Consolidated Financial Statements

# Cable Onda, S. A. and Subsidiaries

For the year ended December 31, 2019

This document is a free translation into English of the original Spanish version.

*CONTENTS*

Ernst & Young Limited Corp.
Costa del Este, Avenida Centenario,
PH Dream Plaza, Piso 9
Panamá, República de Panamá

P.O. Box 0832-1575 W.T.C.
Tel: (507) 208-0100
Fax: (507) 214-4301
www.ey.com/centroamerica

# Independent Auditor's Report

To the Board of Directors and Shareholders
Cable Onda, S. A. and Subsidiaries
Report on the audit of the consolidated financial statements

## Opinion

We have audited the consolidated financial statements of Cable Onda, S. A. and subsidiaries (the Group), which comprise the consolidated statement of financial position as of December 31, 2019 and the consolidated statement of income, consolidated statement of changes in stockholders' 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 the Group as of December 31, 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

## 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 financial statements* section of our report. We are independent from the Company in conformity with the Professional Code of Ethics for Authorized Public Accountants in Panama (Decree 26 of May 17, 1984) and the Code of Ethics of Professional Accountants of the International Ethics Standards Board for Accountants (IESBA), and have complied with all other ethics responsibilities in accordance with these requirements. 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 as a whole, and in forming our opinion thereon, but 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 consolidated 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 consolidated 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 consolidated financial statements.

*Description of the matter:*

Under IFRS 16 – Leases, the lessee is required to recognize the present value of future lease payments as a right-of-use asset and a corresponding financial liability.

The Company adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application at January 1, 2019, therefore previous period comparative figures were not adjusted in the financial statements. The Company elected to use the transition practical expedient to not reassess whether a contract is or contains a lease at January 1, 2019. Instead, the Company applied the standard only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application.

As described in Note 12 to the financial statements, the initial application of IFRS 16 resulted in the recognition of a $45.2 million right of use asset and a lease liability by the same amount as of January 1, 2019.

Auditing the adoption of IFRS 16 was complex as it involved evaluating significant judgments and assumptions applied by Management in relation to assessing the incremental borrowing rate, service component and extension options of leasing arrangements. Management has formed its judgments and assumptions based on historical experience, internal and external data points.

*How We Addressed the Matter in Our Audit:*

We obtained an understanding, evaluated the design of the controls over the Company's IFRS 16 adoption process including controls over management's review of the significant assumptions described above, the data inputs used by the Company in the calculations of right of use assets and lease liabilities and the recording of the balances in the financial statements.

To test the completeness and accuracy of the underlying data used to calculate the right of use asset and lease liability our procedures included, among others, comparing the leases' terms and conditions as per the contracts to the data used in the calculation and comparing the leases included in the adoption analysis to the leases to determine whether any agreements were omitted.

We involved our specialist to test the assumptions used in the model. We perform recalculations with the contract information and the discount rate used by the Company.

In addition, we compared the Company's disclosures related to the adoption of IFRS 16 to the disclosure requirements.

*Description of the matter:*

As described in Note 5 of the consolidated financial statements, the Group acquired control over, and therefore consolidated Telefonica Moviles Panama S.A. in Panama ("Telefonica Panama") for net consideration of USD 594 million as of August 29, 2019. These transactions were accounted for as business combinations. Management has determined the purchase accounting for Telefonica Panama on a provisional basis as of December 31, 2019.

Auditing the business combinations was especially challenging and involved complex auditor judgment due to the significant estimation required to determine the fair value of the acquired identifiable assets. For example, the fair value estimates associated with the intangible assets, determined using estimated cash flows, were sensitive to significant assumptions, such as the discount rate, churn rate and EBITDA margin, which are affected by expectations about future market or economic conditions, particularly those in the emerging markets of Latin America. In addition, auditing the purchase accounting of the acquisitions required the involvement of valuation specialists to assist with our procedures of auditing the fair value of the acquired identifiable assets and the related assumptions.

***How We Addressed the Matter in Our Audit:***

Our audit procedures 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 involved our valuation specialists to assist with our audit procedures to test the estimated cash flows and management's valuation methodologies and assumptions discussed above which were used to determine the fair value of the acquired identifiable assets and assumed liabilities. In addition, our valuation specialists assisted us in assessing whether the underlying assumptions used by 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.

**Responsibilities of management and those charged with governance for the consolidated financial statements**

With respect to these consolidated financial statements, management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, 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.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

**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 in the aggregate, 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 Group'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 Group'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 Group 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.

We are required to communicate with Group's 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 required to provide Group's 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 Group's 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.

The partner in charge of the audit, who prepared this independent auditors' report, is Víctor M. Ramírez.

Ernst & Young.

April 29, 2020
Panama, Republic of Panama

**Cable Onda, S.A. and Subsidiaries**
**Consolidated Statements of Financial Position as of December 31, 2019 and 2018**
*(Figures stated in B/. balboas)*

| *Notes* | | **2019** | 2018 |
|---|---|---|---|
| | **Assets** | | |
| | **Current Assets** | | |
| 6 | Cash | **B/. 60,693,300** | B/. 6,485,666 |
| 7, 21 | Accounts receivable, net | **72,693,472** | 29,227,788 |
| 8 | Other accounts receivable | **5,630,846** | 2,345,800 |
| | Contract assets | **1,862,040** | - |
| 9 | Inventory | **26,264,923** | 27,934,037 |
| | Prepaid expenses | **5,597,905** | 3,099,979 |
| | Prepaid taxes | **1,031,380** | 8,967,403 |
| | | **173,773,866** | 78,060,673 |
| | **Non-current assets** | | |
| | Severance fund | **2,034,259** | - |
| | Guarantee deposits and other assets | **655,682** | 456,343 |
| 10 | Intangible assets, net | **190,579,015** | 20,121,317 |
| 11 | Goodwill | **497,140,060** | 70,922,903 |
| 12 | Right of use assets, net | **111,490,472** | - |
| 13 | Property, furniture, equipment and leasehold improvements, net | **426,071,276** | 318,210,521 |
| | | **1,227,970,764** | 409,711,084 |
| | **TOTAL ASSETS** | **B/. 1,401,774,630** | B/. 487,771,757 |

