Management's Discussion and Analysis of Financial Condition and Results of Operations of Cable Onda, S.A.

The following discussion of our financial condition and results of operations should be read in conjunction with the unaudited interim condensed consolidated financial statements as of March 31, 2021 and 2020 and the notes.

Overview

Founded in 1990, we are the leading provider of Pay-TV, broadband Internet, telephony and mobile telecommunications services in Panama, serving residential (B2C). Through our flagship "Tigo" brand, we are the largest provider of fixed broadband internet and fixed telephony in Panama. We also offer B2B services to governmental, enterprise and SME customers, including fixed Internet, cloud and backup solutions, outsourcing of both IT department management and operations, personalized IT projects, and cybersecurity. Through our wholly owned subsidiary Grupo de Comunicaciones Digitales ("GCD", formerly Telefonica Moviles Panama), we are the largest provider of mobile communications services in the country. We are the market leader as measured by revenue and number of customers, serving more than 2.0 million mobile customers and more than 1.0 million fixed revenue generating units (RGUs) as of March 31, 2021.

Throughout our 30-year history, we have experienced significant organic growth, complemented by strategic acquisitions, which have helped us strengthen our leadership position. Our growth has also been driven by our consistent investments to maintain, expand and upgrade our network capabilities to allow us to offer advanced communications and entertainment services with a high degree of reliability and customer satisfaction. As a result of these investments, our cable network today is entirely digital and employs the DOCSIS 3.0 standard. Our network also includes more than 11,500 km of HFC and more than 8,000 km of fiber, with more than 495,000 customer relationships.

Recent Business Developments

On August 29, 2019 we acquired 100% of the share capital of GCD for $593.6 million from Telefónica Centroamérica Inversiones, S.L., which was owned, directly and indirectly by Telefónica S.A. ("Telefónica Panamá Acquisition"). The Telefónica Panamá acquisition is consistent with our strategy to solidify our telecom market leadership, enable fixed-mobile convergence, and to grow and diversify our sources of cash flow.

On November 1, 2019, Cable Onda completed a bond debt offering under the Rule 144A and Regulation S, of $600 million aggregate principal amount of 4.500% senior unsecured notes due January 30, 2030 (the "Notes). We used the net proceeds from the offering to partially finance the acquisition of Telefónica Panamá, to refinance other debt, and for general corporate purposes. The Notes are listed on the Panama Stock Exchange and on the Luxembourg Stock Exchange.

The Notes were sold within the United States to qualified institutional buyers under Rule 144A and to certain non-U.S. persons in offshore transactions under Regulation S under the Securities Act.

Results of operations

The following table sets forth certain income statement items and operating information for the periods or at the dates indicated:

(*in thousands of $*)	Three months ended March 31		
	2021	**2020**	**% Change**
Revenue	**152,381**	**150,017**	**1.6%**
Costs and expenses	**(129,612)**	**(117,682)**	**10.1%**
Programming and operating costs	(37,358)	(35,722)	4.6%
Depreciation and amortization	(37,659)	(37,821)	-0.4%
Personnel expenses	(17,548)	(17,012)	3.2%
General, sales and administrative expenses	(37,047)	(27,128)	36.6%
Income from operations	**22,769**	**32,335**	**-29.6%**
Financial expenses	(11,573)	(13,300)	-13.0%
Profit before income tax	**11,196**	**19,035**	**-41.2%**
Income tax	(4,071)	(3,744)	8.7%
Net Income	**7,125**	**15,290**	**-53.4%**
Attributable to:			
Owners of the Company	7,140	15,273	-53.3%
Non-controlling interest	(15)	18	-184.0%
Operating Data (in thousands) except for ARPU's			
RGUs Cable and other fixed	1,060	968	9.5%
ARPU Cable and other fixed	45.2	45.7	-1.1%
Mobile Subscribers	2,089	1,776	17.6%
ARPU Mobile	8.7	9.6	-9.4%

Revenue

Total revenue increased by 1.6%, or $2.4 million, from $150.0 million for the three months ended March 31, 2020 to $152.4 million for the three months ended March 31, 2021.

Revenue from data transmission, Internet and data center increased by 6.7% for the three months ended March 31, 2021, due to the increase of our HFC customer base partially offset by a decrease of our TV subscriptions and fixed-line revenue as the value of our bundles are more oriented to the internet product.

Mobile service revenue and sales of mobile equipment increased by 8.8% and 38.0% respectively, compared with Q1 2020, due to the growth of our mobile customer base as well Mobile service revenue as a share of total revenue was 36.7% in Q1 2021, compared to 34.3% in Q1 2020, and sale of mobile devices as a share of total revenue was 3.7% in Q1 2021 compared to 2.8% for the same period last year.

Data transmission, internet and data center revenue accounted for 31.8% of total revenue in Q1 2021, compared to 30.3% in Q1 2020, while revenue from TV subscriptions accounted for 20.7% of total revenue in Q1 2021, compared to 22.8% in Q1 2020. Fixed-voice services revenue accounted for 5.9% of total revenue in Q1 2021, compared to 6.9% in Q1 2020.

