



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

For the nine-month period  
ended september 30, 2020

November 27, 2020

# Unaudited Interim Condensed Consolidated Financial Statements

for the nine-month period ended September 30, 2020

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

PYG millions	Notes	Nine months ended 30 September, 2020	Nine months ended 30 September, 2019
Revenue		2,176,905	2,155,472
Cost of sales		(442,403)	(392,079)
<b>Gross profit</b>		<b>1,734,502</b>	<b>1,763,393</b>
Operating expenses		(841,224)	(792,921)
Depreciation		(312,815)	(304,434)
Amortization		(169,255)	(144,991)
Other operating income (expenses), net		11,244	26,269
Corporate fees	4	(130,656)	-
<b>Operating profit</b>		<b>291,796</b>	<b>547,316</b>
Interest expense		(306,134)	(310,378)
Interest and other financial result, net		51,823	42,458
Other non operating income (expenses)	3	107,721	-
Exchange loss, net		(161,384)	(64,938)
<b>Profit (loss) before taxes</b>		<b>(16,178)</b>	<b>214,458</b>
Charge for taxes, net		1,252	(32,719)
<b>Profit Loss for the year</b>		<b>(14,926)</b>	<b>181,739</b>
<b>Attributable to:</b>			
Equity holders of the company		(14,926)	181,739

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

# Unaudited Interim Condensed Consolidated Financial Statements

for the nine-month period ended September 30, 2020

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

PYG millions	Notes	30 September 2020	31 December 2019 (audited)
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Intangible assets, net	6	3,140,403	1,008,187
Property, plant and equipment, net	5	2,180,318	1,529,791
Right of use assets		480,769	413,565
Deferred tax assets		82,603	83,627
Contract costs, net		116	597
Other non-current assets		42,549	45,685
Amounts due from related parties		-	80,242
<b>TOTAL NON-CURRENT ASSETS</b>		<b>5,926,758</b>	<b>3,161,694</b>
<b>CURRENT ASSETS</b>			
Inventories, net		44,767	45,451
Trade receivables, net		292,930	328,507
Contract assets, net		74,844	70,930
Amounts due from related parties	10	11,065	1,876,868
Prepayments and accrued income		210,805	179,984
Supplier advances for capital expenditure		29,269	18,436
Other current assets		85,419	57,205
Restricted cash		128,796	-
Cash and cash equivalents		613,791	187,141
<b>TOTAL CURRENT ASSETS</b>		<b>1,491,686</b>	<b>2,764,522</b>
<b>TOTAL ASSETS</b>		<b>7,418,444</b>	<b>5,926,216</b>

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

# Unaudited Interim Condensed Consolidated Financial Statements

for the nine-month period ended September 30, 2020

## Unaudited interim condensed consolidated statement of financial position as at September 30, 2020 (continued)

PYG millions	Notes	30 September 2020	31 December 2019 (audited)
<b>EQUITY AND LIABILITIES EQUITY</b>			
Share capital and premium	8	168,469	164,008
Legal reserve		50,110	50,110
Other reserves		17,190	13,122
Retained profits		(50,765)	237,294
Profit for the year attributable to equity holders		(14,926)	211,007
<b>TOTAL EQUITY</b>		<b>170,078</b>	<b>675,541</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Debt and financing	7	4,820,439	2,962,608
Lease liabilities		469,226	395,741
Provisions and other non-current liabilities		419,961	412,214
<b>Total non-current liabilities</b>		<b>5,709,626</b>	<b>3,770,563</b>
<b>Current liabilities</b>			
Debt and financing	7	124,424	278,212
Payables and accruals for capital expenditure		194,859	272,599
Lease liabilities		106,995	86,566
Other trade payables		203,004	138,498
Amounts due to related parties	10	144,487	249,893
Accrued interest and other expenses		259,283	190,550
Current income tax liabilities		37,940	3,993
Contract liabilities		88,943	78,945
Provisions and other current liabilities		378,805	180,856
<b>Total current liabilities</b>		<b>1,538,740</b>	<b>1,480,112</b>
<b>TOTAL LIABILITIES</b>		<b>7,248,366</b>	<b>5,250,675</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>7,418,444</b>	<b>5,926,216</b>

