information an entity provides when its right to defer settlement of a liability is subject to compliance with covenants within twelve months after the reporting period.

3. ACQUISITION OF SUBSIDIARIES

Acquisitions for the three-month periods ended March 31, 2023 and 2022.

There were no material acquisitions during the three-month periods ended March 31, 2023 and 2022.

4. PROPERTY, PLANT AND EQUIPMENT

During the three-month period ended March 31, 2023, the Group added property, plant, and equipment for PYG 161,602 million (March 31, 2022: PYG 69,314 million) and paid PYG 528 million in cash from disposal of property, plant and equipment (March 31, 2022: PYG 263 million).

5. INTANGIBLE ASSETS

During the three-month period ended March 31, 2023, the Group added intangible assets for PYG 124,971 million (March 31, 2022: PYG 185,290 million)

Notes to the unaudited interim condensed consolidated financial statements

for the three-month period ended March 31, 2023

6. FINANCIAL OBLIGATIONS

Debt and Financing

International Bonds - Senior Notes 2027

In April 2019, Telecel issued US\$ 300 million (PYG 2,158,632 million, using March 31, 2023 exchange rate) 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 1,798,860 million, using March 31, 2023 exchange rate) 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.

On November 4, 2022, Telecel announced a tender offer (early tender consideration for US\$ 927.5 (PYG 6,673,771, using March 31, 2023 exchange rate) for each US\$ 1,000 (PYG 7,195,440 million, using March 31, 2023 exchange rate) principal amount of notes) to purchase for cash up to US\$ 55 million (PYG 395,749 million, using March 31, 2023 exchange rate) in aggregate principal amount of the Senior Notes. On November 20, 2022, Telecel announced that approximately US\$ 47 million (PYG 338,186 million, using March 31, 2023 exchange rate) in principal amount of the mentioned Notes, have been accepted and settled on November 21, 2022. Late tender expired on December 6, 2022 with no further tendered Notes. Total consideration amounted to approximately US\$ 44 million (PYG 316,599 million, using March 31, 2023 exchange rate) with a net financial income impact of US\$ 3 million (PYG 21,586 million, using March 31, 2023 exchange rate) given the Notes were repurchased below their par value.

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 million (approximately US\$ 41.7 million, using March 31, 2023 exchange rate) 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 million (US\$ 32.0 million, using March 31, 2023 exchange rate). They were registered and issued as follows: (i) PYG 115,000 million (US\$ 16.0 million, using March 31, 2023 exchange rate) at an 8.75% rate, due June 3rd, 2024; (ii) PYG 50,000 million (US\$ 6.9 million, using March 31, 2023 exchange rate) at a 9.25% rate, due May 29th, 2026; and (iii) PYG 65,000 million (US\$ 9.0 million, using March 31, 2023 exchange rate) at a 10% rate, due May 31st, 2029. In December 2019, Telecel issued two additional series for PYG 35,000 million (US\$ 4.9 million, using March 31, 2023 exchange rate) as follows: (iv) PYG 10,000 million (US\$ 1.4 million, using March 31, 2023 exchange rate) at a 9.25% rate, due December 30th, 2026; and (v) PYG 25,000 million (US\$ 3.5 million, using March 31, 2023 exchange rate) 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 million (US\$ 2.1 million, using March 31, 2023 exchange rate) at a 9.25% rate, due by January 29th, 2027; and (vii) PYG 20,000 million (US\$ 2.8 million, using March 31, 2023 exchange rate) at a 10% rate, due by January 31st, 2030.

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

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.

In September 2021, still on the local market, Telecel registered a second bond program for PYG 1,040,700 million (US\$ 144.6 million using March 31, 2023 exchange rate) that has been issued partially on October 1, 2021 for the total amount of PYG 400,000 million bond (approximately US\$ 55.6, using March 31, 2023 exchange rate) in three series with fixed interest rates

Telefónica Celular del Paraguay S.A.E.