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

| Notes | | 2019 | 2018 |
|---|---|---|---|
| | **LIABILITIES AND STOCKHOLDERS' EQUITY** | | |
| | **Current liabilities** | | |
| 14,21 | Accounts payable | **B/. 74,850,804** | B/. 40,460,204 |
| 15 | Lease liabilities | **19,128,403** | - |
| 16 | Employee benefits | **11,927,929** | 15,169,314 |
| 17 | Short-term debt | **-** | 39,000,000 |
| | Customer deposits | **4,313,951** | 7,079,486 |
| 18 | Deferred income | **13,062,214** | 7,342,014 |
| 19 | Accrued expenses and other liabilities | **34,704,799** | 12,969,960 |
| | | **157,988,100** | 122,020,978 |
| | **Non-current liabilities** | | |
| 16 | Lease liabilities | **99,029,375** | - |
| 18 | Long-term debt | **150,000,000** | 38,086,517 |
| 20 | Other long-term liabilities, net | **768,015,543** | 184,254,676 |
| 18 | Deferred income | **20,850,559** | 18,830,601 |
| 22 | Deferred income tax | **39,800,007** | 24,615,140 |
| | Obligations for retirement of assets and other liabilities | **11,989,469** | 1,350,355 |
| | Severance fund | **-** | 782,489 |
| | | **1,089,684,953** | 267,919,778 |
| | **Stockholders' equity** | | |
| | Issued capital: 243,356 common shares with no par value, issued and outstanding | **57,648,922** | 57,648,922 |
| | Additional paid-in capital | **746,000** | - |
| | Supplemental tax | **614,227** | 577,952 |
| | Retained earnings | **95,308,862** | 39,871,365 |
| | | **154,318,011** | 98,098,239 |
| | Non-controlling interest | **(246,434)** | (267,238) |
| | **Total stockholders' equity** | **154,071,577** | 97,831,001 |
| | **TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY** | **B/. 1,401,744,630** | B/. 487,771,757 |

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

**Cable Onda, S.A. and Subsidiaries**
**Consolidated Statements of Income**
**For the years ended December 31, 2019 and 2018**

*(Figures stated in B/. balboas)*

| *Notes* | | | 2019 | | 2018 |
|---|---|---|---|---|---|
| | **Revenue** | | | | |
| | TV subscriptions | **B/.** | **149,570,047** | B/. | 151,616,007 |
| | Data transmission, internet and data center | | **181,266,346** | | 172,886,793 |
| | Fixed-line services | | **44,570,197** | | 49,056,920 |
| | Mobile services | | **68,023,460** | | - |
| | Sales of mobile equipment | | **6,952,606** | | - |
| | Projects and solutions | | **12,320,283** | | 9,041,363 |
| 23 | Other services and revenue | | **9,388,382** | | 5,824,706 |
| | | | **472,091,321** | | 388,425,789 |
| | **Costs and expenses** | | | | |
| 24 | Programming and operating costs | | **103,416,323** | | 85,295,466 |
| 25 | Depreciation and amortization | | **118,930,668** | | 81,607,142 |
| 26 | Personnel expenses | | **63,039,707** | | 98,460,367 |
| 27 | General, sales and administrative expenses | | **81,113,933** | | 95,726,766 |
| | | | **366,500,631** | | 361,089,741 |
| | **Operating income** | | **105,590,690** | | 27,336,048 |
| | Financial expense | | **29,312,487** | | 13,607,164 |
| | **Income before tax** | | **76,278,203** | | 13,728,884 |
| 22 | Income tax | | **(20,793,154)** | | (9,552,893) |
| | **Net income** | **B/.** | **55,485,049** | B/. | 4,175,991 |
| | **Attributable to:** | | | | |
| | Owners of the Company | | **55,479,847** | | 4,378,778 |
| | Non-controlling interest | | **5,202** | | (202,787) |
| | **Net income** | **B/.** | **55,485,049** | B/. | 4,175,991 |

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

**Cable Onda, S.A. and Subsidiaries**
**Consolidated Statements of Changes in Stockholders' Equity**
**For the year ended December 31, 2019 and 2018**
*(Figures stated in B/. balboas)*

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| | ***Attributable to the Controlling Interest*** | | | | | | |
| | Issued Capital | Additional paid-in capital | Supplemental tax | Retained earnings | *Total* | Non-controlling interest | Total stockholders' equity |
| January 1, 2018 | B/. 45,703,113 | B/. - | B/. 577,952 | B/. 69,419,893 | B/. 115,700,958 | B/. (64,451) | B/. 115,636,507 |
| Share-based compensation | 11,945,809 | - | - | | 11,945,809 | - | 11,945,809 |
| Paid Dividends paid | - | - | - | (30,000,000) | (30,000,000) | - | (30,000,000) |
| Merger adjustment | - | - | - | (2,497,151) | (2,497,151) | - | (2,497,151) |
| Cumulative effect of accounting change | - | - | - | (1,430,155) | (1,430,155) | - | (1,430,155) |
| Net income (loss) | - | - | - | 4,378,778 | 4,378,778 | (202,787) | 4,175,991 |
| **December 31, 2018** | 57,648,922 | - | 577,952 | 39,871,365 | 98,098,239 | (267,238) | 97,831,001 |
| **Share-based compensation** | - | 746,000 | - | - | 746,000 | - | 746,000 |
| **Merger of subsidiaries** | - | - | - | (6,075) | (6,075) | 15,602 | 9,527 |
| **Supplemental tax** | | | 36,275 | (36,275) | - | - | - |
| **Net income** | - | - | - | 55,479,847 | 55,479,847 | 5,202 | 55,485,049 |
| **December 31, 2019** | **B/. 57,648,922** | **B/. 746,000** | **B/. 614,227** | **B/. 95,308,862** | **B/. 154,318,011** | **B/ (246,434)** | **B/. 154,071,577** |