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

# Unaudited Interim Condensed Consolidated Financial Statements

for the nine-month period ended September 30, 2020

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

PYG millions	Notes	September 30, 2020	September 30, 2019
<b>Cash flows from operating activities</b>			
Profit before taxes from continuing operations		(16,178)	214,458
<b>Adjustments to reconcile to net cash:</b>			
Interest expense, net		306,134	310,378
Interest and other financial income		(51,823)	(42,458)
Exchange gain on foreign exchange		161,384	64,938
<b>Adjustments for non-cash items:</b>			
Depreciation and amortization		482,070	449,424
Gain on disposal and impairment of assets, net		(11,244)	(26,269)
Shared based compensation		4,068	3,874
<b>Changes in working capital:</b>			
Increase in trade receivables, prepayments and other current assets		52,811	(16,404)
(Decrease) increase in inventories		(3,353)	(9,704)
Increase in trade and other payables		103,613	(12,352)
Changes in contract assets, liabilities and costs, net		1,232	9,819
<b>Total changes in working capital</b>		<b>154,303</b>	<b>(28,613)</b>
Interest paid		(231,389)	(164,755)
Interest received		62,287	1,021
Taxes (paid) refunded		(33,058)	(50,433)
<b>Net cash provided by operating activities</b>		<b>826,554</b>	<b>731,537</b>
<b>Cash flows from investing activities:</b>			
Acquisition of subsidiaries, joint-ventures and associates, net of cash acquired	3	(2,546,096)	-
Purchase of intangible assets and licenses	6	(237,182)	(225,033)
Proceeds from sale of intangible assets		3	24
Purchase of property, plant and equipment	5	(91,422)	(140,707)
Proceeds from sale of property, plant and equipment	5, 6	11,596	38,310
Debt and other financing (granted to) obtained from related parties, net		1,460,489	(148,462)
<b>Net cash used in investing activities</b>		<b>(1,402,612)</b>	<b>(475,868)</b>
<b>Cash flows from financing activities:</b>			
Repayment of debt and financing		(491,669)	(2,386,751)
Repayment of Leases		(12,087)	(49,094)
Proceeds from issuance of debt and other financing		1,942,027	2,602,423
Payment of dividends to equity holders		(472,342)	(115,235)
<b>Net cash provided by financing activities</b>		<b>965,929</b>	<b>51,343</b>
Exchange impact on cash and cash equivalents, net		36,779	7,029
<b>Net increase in cash and cash equivalents</b>		<b>426,650</b>	<b>314,041</b>
Cash and cash equivalents at the beginning of the year		187,141	147,771
<b>Cash and cash equivalents at the end of the year</b>		<b>613,791</b>	<b>461,812</b>

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

# Unaudited Interim Condensed Consolidated Financial Statements

for the nine-month period ended September 30, 2020

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

PYG millions	Number of shares <sup>(1)</sup>	Share Capital <sup>(1)</sup>	Retained profits	Legal reserves	Other Reserves	Total equity
<b>Balance as of December 31, 2018</b>	<b>10,000</b>	<b>164,008</b>	<b>807,342</b>	<b>50,110</b>	<b>7,206</b>	<b>1,028,666</b>
Total comprehensive income for the year	-	-	181,739	-	-	181,739
Dividends	-	-	(570,048)	-	-	(570,048)
Share based compensation	-	-	-	-	3,874	3,874
<b>Balance as of September 30, 2019 (unaudited)</b>	<b>10,000</b>	<b>164,008</b>	<b>419,033</b>	<b>50,110</b>	<b>11,080</b>	<b>644,231</b>
<b>Balance as of December 31, 2019 (audited)</b>	<b>10,000</b>	<b>164,008</b>	<b>448,301</b>	<b>50,110</b>	<b>13,122</b>	<b>675,541</b>
Total comprehensive income for the period	-	-	(14,926)	-	-	(14,926)
Dividends	-	-	(499,066)	-	-	(499,066)
Increase of share capital	272	4,461	-	-	-	4,461
Share based compensation	-	-	-	-	4,068	4,068
<b>Balance as of September 30, 2020 (unaudited) <sup>(1)</sup></b>	<b>10,272</b>	<b>168,469</b>	<b>(65,691)</b>	<b>50,110</b>	<b>17,190</b>	<b>170,078</b>

(1) See note 8 - Capital Structure and Financing.