Notes to the unaudited interim condensed consolidated financial statements

for the three-month period ended March 31, 2023

6. FINANCIAL OBLIGATIONS (Continued)

between 6% to 7.5% and a repayment period from 5 to 10 years. The first of three series were launched for PYG 98,000 million (US\$ 13.6 million, using March 31, 2023 exchange rate) at a 6.00% interest rate, due September 25, 2026; second emission for PYG 142,000 million (US\$19.7 million, using March 31, 2023 exchange rate) at a 6.70% interest rate, due September 29, 2028; and the last of three series for PYG 160,000 million (US\$ 22.2 million, using March 31, 2023 exchange rate) at a 7.50% interest 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 March 31, 2023:

PYG Millions	Carrying Value		Fair Value (i)	
	As at March 2023	As at March 2023	As at December 2022	As at December 2022
Debt and financing denominated in USD	3,651,389	3,357,926	3,729,573	3,615,261
Debt and financing denominated in PYG	1,217,290	969,765	1,254,395	980,619
Total debt and financing	4,868,679	4,327,692	4,983,967	4,595,880

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

Bank and external financing

(PYG millions)	Issuance date	Maturity date	Initial amount	As at March 31, 2023	As at December 31, 2022
Banco Regional S.A.E.C.A.	07/2018	06/2025	115,000	56,281	67,646
Banco GNB Paraguay S.A.	01/2019	11/2025	177,000	65,680	65,205
Banco Continental S.A.E.C.A.	09/2019	09/2026	370,000	184,833	211,207
Banco Continental S.A.E.C.A.	12/2020	12/2023	200,000	179,951	179,892
Banco GNB Paraguay S.A.	12/2021	11/2024	50,000	33,333	33,333
Bank and external financing				520,078	557,283

Analysis of debt and other financing by maturity

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

PYG millions	As at March 31, 2023	As at December 31, 2022
Due within:		
One year.....	272,417	283,858
One-two years.....	242,867	242,867
Two-three years.....	93,361	92,751
Three-four years.....	231,652	210,807
Four-five years.....	3,619,170	3,744,572
After five years.....	409,212	409,112
Total debt.....	4,868,679	4,983,967

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 March 31, 2023, there were no breaches in financial covenants.

Notes to the unaudited interim condensed consolidated financial statements

for the three-month period ended March 31, 2023

7. COMMITMENTS AND CONTINGENCIES

Litigation & claims

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 March 31, 2023, the total amount of provisions of claims brought Telecel and its subsidiaries is PYG 41,365 million (December 31, 2022: PYG 40,566 million).

As of March 31, 2023 the total amount of provisions related to claims against Telecel and its subsidiaries was PYG 7,176 million (December 31, 2022: PYG 7,734 million). While it is not possible to ascertain the ultimate legal and financial liability with respect to these claims, the ultimate outcome is not anticipated to have a material effect on the Group's financial position and operations.

Taxation

At March 31, 2023, the tax risks exposure of the Group's subsidiaries is estimated at PYG 1,203,747 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 (December 31, 2022: PYG 1,261,201 million of which provisions of PYG 8,320 million were recorded).

Capital commitments

At March 31, 2023, the Company had fixed commitments to purchase network equipment, land and buildings, other fixed assets and intangible assets of PYG 139,635 million (December 31, 2022: PYG 854,584 million).

8. RELATED PARTY TRANSACTIONS

The Group receives business support and financing from Millicom Group entities ("Non-Paraguayan companies"). "Other Paraguayan operations" include only transactions with Transcom S.A:

PYG millions (unaudited)	Three months ended March 31, 2023	Three months ended March 31, 2022
Expenses		
Millicom - Non-Paraguayan companies (i)	66,019	75,246
Total	66,019	75,246

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

PYG millions (unaudited)	Three months ended March 31, 2023	Three months ended March 31, 2022
Income / Gains		
Millicom – Other Paraguayan operations	471	—
Millicom - Non-Paraguayan companies (i)	3,714	4,530
Total	4,185	4,530

(i) Mainly DTH Teleport services, wholesale services.

Notes to the unaudited interim condensed consolidated financial statements

for the three-month period ended March 31, 2023

8. RELATED PARTY TRANSACTIONS (Continued)

As at March 31, 2023, the Group had the following balances with related parties:

PYG millions	At March 31, 2023	December 31, 2022 (audited)
Receivables - Current		
Millicom – Other Paraguayan operations	332	398
Millicom – Non-Paraguayan companies (i)	12,305	13,536
Total	12,637	13,934

PYG millions	At March 31, 2023	December 31, 2022 (audited)
Payables - Current		
Millicom – Other Paraguayan operations	4,244	4,173
Millicom – Non-Paraguayan companies (ii)	22,418	28,379
Total	26,662	32,552

(i) Mainly Teleport services, wholesale services and payment of wages.

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

9. SUBSEQUENT EVENTS

As of the date of publication of these financial statements, the Group has no significant subsequent events to report.