Programming and operating costs

Programming and operating costs increased by 4.6% year over year, or $1.6 million, from $35.7 million to $37.4 million, mainly driven by an increase in selling costs of mobile equipment of $3.1 million, aligned with the revenue growth on sales of mobile equipment and the increase of our customer base. As a percentage of revenue in Q1 2021 programming and operating costs increased from 23.8% to 24.5%.

Depreciation and amortization

Depreciation and amortization decreased by 0.4% year over year or $0.2 million, to $37.7 million from $37.3 million. Depreciation of right of use assets decreased by 24.3% $1.7 million, while amortization of intangible assets decreased 11.9% year over year. Depreciation of fixed assets increased 9.5% or $2.3 million in Q1 2021 compared to Q1 2020. No extraordinary depreciation or amortization adjustments were performed during Q1 2021.

Personnel expenses

Personnel expenses increased by 3.2%, or $0.5 million, to $17.5 million in Q1 2021 from $17.0 million in 2020. This increase is mainly driven by the consolidation and regularization of GDCD payroll.

General, sales and administrative expenses

General, sales and administrative expenses increased by 36.6%, or $9.9 million, to $37.0 million in Q1 2021 from $27.1 in Q1 2020. The increase in general, sales and administrative expenses was mainly driven by an increase in intercompany recharges of $2.8 million, local taxes of $1.0 million, and the increase of our commercial costs due to more commercial activity.

Income from operations

Income from operations decreased by 29.6% or $9.6 million year over year, for the three months ended March 31, 2021. This decrease is mainly driven by increase in General, sales and administrative expenses explained above.

Financial expenses

Financial expenses, which includes interest expenses, net of interest income decreased by 13%, or $1.7 million, from $13.3 million for Q1 2020 to $11.6 million for Q1 2021. This decrease was mainly the result of refinancing at lower interest rates.

Income tax

Estimated Income tax expense was $4.0 million, an increase of 8.7%, or $0.3 million, for the three months ended March 31, 2021 compared to the estimated income tax of $4.0 million for the three months ended March 31, 2020, mainly driven by the decreased in financial expenses of $1.7 million. The statutory tax rate for Panama is 25%.

Net income

As a result of the foregoing, net income for three months ended March 31, 2021 was $7.1 million, a 53.3% decrease compared with our income of $15.3 million for the three months ended March 31, 2020. As shown above, the main drivers are the increase in revenue of $2.4 million, the increase in cost and expenses of $11.9 million, the decrease in financial expenses of $1.7 and the increase in income tax of $0.3 million.

Liquidity and capital resources

Historically we have relied primarily on cash from operations and external bond and bank financings to fund our operations, capital expenditures and working capital requirements. We intend to continue to rely on these funding sources going forward.

We believe that our sources of liquidity are sufficient for our present requirements for the next 12 months and beyond. Although we believe that we should be able to meet our debt service obligations and fund our operating requirements in the future through cash flow from our operations, we may seek additional financing in the capital markets from time to time, depending on market conditions and our financial requirements. We intend to continue to focus on investments in property, systems, and equipment (fixed assets) and working capital management, including the timely collection of accounts receivable and efficient management of accounts payable.

Capital expenditures including intangible assets

Our capital expenditures for the period ended March 31, 2021 were $21.4 million, mostly driven by investments in customer premise equipment (CPE) installation cost, IT equipment and core network expansion and new site leases and renewals.

Cash flows

The table below sets forth our cash flows for the periods indicated:

(***in thousands of $***)	**Three months ended March, 31**		
	2021	**2020**	**% Change**
Net cash provided by operating activities	4,139	37,760	-89.0%
Net cash provided by (used in) investing activities	(21,362)	(20,002)	6.8%
Net cash provided by (used in) financing activities	(3,362)	(4,092)	-17.9%
Net (decrease) increase in cash and cash equivalents	**(20,584)**	**13,666**	**-250.6%**
Cash and cash equivalents at the end of the period	64,263	74,359	-13.6%

Three months ended March 31, 2021 and 2020

For Q1 2021, cash provided by operating activities was $4.1 million compared to $37.8 million in 2020. The decrease was mainly due to vendor payments of $25.2 million coming for the high levels of capex over the last months of 2020.

For Q1 2021, cash used in investing activities was $21.4 million compared to $20.0 million used in Q1 2020. There is an increase in acquisition and renewal of intangible assets for $8.5 million offset by a decrease in acquisition of tangible assets of $8.3 million.

For Q1 2021, cash provided by financing activities was $0.7 million greater than in Q1 2021. This is mainly due to lower payment of lease liabilities.

For Q1 2021, cash and cash equivalents decreased by $20.5 million. We had closing cash of $84.8 million as of March 31, 2021, compared to $64.3 million as of March 31, 2020, mainly driven by vendor payments mentioned on the operating activities section.