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

# Notes to the unaudited interim condensed consolidated financial statements

for the six-month period ended September 30, 2020

## Notes to the unaudited interim condensed consolidated statements

### 1. ORGANIZATION

Telefónica Celular del Paraguay S.A.E. (the "Company"), a Paraguayan Company, and its subsidiaries: Teledeportes Paraguay S.A., Lothar Systems S.A., Servicios y Productos Multimedios S.A. and Mobile Cash Paraguay S.A. (Note 3) (the "Group" or "Telecel") is a Paraguayan group providing communications, information, entertainment and solutions in Paraguay. The Company maintains multiple license contracts with Comision Nacional de Telecomunicaciones (Conatel), the regulator of the telecommunications system in Paraguay, to operate cellular and cable telephony businesses in Paraguay. The Company was formed in 1992. The general administration of the Company is located at Zavala Cue esq. Artilleria, Fernando de la Mora, Paraguay.

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

### 2. SUMMARY OF CONSOLIDATION AND ACCOUNTING POLICIES

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

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

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

The outbreak of a novel and highly contagious form of coronavirus ("COVID-19"), which on March 11, 2020, the World Health Organization has declared to constitute a pandemic, has resulted in numerous deaths, adversely impacted global commercial activity and contributed to significant volatility in global equity and debt markets.

Sanitary measures and restrictions adopted by governments, as well as the general uncertainty surrounding the dangers of COVID-19, have produced a significant disruption in economic activity and have had an adverse impact on transportation, hospitality, tourism, entertainment and other industries, the effect of which was felt in our markets beginning in mid-March 2020.

#### ***Impact on our business***

To date, Paraguay is one of the countries that has reported the lowest cases and fatalities in Latin America. As one of the largest private companies in Paraguay, we have been supporting local governments and health officials in many ways, especially by communicating important information to the public and applying sanitation measures in our stores and offices.

Our business is at the core of the contingency plans for the millions of individuals and companies who rely on us to connect them to their family and friends, business partners, and the world. As a result, we have observed an increase in traffic of approximately 30% on our fixed networks since restrictions were imposed on the population by the government that represents almost an increase of 26% of bandwidth costs, whilst the impact on our mobile networks have been more modest.

At the end of July 2020, local football championship was resumed after almost five months of suspension which impacted in our TV sales recovery and demand regularization.

We have worked closely with the government to ensure our full compliance with the measures, and we had gradually rolled out "lifeline products" to retain customers who are temporarily unable to pay for our services, while also providing an incentive for other customers to continue to pay fully and in a timely manner.

**Telefónica Celular del Paraguay S.A.E.**

# Notes to the unaudited interim condensed consolidated financial statements

for the six-month period ended September 30, 2020

## 2. SUMMARY OF CONSOLIDATION AND ACCOUNTING POLICIES (Continued)

During the third quarter, Tigo Money was a key strategic partner to the Government, distributing subsidies to 220,749 people, of which approximately 6 out of 10 beneficiaries were women. Small businesses without point of sale system sold food and collected funds with their mobile wallets and cell phones, multiplying the government's help that also reached small shops in very remote areas of the country, reactivating the economy.

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

As of July 18, phase 4 of Covid-19 quarantine was implemented throughout the country except Central department and Alto Paraná department which remained in phase 3. There has been a gradual increase in the mobility of people as the government has progressively eased restrictions and health security measures, although cases continue to increase but now with a greater degree of control. At the end of the third quarter, the borders with Brazil and Argentina were still closed.