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

**Cable Onda, S.A. and Subsidiaries**
**Consolidated Statements of Cash Flows**
**For the years ended December 31, 2019 and 2018**
*(Figures stated in B/. balboas)*

| *Notes* | | **2019** | 2018 |
|---|---|---|---|
| | **Cash flows from operating activities** | | |
| | Income before income tax | **B/. 76,278,203** | B/. 13,728,884 |
| | Adjustments for: | | |
| 13 | Depreciation and amortization | **92,706,697** | 77,279,771 |
| 12 | Depreciation on right of use assets | **11,076,005** | - |
| 10 | Amortization of intangible assets | **15,147,966** | 4,327,371 |
| 13 | Net impairment loss and disposal of fixed assets | **6,249,762** | 320 |
| | Provision for seniority premium | **272,170** | 9,692,565 |
| 7 | Allowance for doubtful accounts | **4,170,654** | 5,560,268 |
| | Amortization of deferred financing cost | **283,019** | 133,480 |
| | Interest | **29,312,487** | 13,499,472 |
| | Share-based compensation | **746,000** | 11,945,809 |
| | **Cash flows before changes in working capital** | **236,242,963** | 136,167,940 |
| | Accounts receivables | **(24,036,049)** | (1,771,937) |
| | Other accounts receivable | **7,487,237** | 533,561 |
| | Contract assets | **(596,130)** | - |
| | Inventory | **5,845,105** | (7,332,275) |
| | Prepaid expenses | **(1,349,805)** | (1,256,293) |
| | Guarantee deposits and other assets | **3,687,970** | 20,254 |
| | Accounts payable | **(22,691,489)** | 8,001,926 |
| | Employee benefits | **(3,285,072)** | 7,949,289 |
| | Accrued expenses and other liabilities | **1,038,564** | (4,797,482) |
| | Client deposits | **(2,765,535)** | (167,668) |
| | Deferred income | **3,796,164** | 13,468,684 |
| | Other long-term liabilities | **1,377,676** | 1,350,354 |
| | **Cash generated from operations** | **204,751,599** | 152,166,353 |
| | Income tax paid | **(17,442,227)** | (20,459,510) |
| | Interest paid | **(21,013,367)** | (13,668,710) |
| | Seniority premium and severance paid | **(1,054,659)** | (8,131,971) |
| | **Net cash flows provided by operating activities** | **165,241,346** | 109,906,162 |

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

| Notes | | 2019 | 2018 |
|---|---|---|---|
| | **Continued….** | **B/. 165,241,346** | B/. 109,906,162 |
| | **Cash flows from investing activities** | | |
| | Contributions to severance fund, net | **(2,031,250)** | 1,106,867 |
| | Acquisition of intangible assets, net | **(14,864,790)** | (796,168) |
| | Company merger, net of cash acquired | **(510,743)** | (1,276,775) |
| | Consideration paid in acquisition of subsidiary, net of cash acquired | **(579,190,030)** | - |
| 14 | Acquisition of tangible assets | **(89,114,600)** | (95,187,341) |
| | **Net cash flows used in investing activities** | **(685,711,413)** | (96,153,417) |
| | **Cash flows from financing activities** | | |
| | Issuance of new bonds and loans | **1,252,586,517** | 38,700,000 |
| | Repayment of bonds and loans | **(653,853,034)** | (22,400,000) |
| | Financing cost | **(16,522,152)** | - |
| | Payment of lease liabilities | **(7,533,630)** | - |
| | Dividends paid | **-** | (30,000,000) |
| | **Net cash flows (used in) provided by financing activities** | **574,677,701** | (13,700,000) |
| | Net increase in cash | **54,207,634** | 52,745 |
| | Cash at beginning of year | **6,485,666** | 6,432,921 |
| | **Cash at end of period** | **B/. 60,693,300** | B/. 6,485,666 |

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

## 1. Corporate information

Cable Onda, S.A. ("Cable Onda" or the "Company") was incorporated under the laws of the Republic of Panama, beginning operations in April 1991. The Company's main offices are located at Boulevard Costa del Este, Edificio Mapfre, 4th floor.

Cable Onda is primarily engaged in providing cable television service, high-tech telecommunication services that include the transmission, storage and hosting of data, information backup and retrieval, internet access, application and e-commerce services, cable modem and basic residential and corporate telephone service with both national and international long distance service. These services are under the supervision of the National Public Services Authorities of the Republic of Panama (ASEP).

At the date of the consolidated financial statements, Cable Onda had received the following operating licenses from ASEP:

| *Service No.* | *Date of the Resolution* | *Description of the Service* | *Term (years)* | *Maturity date* |
|---|---|---|---|---|
| 101 | CT-1345 of September 17, 2002 | Landline telephone service | 20 years | September 17, 2022 |
| 102 | CT-1346 of September 17, 2002 | National long distance | 20 years | September 17, 2022 |
| 103 | CT-1347 of September 17, 2002 | International long distance | 20 years | September 17, 2022 |
| 200 | Renewed by Resolution AN12633 Telco of August 21, 2018 | Data transportation | 20 years | August 21, 2038 |
| 211 | Renewed by Resolution AN12598 Telco of August 6, 2018 | Internet for public use | 20 years | June 8, 2038 |
| 223 | AN No. 5936 Telco of February 6, 2013 | Call center | 20 years | June 2, 2033 |
| 300 | Renewed by Resolution AN No. 12597 Telco of August 6, 2018, amended by Resolution AN No. 12608 Telco of August 9,2018 | Interactive television (without the radio electric spectrum) | 20 years | June 8, 2038 |
| 400 | AN No. 1055 Telco of August 8, 2007 | Added value services for telecommunications | 20 years | August 8, 2027 |
| 500 | Renewed by Resolution AN No. 12779 Telco of October 4, 2018 | Re-sale of telecommunications services | 20 years | April 10, 2038 |
| 804 | JD – 2270 of August 7, 2000 recognized in the concession right | Paid Type A Television (through electric radio frequencies) | 25 years as from enactment of Law 24 of June 30, 1999 | June 30, 2024 |
| 903 | JD – 2547 of December 18, 2000 | Type B radio paid | 25 years | December 18, 2025 |

## 1. Corporate information (continued)

| | | | | |
|---|---|---|---|---|
| 904 | JD – 2317 of August 22, 2000 recognized in the concession right | Type B paid television | 25 years as from enactment of Law 24 of June 30, 1999 | June 30, 2024 |
| 200 | Renewed by Resolution of 2018 | Data transportation | 20 years | August 1, 2038 |
| 211 | CT-1565 of February 20, 2004 | Internet for public use | 20 years | February 19, 2024 |

Resolution AN N° 535-Telco of January 8, 2007, (the Resolution) modifies the classification of the telecommunications services established in Resolution N° JD-025 of December 12, 1996. This Resolution establishes that the concession for services 105, 203, 204, 206, 207, 208, 209 and 220 change Service N° 200 Telecommunications Transportation Service as from publication thereof and requires that ASEP respect the concessions granted for the provision of these telecommunications services that are in effect. This fact is the legal basis for the Group (as defined below) to act as licensee of Service N° 200.

