

Management's Discussion and Analysis of Financial Condition and Results of Operations of Tigo Panama

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 September 30, 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 2.2 million mobile customers and more than 1.0 million fixed revenue generating units (RGUs) as of September 30, 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 486,000 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:

<i>(in thousands of \$)</i>	Nine months ended September 30		
	2021	2020	% Change
Revenue	469,329	436,035	7.6%
Costs and expenses	(383,997)	(373,553)	2.8%
Programming and operating costs	(111,274)	(107,583)	3.4%
Depreciation and amortization	(117,755)	(132,937)	-11.4%
Personnel expenses	(56,315)	(50,997)	10.4%
General, sales and administrative expenses	(98,652)	(82,036)	20.3%
Income from operations	85,332	62,482	36.6%
Financial expenses	(36,111)	(41,240)	-12.4%
Profit before income tax	49,221	21,242	131.7%
Income tax	(18,369)	(9,820)	87.0%
Net Income	30,852	11,422	170.1%
Attributable to:	469,329	436,035	7.6%
Owners of the Company	30,986	11,518	169.0%
Non-controlling interest	(133)	(96)	39.0%
Operating Data (in thousands) except for ARPU's			
RGUs Cable and other fixed	1,092	1,004	8.8%
ARPU Cable and other fixed	\$44.7	\$46.2	-3.4%
Mobile Subscribers	2,208	1,838	20.1%
ARPU Mobile	\$9.0	\$9.2	-2.6%

Revenue

Total revenue increased by 7.6%, or \$33.3 million, from \$436.0 million for the nine months ended September 30, 2020 to \$469.3 million for the Nine months ended September 30, 2021.

Revenue from data transmission, internet and data center increased by 9.5% for the nine months ended September 30, 2021, due to the increase of our HFC customer base. Our TV subscriptions and fixed-line revenue are decreasing as the value of our bundles are more oriented to the internet product.

Mobile service revenue and sales of mobile equipment increased by 17.5% and 55.1% respectively, compared with Q3 2020, supported by the strong growth of our mobile customer base. Mobile service revenue as a share of total revenue was 37.9% in Q3 2021, compared to 34.7% in Q3 2020, and sale of mobile devices as a share of total revenue was 4.1% in Q3 2021 compared to 2.8% for the same period last year due to the more commercial activities.

Data transmission, internet and data center revenue accounted for 31.6% of total revenue in Q3 2021, compared to 31.0% in Q3 2020, while revenue from TV subscriptions accounted for 20.0% of total revenue in Q3 2021, compared to 22.5% in Q3 2020. Fixed-voice services revenue accounted for 5.6% of total revenue in Q3 2021, compared to 6.6% in Q3 2020.

Programming and operating costs

Programming and operating costs increased by 3.4% year over year, or \$3.7 million, from \$107.6 million to \$111.3 million, mainly driven by an increase in selling costs of mobile equipment of \$9.0 million aligned with the revenue growth on sales of mobile equipment, and the increase of our customer base in the case of the programming costs. There is also a decrease in telephony cost of \$5.4 million due to synergies obtained from the GDC acquisition. As a percentage of revenue in Q3 2021 programming and operating costs decreased from 24.7% to 23.7%.

Depreciation and amortization

Depreciation and amortization decreased by 11.4% year over year or \$15.2 million to \$117.8 million from \$132.9 million. Depreciation of right of use assets decreased by 2.4% or \$0.4 million, while amortization of intangible assets decreased 35.8% or \$11.3 million year over year, mainly due to the Telecarrier brand amortization in Q3 2020. Depreciation of fixed assets decreased by 4.1% or \$3.5 million in Q3 2021 compared to Q3 2020. No extraordinary depreciation or amortization adjustments were performed during Q3 2021.

Personnel expenses

Personnel expenses increased by 10.4%, or \$5.3 million, to \$56.3 million in Q3 2021 from \$51.0 million in 2020. This increase is mainly driven by the consolidation and regularization of GDCD payroll. As percentage of revenue personnel expenses represent 12.0% of total revenue vs 11.7% in Q3 2020.

General, sales and administrative expenses

General, sales and administrative expenses increased by 20.3%, or \$16.6 million, to \$98.7 million in Q3 2021 from \$82.0 in Q3 2020. Sales and administrative expenses increase was mainly driven by higher intercompany recharges of \$4.0 million, local taxes of \$3.0 million, and higher commercial costs due to more commercial activity and sales including the rebranding of our fixed business to Tigo.

Income from operations

Income from operations increased by 36.6% or \$22.9 million year over year, for the nine months ended September 30, 2021. This increase was mainly driven by the increase in revenues explained above.

Financial expenses

Financial expenses, which includes interest expenses, net of interest income decreased by 12.4%, or \$5.1 million, from \$41.2 million for Q3 2020 to \$36.1 million for Q3 2021. This decrease was mainly the result of refinancing at lower interest rates.

Income tax

Estimated Income tax expense was \$18.4 million, an increase of 87%, or \$8.5 million, for the nine months ended September 30, 2021 compared to the estimated income tax of \$9.8 million for the nine months ended September 30, 2020, mainly driven by the increased in operation income and lower financial expense. The statutory tax rate for Panama is 25%.

Net income

As a result of the foregoing, net income for nine months ended September 30, 2021 was \$30.9 million, a 170.1% increase compared with our income of \$11.4 million for the nine months ended September 30, 2020. As shown above, the main drivers are the increase in revenue of \$33.3 million, the increase in cost and expenses of \$10.4 million, the decrease in financial expenses of \$5.3 and the increase in income tax of \$8.5 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 network, systems, customer premises equipment 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 nine months ended September 30, 2021 were \$84.0 million, mostly driven by investments in customer premises equipment (CPE) installation cost, IT equipment and core network expansion.

Cash flows

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

<i>(in thousands of \$)</i>	Nine months ended June, 30		
	2021	2020	% Change
Net cash provided by operating activities	109,285	119,810	-8.8%
Net cash provided by (used in) investing activities	(84,022)	(64,416)	30.4%
Net cash provided by (used in) financing activities	(31,751)	(13,646)	132.7%
Net (decrease) increase in cash and cash equivalents	(6,489)	41,748	-115.5%
Cash and cash equivalents at the end of the period	78,359	102,441	-23.5%

Nine months ended September 30, 2021 and 2020

For Q3 2021, cash provided by operating activities was \$109.3 million compared to \$119.8 million in 2020. The decrease was mainly due to vendor payments of \$45.1 million.

For Q3 2021, cash used in investing activities was \$84.0 million compared to \$64.4 million used in Q3 2020. There is an increase in acquisition and renewal of intangible assets for \$9.8 million and \$9.4 in tangible assets.

For Q3 2021, cash used in financing activities was \$18.1 million higher than in Q3 2020. This is mainly due to debt repayment of \$25 million.

For Q3 2021, cash and cash equivalents decreased by \$24.1 million. We had closing cash of \$78.4 million as of September 30, 2021, compared to \$102.4 million as of September 30, 2020, mainly driven by the debt repayment of \$25 million.