### **Management action**

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

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

As of September 30, 2020, we had PYG 613,791 million in cash and cash equivalents. The company's accumulated debt financing, including lease liabilities and amounts due to related parties amounted to PYG 5,665,571 million, of which a modest portion is maturing near term, including PYG 211,786 million in 2020, PYG 186,812 million in 2021, PYG 197,985 million in 2022 and PYG 5,068,988 three and more years. The Group is currently in compliance with all of its covenants and interest payments.

On July 13, the Company received the cancellation of the total amount and the corresponding interests of Intercompany loans between Telecel SAE – Millicom International Operations SA and Telecel SAE – Millicom International Cellular SA by US\$ 306.3 million.

On July 20, the Company paid to Millicom Holdings 300 NV for the Purchase Price of Servicios y Productos Multimedios SA shares an amount of US\$ 370.1 million.

On April 23, the Board approved an advanced payment of dividends for Mobile Cash Paraguay SA (MCP) based on 80% of the preliminary results, totalling PYG 60,516 million.

On Sep 25, a remaining amount of MCP dividends were paid for PYG 13,197 million (US\$ 1.7 million) corresponding to 2019 results.

In order to proceed with the related payments, the Company subscribed three intercompany loans; two granted to Servicios y Productos Multimedios SA (US\$ 34million and US\$ 35 million) and the last to Mobile Cash Paraguay SA for US\$ 5 million.

### **Impact on accounting matters**

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

#### **Impairment of trade receivables**

Since the beginning of COVID-19 pandemic, and as a result of worsening collections, the Group has recognised additional bad debt provisions for an amount of PYG 23,995 million (aprox. US\$ 3.4 million) compared to the level of provisions recorded during Q1 2020 (pre-pandemic level) and the same amount compared to Q3 2019. However, collections have significantly improved during Q3 2020 and bad debt levels have returned to their pre-pandemic level comparing to Q1 2020. As of September 30, 2020, the total bad debt provisions covered 100% of the receivables overdue by more than 90 days.

#### **New and amended IFRS standards**

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



# Notes to the unaudited interim condensed consolidated financial statements

for the six-month period ended September 30, 2020

## 2. SUMMARY OF CONSOLIDATION AND ACCOUNTING POLICIES (Continued)

- Amendments to the conceptual framework. The IASB has revised its conceptual framework.
- Amendments to IAS 1, 'Presentation of financial statements', and IAS 8, 'Accounting policies, changes in accounting estimates and errors'.
- Amendments to IFRS 9, IAS 39 and IFRS 7 - Interest Rate Benchmark Reform.
- Amendments to IFRS 3 - definition of a business. This amendment revises the definition of a business.
- Amendment to IFRS 16, 'Leases' - COVID 19 Rent Concessions - effective for annual periods starting on June 1, 2020. This amendment provides an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs.

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

- IFRS 17, 'Insurance contracts' - effective for annual periods starting on January 1, 2023- IFRS 17 will not have an impact for the Group.
- Amendments to IFRS 4 'Insurance contracts' (deferral of effective date of IFRS 9) - effective for annual periods starting on January 1, 2021- These amendments extend the effective date to apply IFRS 9 for insurance contracts to January 1, 2023 in order to align with the effective date of IFRS 7. These amendments will not have an impact for the Group.
- Amendments to IAS 1, 'Presentation of Financial Statements' - effective for annual periods starting on January 1, 2023 - This amendment clarifies that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability.
- Amendments to IFRS 9, IAS 39 and IFRS 7 - Interest Rate Benchmark Reform - Phase 2 - effective for annual periods starting on January 1, 2021. The amendments address issues that arise during the reform of an interest rate benchmark, including the replacement of one benchmark with an alternative one.
- Amendments to:
  - IFRS 3 'Business Combinations' - Reference to Conceptual Framework.
  - IAS 16 'Property, Plant and Equipment' - Proceeds before intended use.
  - IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' - Cost of fulfilling a contract.
  - Annual improvements to IFRS Standards 2018-2020, affecting IFRS 1, IFRS 9, IFRS 16 and IAS 41.