At December 31, 2017, Cable Onda, S. A. and Subsidiaries were in turn 51% subsidiaries of Medcom Holding, Inc., and part of the group of related companies (the Group) known as Grupo Medcom, that engaged in transactions among themselves. Operations included revenues and expenses that represent the portions allocated to these companies of items that correspond to the Group as a whole.

On June 28, 2018, Green Real Estate and Investment, Corp. (GREICO) was merged into Cable Onda, S.A.

Through an agreement for the purchase/sale of shares signed on October 7, 2018, Millicom LIH, S.A. acquired 80 % of Cable Onda, S. A. shares. The former shareholders hold 20% of Cable Onda, S.A. issued and outstanding shares.

On May 14, 2019, Mobilnet Panamá, S.A. was merged into Cable Onda. On August 29, 2019 Cable Onda finalized the acquisition of 100% of the shares of Telefónica Moviles Panama S.A. ("Telefónica Panamá") (see note 5).

The consolidated financial statements of the Group for the year ended December 31, 2019 were authorized for issuance by Management on April 29, 2020.

## 2. Compliance Statement

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

## 3. Basis for Preparation of the Consolidated Financial Statements

### 3.1. New standards, interpretation and amendments adopted by the Group

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended December 31, 2018, except for the adoption of new standards effective as of January 1, 2019. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. The Group applies, for the first time, IFRS 16 Leases. As required by IFRS 1, the nature and effect of these changes are disclosed below. Several other amendments and interpretations apply for the first time in 2019, but do not have an impact on the consolidated financial statements of the Group.

*New and amended IFRS standards**

On adoption of IFRS 16 "Leases", an additional lease liability of approximately $45 million has been recognized. The impact of the adoption of the leasing standard and the new accounting policies are further explained below. The application of this standard also affects the Group's depreciation, operating and financial costs, debt and other financing and leverage ratios. The change in presentation of operating lease expenses results in a corresponding increase in cash flows derived from operating activities and a decline in cash flows from financing activities.

Impact on the statement of financial position increase as of January 1, 2019 *:

| **Assets** | | As of January 1, 2019 |
|---|---|---|
| Right of use assets | **B/.** | **45,220,095** |
| **Total Assets** | **B/.** | **45,220,095** |
| | | |
| **Liabilities** | | |
| Short-term leases | **B/.** | **5,636,495** |
| Long-term leases | | **39,583,600** |
| **Total Liabilities** | **B/.** | **45,220,095** |

### 3.1. New standards, interpretation and amendments adopted by the Group (continued)

- Impact of the implementation of IFRS 16 on the income statement (increase / (decrease) of expenses during the period ended December 31, 2019:

| | | Ended December 31, 2019 |
|---|---|---|
| Depreciation | **B/.** | **11,076,004** |
| Financial expenses | | **4,377,644** |
| Rent expense | | **(10,830,444)** |
| | **B/.** | **4,623,204** |

- Other than IFRS 16, the following new or amended standards became applicable for the current reporting period and did not have any significant impact on the Group’s accounting policies or disclosures and did not require retrospective adjustments.

  - Amendments to IFRS 9 “Financial Instruments” on pre-payment features with negative compensation:

    In accordance with IFRS 9, a debt instrument can be measured at the amortized cost or at fair value in other comprehensive income, provide the contractual cash flows are “solely payments of principal and interest on the principal amount owed” (SSPI test) and the instrument is maintained within the proper business model for that classification.

    The amendments to IFRS 9 clarify that a financial asset approves the SPPI irrespective of the event or circumstance that gives rise to early termination of the contract without taking into account which party pays or receives fair compensation due to early termination of the contract.

  - IFRIC 23 "Uncertainty over Income Tax Treatments" clarifies how the recognition and measurement requirements of IAS 12 “Income Taxes” are applied when there is uncertainty about income tax treatments.

  - Amendments to IAS 19 "Employee Benefits" on plan amendment, curtailment or settlement.

    Amendments to IAS 19 address accounting when a plan modification, reduction or settlement occurs during a reporting period. The amendments specify that when a plan modification, reduction or settlement occurs during the annual reporting period, the entity must:

**3.1. New standards, interpretation and amendments adopted by the Group (continued)**

- Determine the current cost of the service for the rest of the period after the plan amendment, modification or settlement, using the actuarial assumptions used to measure again the net liability (asset) of benefits that reflects the benefits offered under the plan and the plan assets after that event.
- Determine net interest for the remainder of the plan amendment, reduction or settlement period, using: the net liability (asset) of benefits that reflects the benefits offered under the plan and the plan assets after that event; and the discount rate used to measure the net benefit liability (asset) again.

The amendments also clarify that an entity first determines any past service cost, or gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognized in income. An entity then determines the effect of the asset ceiling after the plan amendment, reduction, or settlement. Any change in that effect, excluding the amounts included in net interest, is recognized in other comprehensive income.

o Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures:

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method does not apply but is essentially part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 is applied to such long-term interests.

The amendments also clarified that, when applying IFRS 9, an entity does not take into account the losses of the associate or joint venture, nor the impairment losses of the net investment, recognized as adjustments to the net investment in the associate or joint venture that arise from the application of *IAS 28 Investments in Associates and Joint Ventures.*

The amendments must be applied retrospectively and are effective from January 1, 2020, with early application permitted.

o Annual improvements 2015-2017., These improvements include:

IFRS 3 Business combination

The amendments clarify that when an entity obtains control of a company that is a joint operation, it applies the requirements for a business combination achieved in stages, including the re-measurement of interests previously held in the assets and liabilities of the joint operation at fair value. In doing so, the buyer re-measures its total interest previously held in the joint operation. An entity applies those amendments to business combinations, for which the date of acquisition is on or after the start of the first annual reporting period, beginning on or after January 1, 2020, allow for early application thereof.