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

## 3. ACQUISITION OF SUBSIDIARIES

### Acquisitions 2020

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

#### a) Mobile Cash Paraguay SA:

On 20 May 2020, the parent shareholder of the Company contributed its 99.99% shareholding in Mobile Cash Paraguay SA into 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, recognising non-controlling interests for the 0.01% shareholding it does not own.

The purchase consideration also includes potential indemnifications from the sellers (including tax and litigation contingencies). For the purchase accounting, 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 purchase accounting is still provisional at September 30, 2020, particularly in respect of the valuation of identified assets and liabilities, as well as, the final price adjustment. Management expects to finalize the purchase accounting in Q4 2020.

# Notes to the unaudited interim condensed consolidated financial statements

for the six- month period ended September 30, 2020

## 3. ACQUISITION OF SUBSIDIARIES (Continued)

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

	Provisional Fair values (100%) (PYG millions)
Intangible assets, net	5,742
Property, plant and equipment, net	1,703
Current assets (excluding cash and trade receivables)	65,288
Trade receivables	2,194
Restricted Cash	116,635
Cash and cash equivalents	203,012
<b>Total Assets acquired</b>	<b>277,939</b>
Other debt and financing	164,725
Deferred tax liabilities	128
Other liabilities	910
<b>Total Liabilities assumed</b>	<b>165,763</b>
Fair value of assets acquired and liabilities assumed, net	112,176
Purchase consideration	4,455
<b>Gain on purchase (*)</b>	<b>(107,721)</b>

(\*) Included in the consolidated statement of comprehensive income as Other non-operating income.

### b) Servicios y Productos Multimedios SA:

On 29 June 2020, through a Share Purchase Agreement (SPA), the Company acquired 99.90% of Servicios y Productos Multimedios SA (SPM) from Millicom Holdings 300 NV for approximately US\$ 372 million (after the adjustment in the purchase price finally remained US\$ 370.1) in cash, payable within 90 days from closing the shares purchase agreement.

The transfer of ownership of shares of SPM was approved by the appropriate regulator "Comisión Nacional de Telecomunicaciones (CONATEL)" on June 03, 2020 by Board Resolution N° 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 purchase consideration also includes potential indemnifications from the sellers (including tax and litigation contingencies). For the purchase accounting, the Company determined the provisional fair values of SPM's identifiable assets and liabilities based on transaction and relative fair values. The purchase accounting is still provisional at September 30, 2020, particularly in respect of the valuation of identified assets and liabilities, as well as, the final price adjustment. Management expects to finalize the purchase accounting in Q4 2020.

# Notes to the unaudited interim condensed consolidated financial statements

for the six- month period ended September 30, 2020

## 3. ACQUISITION OF SUBSIDIARIES (Continued)

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

	Provisional Fair values (100%) (PYG millions)
Intangible assets, net	106,433
Property, plant and equipment, net	809,906
Right of use assets, net	111,755
Other non-current assets	1,515
Current assets (excluding cash and trade receivables)	488,515
Trade receivables	17,034
Cash and cash equivalents	36,179
<b>Total Assets acquired</b>	<b>1,571,337</b>
Lease liabilities	114,794
Other debt and financing	955,072
Deferred tax liabilities	7,905
Other liabilities	38,641
<b>Total Liabilities assumed</b>	<b>1,116,412</b>
Fair value of assets acquired and liabilities assumed, net	454,925
Acquisition Price <sup>(1)</sup>	2,560,937
<b>Provisional Goodwill</b>	<b>2,106,012</b>

<sup>(1)</sup> Since the second quarter, the acquisition price has changed from US\$ 372,127,500 to US\$ 370,129,500 due to the price adjustment established in Section 1.4. of the Share Purchase Agreement, after calculation and presentation of the statement of the net debt by the buyer to the seller.

## 4. CORPORATE FEES

During the nine-month period ended, the Group has recognized expenses for PYG 130,656 million in concept of VCF (Value-creating fees) for the support services provided by Millicom to its international affiliates to optimize services and knowledge that result in obtaining more viable, efficient and profitable telecommunications and cable operators.

## 5. PROPERTY, PLANT AND EQUIPMENT

During the nine-month period ended, the Group added property, plant and equipment for PYG 105,857 million (September 30, 2019: PYG 63,801 million) and received PYG 11,596 million in cash from disposal of property, plant and equipment (September, 2019: PYG 38,310 million).

## 6. INTANGIBLE ASSETS

During the nine-month period ended September 30, 2020, the Group added intangible assets of PYG 137,572 million (September 30, 2019: PYG 113,603 million) and did not receive proceeds from disposal of intangible assets (September 30, 2019: PYG nil).

# Notes to the unaudited interim condensed consolidated financial statements

for the six-month period ended September 30, 2020

## 7. DEBT AND FINANCING

### International Bonds - Senior Notes 2027

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

In January 2020, Telecel made a repap of the Unsecured Senior Notes due 2027 for US\$ 250 million with an interest rate of 5.875%. This issuance was fully subscribed and we received US\$ 16 million as premium proceed, resulting in an effective interest rate of 4.81%. US\$ 2.7 million of related amortized costs were recognized and the Redeemed Notes were also classified as part of this group.

### 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 (approximately US\$ 47 million) that has been launched in different series from 5 years to 10 years.

The first three series were launched on June 5th, 2019 for PYG 230,000,000,000 (approximately US\$ 37 million). They were registered and issued as follows: (i) PYG 115,000,000,000 (approximately US\$ 18 million) at an 8.75% rate, due June 3rd, 2024; (ii) PYG 50,000,000,000 (approximately US\$ 7.8 million) at a 9.25% rate, due May 29th, 2026; and (iii) PYG 65,000,000,000 (approximately US\$ 10 million) at a 10%, due May 31st, 2029.

In December 2019, Telecel issued two additional series for PYG 35,000,000,000 as follows: (iv) PYG 10,000,000,000 at a 9.25% rate, due December 30th, 2026; and (v) PYG 25,000,000,000 at a 10% rate, due December 24th, 2029.

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

PYG Millions	Carrying Value	Fair Value (i)	Carrying Value	Fair Value (i)
	As at September 2020	As at September 2020	As at December 2019	As at December 2019
Borrowings and local bonds	1,044,219	1,171,339	1,331,537	1,530,095

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

USD Millions	Carrying Value	Fair Value (i)	Carrying Value	Fair Value (i)
	As at September 2020	As at September 2020	As at December 2019	As at December 2019
International bonds	558	575	300	323

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

# Notes to the unaudited interim condensed consolidated financial statements

for the six- month period ended September 30, 2020

## 7. DEBT AND FINANCING (Continued)

### Bank and Development Financial Institution financings

(PYG millions)	Issuance date	Maturity date	Initial amount	Fixed interest rate	As at September 30, 2020	As at December 31, 2019
Inter-American Development Bank / IPS (*)	07/2017	05/2022	367,000	10.08%	-	304,446
Banco Regional S.A.E.C.A.	07/2018	06/2025	115,000	8.90%	115,000	115,000
Banco Bilbao Vizcaya Argentaria	01/2019	11/2025	177,000	8.70%	176,609	176,552
Banco Continental S.A.E.C.A.	09/2019	09/2026	370,000	9.00%	316,568	369,288
Banco Itaú Paraguay S.A.	01/2020	12/2024	154,620	9.00%	138,493	102,980
<b>Bank and Development Financial Institution financing</b>					<b>746,670</b>	<b>1,068,266</b>

(\*) This Facility is guaranteed by Millicom. In February 2020, Telecel, IPS (Instituto de Previsión Social) and IIC (Interamerican Investment Corporation) signed an agreement to cancel the outstanding credit facility with the Paraguayan Social Security Entity (IPS) paying the principal plus cumulate interests by an amount of PYG 319,232 million.