**3.1. New standards, interpretation and amendments adopted by the Group (continued)**

IFRS 11 Joint Agreements

A party holding an interest in, but that does not have joint control of, a joint operation, could obtain joint control of the joint operation in which the joint operation's activity constitutes a business as defined in IFRS 3. Amendments clarify that any interest previously held in that joint operation is not re-measured. The entity applies those amendments to transactions over which it obtains joint control as from the start of the first annual reporting period beginning on or after January 1, 2020, and early application thereof is allowed.

IAS 12 Income taxes

The amendments clarify that the consequences of income tax on dividends are more directly linked to past transactions or events that generated distributable profits, than to distributions to the owners. Therefore, an entity recognizes the consequences of income tax related to dividends on income, other comprehensive income or stockholders' equity according to where the entity originally recognized those past transactions or events. An entity applies those amendments for annual reporting periods beginning on January 1, 2020, and early application thereof is permitted. When an entity applies those amendments for the first time, it does so to the consequences of income tax on dividends recognized on or after the start of the first comparative period.

The following changes to the standards, which are not expected to materially affect the Group, will be effective on January 1, 2020:

- Amendments to the conceptual framework. The IASB has revised its conceptual framework. The Group does not expect these amendments to have a material impact on the consolidated financial statements:

  Amendments address the conflict between IFRS 10 and IAS 28 when managing the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss on the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognized completely. However, any gain or loss stemming from the sale of contribution of assets that does not constitute a business, is recognized only in proportion to the unrelated interest held by the investor in the associated or joint venture. The IASB has deferred the entry into effect of these amendments indefinitely; however, an entity adopting them in advance must apply them prospectively.

### 3.1. New standards, interpretation and amendments adopted by the Group (continued)

- Amendments to IFRS 3 “Definition of a business”. This amendment revises the definition of a business. The Group does not expect these amendments to have a material impact on the financial statements.
- Amendments to IAS 1, “Presentation of financial statements”, and IAS 8, “Accounting policies, changes in accounting estimates and errors”.

*Changes in accounting policies*

This note explains the impact of the adoption of IFRS 16 "Leases" on the Group’s financial statements and discloses the new accounting policies that have been applied from January 1, 2019.

The Group adopted the standard using the modified retrospective approach with the cumulative effect of applying the new standard recognized in retained profits as of January 1, 2019. Comparatives for the December 31, 2018 financial statements were not restated.

**a) Adjustments recognized on adoption of IFRS 16**

On adoption of IFRS 16, the Group recognized lease liabilities in relation to leases which had previously been classified as ‘operating leases’ under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate as of January 1, 2019. The right-of-use asset was measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the leases recognized in the statement of financial position immediately before the date of initial application. The weighted average lessee’s incremental borrowing rate applied to the lease liabilities on January 1, 2019 was 7.88%. Each lease commitment was individually discounted using a specific incremental borrowing rate, following a build-up approach including: risk-free rates, industry risk, country risk, credit risk at cash generating unit level, currency risk and commitment’s maturity.

For leases previously classified as finance leases the Group recognized the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right of use asset and the lease liability at the date of initial application. The measurement principles of IFRS 16 are only applied after that date.

### 3.1. New standards, interpretation and amendments adopted by the Group (continued)

Reconciliation of previously unrecognized operating lease commitments and initial lease liabilities:

| | | January 1, 2019 |
|---|---|---|
| (+) | Operating lease commitments | **B/. 12,577,718** |
| (+) | Contracts not considered as part of the commitments disclosed at December 31, 2018 | 46,290,141 |
| (=) | Total operating lease commitments at December 31, 2018 | 58,867,859 |
| (-) | Short-term lease commitments | 831,728 |
| (=) | Gross additional lease liabilities | 58,036,131 |
| (-) | Discounting | 12,816,036 |
| (=) | Lease liabilities recognized at January 1, 2019 | **B/. 45,220,095** |

The application of IFRS 16 also impacts classifications within the statement of cash flows. Its application had nevertheless no significant impact on the Group's retained profits.

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- reliance on previous assessments on whether leases are onerous
- the accounting for operating leases with a remaining lease term of less than 12 months as at January 1, 2019 as short-term leases
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

** The adoption amounts do not include the impacts of Telefónica Panamá IFRS 16 since the acquisition was completed after January 1, 2019 (see note 5)*

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the group relied on its assessment made when applying IAS 17 and IFRIC 4 Determining whether an Arrangement contains a Lease.

### 3.1. New standards, interpretation and amendments adopted by the Group (continued)

**b) Leases accounting policy applied from January 1, 2019 are as follows:**
The Group leases various lands, sites, towers, 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.

Through December 31, 2018, leases of property, plant and equipment were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to the statement of income on a straight-line basis over the period of the lease.

From January 1, 2019, 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 liability and finance cost. The finance cost is charged to profit or loss 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. If that rate cannot be determined, the lessee’s incremental borrowing rate is used, 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.

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 costs, and
- restoration costs.

### 3.1. New standards, interpretation and amendments adopted by the Group (continued)

Payments associated with short-term leases and leases of low-value assets are 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.

Furthermore, the Group has taken the additional following decisions in adopting the standard:

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

According to the new Standard, 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 the Group 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 of sale and leaseback transactions has changed as the underlying sale transaction needs to be firstly 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. The impact from sale and leaseback transactions was not material for the Group as of the date of initial application.

### 3.2 Valuation basis and reporting currency

The consolidated financial statements of Cable Onda, S. A. and Subsidiaries as of December 31, 2019 have been prepared on a historical cost basis of accounting, except in those cases referred to in the accounting policies mentioned in Note 4.

### 3.2 Valuation basis and reporting currency (continued)

The consolidated financial statements are stated in balboas (B/.), the legal tender of the Republic of Panama, which is at par with the US dollar. The Republic of Panama does not issue its own paper money and, instead, the US dollar is used as the functional currency and legal tender.

### 3.3. Basis for consolidation

The consolidated financial statements as of December 31, 2019 include the asset, liability and operational accounts of Cable Onda, S. A. and its subsidiaries, Telefónica Móviles Panamá, S.A, Fronteras Security, Inc., and Mobilnet de Panamá, S.A. The financial statements of the subsidiaries were prepared at the same date of the financial statements of Cable Onda, S. A. using uniform accounting policies.

All balances, transactions, revenues, costs and expenses, and gains or losses resulting from transactions between Group companies, have been eliminated in the consolidation process. The financial statements of the subsidiaries are included in consolidation from the date of acquisition, the date on which the Group obtained control, and the Group will continue including said statements up to the date on which control ceases.