### Analysis of debt and other financing by maturity

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

US\$ millions	As at September 30, 2020	As at December 31, 2019
Due within:		
One year .....	124,424	278,115
One-two years .....	142,124	233,533
Two-three years .....	142,124	170,979
Three-four years .....	257,124	122,700
Four-five years .....	125,997	226,200
After five years .....	4,153,070	2,209,294
<b>Total debt .....</b>	<b>4,944,863</b>	<b>3,240,821</b>

## 8. CAPITAL STRUCTURE AND FINANCING

### Share capital, share premium and reserves

The authorized share capital of the Company is PYG 169,469 million. As at 30 September 2020, the total subscribed and fully paid-in share capital was PYG 168,469 million consisting of 10,272 registered common shares at a par value of PYG 16.4 million each. As at 31 December 2019, the total subscribed and fully paid-in share capital was PYG 164,008 million consisting of 10,000 registered common shares at a par value of PYG 16.4 million each.

PYG millions (unaudited)	2020	2019
At 1 January .....	164,008	164,008
Capital increase .....	4,461	-
<b>As at 30 September .....</b>	<b>168,469</b>	<b>164,008</b>

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

# Notes to the unaudited interim condensed consolidated financial statements

for the six- month period ended September 30, 2020

## 9. COMMITMENTS AND CONTINGENCIES

### *Litigation & claims*

Telecel operates in an emerging market, where the regulatory, political, technological and economic environments are evolving. As a result, there are uncertainties that may affect future operations, the ability to conduct business, foreign exchange transactions and debt repayments and which may impact upon agreements with other parties. In the normal course of business, Telecel faces uncertainties regarding taxation and regulation, including interconnection, license renewal and tariffs, which may impact the profitability of its operations.

The Company and its subsidiaries are contingently liable with respect to lawsuits and other matters that arise in the normal course of business. As of September 30, 2020, the total amount of provisions related to claims against the Group's operations was PYG 7,545 million (December 31, 2019: PYG 8,218 million). Management is of the opinion that while it is not possible to ascertain the ultimate legal and financial liability with respect to these claims, the ultimate outcome of these contingencies is not anticipated to have a material effect on the Group's financial position and operations.

### *Capital commitments*

At September 30, 2020, the Company had fixed commitments to purchase network equipment, land and buildings, other fixed assets and intangible assets of PYG 336,701 million (December 31, 2019: PYG 345,496 million).

## 10. RELATED PARTY TRANSACTIONS

The following transactions were conducted and the relevant incomes/expenses recorded with related parties during the nine-month period ended September 30, 2020:

PYG millions (unaudited)	Nine months ended September 30, 2020	Nine months ended September 30, 2019
<b>Expenses</b>		
Millicom - Other Paraguayan Operations .....	131,023	116,046
Millicom - Non-Paraguayan companies .....	138,430	-
<b>Total .....</b>	<b>269,453</b>	<b>116,046</b>

PYG millions (unaudited)	Nine months ended September 30, 2020	Nine months ended September 30, 2019
<b>Income / Gains</b>		
Millicom - Other Paraguayan Operations .....	16,604	(15,873)
Millicom - Non-Paraguayan companies .....	46,318	(41,190)
<b>Total .....</b>	<b>69,922</b>	<b>(57,063)</b>

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

PYG millions (unaudited)	At September 30, 2020	At December 31, 2019
<b>Receivables Short Term</b>		
Millicom - Other Paraguayan Operations .....	131	334,719
Millicom - Non-Paraguayan companies .....	10,934	1,542,149
<b>Total .....</b>	<b>11,065</b>	<b>1,876,868</b>

# Notes to the unaudited interim condensed consolidated financial statements

for the six- month period ended September 30, 2020

## 10. RELATED PARTY TRANSACTIONS (Continued)

PYG millions (unaudited)	At September 30, 2020	At December 31, 2019
<b>Receivables Long Term</b>		
Millicom - Other Paraguayan Operations .....	-	80,242
<b>Total .....</b>	<b>-</b>	<b>80,242</b>

  

PYG millions (unaudited)	At September 30, 2020	At December 31, 2019
<b>Payables</b>		
Millicom - Other Paraguayan Operations .....	-	227,860
Millicom - Non-Paraguayan companies .....	144,487	22,033
<b>Total .....</b>	<b>144,487</b>	<b>249,893</b>

## 11. SUBSEQUENT EVENTS

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

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