### 3.4. Judgements, estimations and assumptions

Preparation of the consolidated financial statements in accordance with IFRS requires that Management make judgments, estimations and assumptions that affect the amounts reported for revenues, expenses, assets, liabilities, and the disclosures of contingent liabilities at the date of the consolidated financial statements.

Due to the uncertainty implicit in these estimations and assumptions, significant adjustments could arise that could affect the amounts recorded or disclosed of future assets and liabilities.

The main assumptions related to future events and other sources of estimations prone to changes at the date of the consolidated financial statements and that due to their nature, have a high risk of giving rise to relatively significant adjustments to the asset and liability figures in the consolidated financial statements for the following year, are as follows:

*Impairment of Goodwill*

To determine whether goodwill is impaired, its value in use must be estimated. This estimation requires that Management estimates future cash flows which the cash-generating unit is expected to generate and that the proper discount rate for calculation of the present value be determined.

### 3.4. Judgements, estimations and assumptions (continued)

*Income tax*

The determination of income tax requires, largely, the use of estimations and assumptions, particularly deferred income tax. The deferred income tax asset is recognized only if there is a likelihood of generating tax profits in the future, against which temporary differences can be deducted. Significant management judgments are required to determine the deferred income tax amount that can be recognized.

*Allowance for doubtful accounts*

The Group considers that the allowance for doubtful accounts is sufficient to cover possible impairment at the date of the consolidated financial statements. The determination of this estimation requires that the Group make significant estimations based on expected credit losses on the customer portfolio.

## 4. Summary of Accounting Policies

### Current and non-current classification

In its statements of financial position, the Company presents its assets and liabilities as current and non-current.

An asset is classified as current when the Company expects the asset to be realized or intends to sell it or use it in its normal cycle of operations; maintain the assets for trade; expects it to be realized within the twelve months following the period reported on; and the asset is cash or cash equivalent unless it is restricted and cannot be exchanged or used to cancel a liability for a minimum period of twelve months after the close of the period reported on.

The Company classifies the rest of its assets as non-current.

A liability is classified as current when the Company expects to settle the liability in the normal course of operations; maintains the liability for trading purposes; the liability must be settled within the twelve months following the close of the period reported on; or when the Company has no unconditional right to defer cancellation of the liability during, at least, the twelve months following the close of the period reported on.

The Company classifies the rest of its liabilities as non-current.

Deferred income tax assets and liabilities are classified by the Company as non-current assets and liabilities, in all cases.

## 4. Summary of Accounting Policies (continued)

### Financial assets

### Recognition and initial measurement of financial assets

The approach used by the Group in classifying and measuring its financial assets reflects the business model in which the financial assets are managed and the characteristics of the contractual cash flows of the financial asset.

The Group initially recognizes all of its financial assets at fair value, plus costs directly attributable to the transaction, except as concerns financial assets measured at fair value with changes in income, in which said costs are not considered. Purchases or sales of financial assets are recognized by the Group on the dates on which each transaction is conducted, which is the contracting date, the date on which the Group commits to purchase or sell a financial asset.

The Group initially classifies its financial assets considering the method in which they will be measured, at the amortized cost with changes in income.

**Financial assets at amortized cost**
Financial assets are measured at their amortized cost when they meet the following conditions: (a) the financial asset is held within a business model the purpose of which is to obtain contractual cash flows; and (b) the contractual terms of the financial asset establish specific dates for cash flows arising solely from payments on principal and interest on the current balance.

**Subsequent measurement of financial assets**
Subsequent measurement of financial assets depends on their classification as described below:

**Financial assets at amortized cost**
After initial recognition, these financial assets are measured at their amortized cost using the effective interest rate method, less an estimation for credit losses. Gains or losses are applied to income when financial assets are disposed of or impaired, as well as through the amortization process. The Company's financial assets amortized at cost include accounts receivable.

### Financial liabilities

**Recognition and initial measurement of financial liabilities**
Financial liabilities are classified as financial liabilities at fair value with changes in income, accounts payable, other long-term liabilities, and long-term debt. The Group determines the classification of its financial liabilities at the date of their initial recognition.

The Group initially recognizes all financial liabilities at fair value at the date of acceptance or contracting of the liability, and costs directly attributable to the transaction in the case of notes payable.

**4. Summary of Accounting Policies (continued)**

The Group's financial liabilities include commercial accounts payable and other accounts payable, other long-term liabilities and long-term debt.

**Subsequent measurement of financial liabilities**
Subsequent measurement of financial liabilities depends on their classification as described below:

**Financial liabilities measured at fair value with changes applied to income**
Financial liabilities at fair value with changes in income include financial liabilities held for trade that have been acquired to be negotiated in the near future. Exchange gains or losses resulting from the negotiation of these financial liabilities are applied to income for the year in which they were incurred.

**Cash**
Cash is represented by cash in banks and cash on hand and current deposits. These financial assets are valued at fair value with changes in income at the date of the consolidated balance sheet, without deducting the transaction costs incurred in the sale and disposal thereof. At the respective dates of the consolidated financial statements, there are no restrictions of use of balances in cash.

**Accounts receivable**
Accounts receivable are non-derivative financial assets with fixed or determined payments, which are not quoted in an active market and are initially recognized at the amount of the respective notes or invoices, less an estimation of impairment. Gains or losses are applied to income when account receivable are disposed of or impaired.

Recovery of these financial assets is analyzed periodically and an allowance for impairment is recorded for accounts receivable considered as uncollectible, with a charge to income for the period. Accounts determined to be uncollectible are deducted from the allowance for impairment.

**Inventory**

Inventory is mainly comprised of materials and equipment, which are valued at the lower of cost and the net realizable value. The cost of inventory is determined by the average cost method. Net realizable value is the sales price in the normal course of operations, less the estimated costs required to make the sale. Merchandise in transit is recorded at the specific invoice cost.

Impairment losses, if any, are recognized immediately in the consolidated statements of income.

**Intangible assets**

Intangible assets acquired are initially recorded at cost. The cost of intangible assets acquired in a business combination is recorded at fair value at the acquisition date. After initial recognition, intangible assets are accounted for at cost less accumulated amortization and the accumulated amount of impairment losses.

## 4. Summary of Accounting Policies (continued)

The Group applies, as expenses, intangible assets generated internally, to income for the year in which they occur, except development costs that are capitalized.

The useful lives of intangible assets are defined as finite or indefinite. Intangible assets with finite useful lives are amortized under the straight-line method over the estimated useful lives of the assets, which are reviewed by the Group annually. The amortization expenses of intangible assets are recognized in the results of the year in which they are incurred

A detail of the estimated useful lives for finite-life intangible assets is presented below:

| | *Estimated useful life* |
|---|---|
| Administrative concessions | 20 years |
| Customer relationship | 17 years |
| Brands | 3 years |
| Rights of use of fiber optics | 5 to 15 years |
| Development in finished projects | 3 years |
| Computer applications and others | 3 to 5 years |

Changes in the expected useful life or in the pattern of consumption of expected future benefits of the asset are recognized, changing the period or amortization method, as applicable, and treated as a change in the accounting estimate.

Intangible assets with indefinite useful life are not amortized, and on an annual basis, the Group conducts an evaluation to identify decreases in fair value or when events or circumstances indicate that the values recorded might not be recoverable. Should said indication exist and the book value exceeds the amount recoverable, the Group values the assets of the cash generating units at their recoverable amount.

Gains or losses arising upon disposal of an intangible asset are determined by the Group as the difference between the product of the sale or disposal and the net book value of the intangible asset and applied to income for the year in which the transaction occurred.

**Value in excess of the cost of the assets acquired (goodwill)**

At the acquisition date, the Group records the goodwill acquired through a business combination, initially measured at cost, representing the excess of the purchase price over the fair value of the assets acquired and liabilities assumed.

**4. Summary of Accounting Policies (continued)**

Goodwill is shown at cost, less any impairment loss and is tested at least annually, to determine whether or not there is impairment, based on the cash flows of the cash-generating unit to which it was allocated. Identified impairment is recognized immediately in the consolidated statements of income and is not subsequently reversed. For the purpose of verifying impairment, the goodwill purchased from a business combination is distributed among each of the cash-generating units that the Group expects will benefit from the synergies of the business combination, from the date of acquisition, regardless of whether other assets and liabilities of the acquired entity are assigned to those cash-generating units

**Property, furniture, equipment and leasehold improvements**

Property, furniture, equipment and leasehold improvements are recorded at their acquisition cost, less depreciation and accumulated amortization and accrued impairment losses, if any.

Disbursements for repairs and maintenance that fail to meet the conditions for recognition thereof as an asset and depreciation are recognized as expenses in the year in which they occur.

The net values of property, furniture, equipment and leasehold improvements are tested for impairment when the events or changes in circumstances indicate that the recorded value may not be recoverable.

Depreciation and amortization are calculated by the straight-line method based on the estimated useful lives of the assets. The estimated useful life and depreciation methods are reviewed annually by Management and are adjusted when relevant, at the end of each financial year.

Following is a breakdown of estimated useful lives:

| | *Estimated useful lives* |
|---|---|
| Buildings | 30 years |
| Furniture and fixtures | 3 to 7 years |
| Computer equipment | 3 to 5 years |
| Technical equipment | 3 to 15 years |
| Transportation equipment | 3 years |
| Leasehold improvements | 3 to 20 years |

The estimated costs of the Company's obligation related to dismantling and future withdrawal of non-financial leased assets installed at business premises and towers are capitalized at the respective assets and amortized in the term of said leases. The amount of the amortization of these estimated costs is applied to income for the year. The amount of the respective provision is decreased as future cash disbursements are made.

## 4. Summary of Accounting Policies (continued)

Property, furniture, equipment and leasehold improvements are disposed of when sold or when no future economic benefit is expected from use thereof. Gains or losses arising from disposal of an asset, calculated as the difference between the net book value and the product of the sale, is applied to income for the year in which the transaction takes place.

### Acquisition cost of loans and issuance of bonds

Charges paid for contracting loans and issuance of bonds are deferred and amortized based on the term of the debt.

### Impairment of financial assets

The Group recognizes an allowance for loan losses expected on financial assets recognized at amortized cost with changes in income and measures the correction of value arising from loan losses expected over the lifetime of the asset, if the credit risk of the financial instrument has increased significantly as from initial recognition thereof.

In this regard, if at the date of the consolidated statements of financial position, the credit risk of the financial instrument has not increased significantly as from initial recognition thereof, the Group measures the correction in value arising from losses for this financial instrument at an amount equal to the loan losses expected over the next 12 months.

The Group uses a simplified method for calculation of loan losses expected on contractual assets and accounts receivable. Therefore, the Group does not follow up on the changes in credit risk, but rather, recognizes an adjustment based on experience with expected loan losses at the date of each presentation of consolidated financial statements. The Group has established a matrix of estimations based on historical experience with loan losses, adjusted on the basis of specific prospective factors for debtors and the economic environment.

The Group considers that a financial asset is in arrears when the contractual payments are 90 days past due. However, in some cases, the Group can also consider that a financial asset is in arrears when the internal or external information shows that the Group is unlikely to receive the outstanding contractual amounts in their entirety prior to considering the credit improvements held by the Group. A financial asset is canceled when there is no fair expectation of recovering the contractual cash flows.

### Impairment of non-financial assets

The Group conducts a review at the end of each year of the book values of its non-financial assets, for the purpose of identifying decreases in value when events or circumstances indicate that the values recorded might not be recoverable.

## 4. Summary of Accounting Policies (continued)

In the event of such an indication and if the book value exceeds the recoverable amount, the Group conducts a valuation of the assets or the cash generating units at their recoverable amount, determined as the greater of its fair value, less the cost of sales, and its value in use. The adjustments generated in connection with this item are applied to income for the year in which they are determined.

The Group evaluates, at each year end, whether or not there are signs of impairment in the value previously recognized for a non-financial asset other than goodwill, and whether it has decreased or no longer exists. In the event of such an indication, the Group re-estimates the recovery value of the asset, and if applicable, reverses the loss, increasing the asset up to its recovery value, which will not exceed the net book value of the asset before recognition of the original impairment loss, recognizing the credit to income for the period.

### Provisions

A provision is recognized when the Group has a present obligation, whether legal or implicit, as a result of a past event, is likely to dispose of resources to settle the obligation and a reliable estimation of the amount of the obligation can be conducted.

The amount of the provisions recorded is evaluated periodically and the adjustments required are applied to income for the year.

When the Group expects part of all of the provision to be reimbursed by a third party, the reimbursement is recognized as a separate asset, but only when the reimbursement is certain.

Expenses related to the provisions are presented in the consolidated statements of income, net of reimbursements receivable.

### Employee benefits

Employee retirement benefits are provided through a defined contribution plan via the social security fund, which assumes the liability corresponding to retirement benefits. Contributions are made according to the parameters established in said institution’s Organic Law. The Group assumes no liability beyond the payment determined by law.

### Share-based compensation

The expense related to share-based compensation transactions that are settled through equity instruments is determined through the fair value on the grant date, using a proper valuation method. This expense is recognized as a personnel expense along with the corresponding increase in stockholders’ equity, during the period in which the conditions for service are met.

**4. Summary of Accounting Policies (continued)**

**Disposal of financial assets and liabilities**

*Financial assets*

Financial assets are disposed of by the Group when the contractual rights over the cash flows provided by the financial asset expire; or when the financial asset is transferred along with the risks and benefits inherent thereto, and the contractual right to receive the cash flows provided by the financial asset have been ceded; or when having retained the contractual rights to receive said cash flows, the Group assumes the contractual obligation to pay them to one or more recipients.

*Financial liabilities*

Financial liabilities are derecognized by the Group when the obligation has been paid or canceled or the term for payment thereof has expired. When a financial liability is replaced by another financial liability, the Group cancels the original and recognizes a new financial liability. Differences arising from replacing financial liabilities are applied to income for the year in which they occur.

*Capacity as lessor*

Leases where the Group substantially retains all risks and benefits inherent to ownership of the asset are classified as operating leases. Payments on these leases, according to the rates established in the respective agreements, are recognized as income linearly over the term of the lease.

*Revenue recognition*

*Revenue from contracts with customers*

Revenue from contracts with customers is recognized when control over the goods or services has been transferred to the customer for an amount that reflects the consideration to which the entity expects to be entitled in exchange for said goods or services.

The entity recognizes income over time in a way that best reflects the transfer of control of the goods and services to the customer, provided that the following conditions are met:

- The customer receives and consumes the benefits of the entity's provision as the entity carries out such provision;
- Through its provision, the entity creates or improves an asset that is under the control of the client during its creation; or
- With its provision, the entity creates an asset without alternative use and is also entitled to payment for the provision made to date at a price that reflects the cost plus margin incurred.

**4. Summary of Accounting Policies (continued)**

Contractual obligations:

The Company identified that the compliance obligations in the contract correspond to a series of different goods and services that are substantially the same and that have the same pattern of transfer to the client. The Company's income comes mainly from the provision of the following telecommunications services: traffic, interconnection, roaming, added value, sale of terminals and accessories. Products and services can be sold separately or together in commercial packages.

*Transaction price*

The Company fulfills its compliance obligations under the contractual conditions established with its clients based on the provision of the promised services and through the transfer of ownership of the agreed goods and equipment that are within the scope of IFRS 15.

The terms of payment demanded from clients, together with the Company's future obligations to clients, such as guarantees and returns, are those established in the contracts between both parties.

The guarantees, reimbursement and return policies of the Company are those defined based on the legal requirements established in Panama.

Below is shown for each of the types of income, the disclosures regarding contractual obligations and transaction price, established in IFRS 15

*Revenue from services*

Revenue from services is characterized by intangibility. If it acknowledges compliance obligations over time or in the period it incurred the challenge, this defines the agreement to the nature of the income.

Among the income from the provision of services are the following:

*Traffic Income*

Revenue is recognized when compliance obligations are met over time as the client receives the benefits as they are provided. Traffic revenue is included in the initial call set-up fee, plus per-call rates, depending on the time consumed by the user, the distance of the call and the type of service.

In the case of prepaid income is accrued as the prepaid card balance is consumed, the payment to distributors is made in cash and / or credit, the payment to direct consumers is made in cash. The amount corresponding to the traffic paid pending consumption generates a deferred income. The expiration of prepaid cards is directly recorded in results when the card expires, since from that moment the Company has no obligation to provide the service.

In the case of postpaid, the obligation to comply is to provide access to telecommunications services to customers during the period of time identified in the contract in exchange for a fee, regardless of the customer's use of said services. The invoices are collected according to their due date. There are no return, refund or other similar obligations, there are no guarantees or related obligations.

*Interconnection Income*

They are derived from all calls from other operators that end up in the Company's network (incoming interconnection). These services are recognized in the period in which the calls were made, based on the rates previously agreed with the other operators, which were defined as the transaction price. The invoices are collected according to their due date. There are no return, refund and other similar obligations, there are no guarantees or related obligations.

*Roaming Income*

They represent the airtime that customers are charged when they make or receive calls while visiting from a country other than the service area where they are active (Panama). Said services are recognized based on the rates established and agreed with related companies abroad, as well as with

other international operators, which were defined as the transaction price. The invoices are collected according to their due date. There are no return, refund and other similar obligations, there are no guarantees or related obligations.

*Value Added Income and Others*

They include in addition to other voice services, data services (such as written messages, two-way messages, backtones, among others) and are recognized as income as they are consumed. The invoices are collected according to their due date. There are no return, refund and other similar obligations, there are no guarantees or related obligations.

*Income from Sale of Goods*

Corresponds to income from the sale of goods, which is recognized when the sale is considered perfected, generally when the products are dispatched to customers.

Income from sales of goods is presented in the statement of income, net of discounts, returns and sales tax.

## 4. Summary of Accounting Policies (continued)

*Cell Phone Sales*

The income corresponds to the sale of mobile phones, which is recognized when the sale of this equipment is considered perfected, the majority of which are made to authorized distributors and normally coincide with the time of delivery of the products, as On the contrary, it is recorded in the liability as a contractual liability and upon activation is recognized as income. The charge to distributors is made in cash and / or credit, the charge to direct consumers is made in cash.

Discounts on the sale of cellular equipment to wholesale distributors, retailers, and commercial chains are recognized as a decrease in the sales value of telephone, cards, and prepaid recharges.

The price is determined from the cost of the purchase plus a margin, which varies according to commercial offers. Warranties are covered by cell phone and accessory providers.

*Accessories for sale*

Income from the sale of accessories is recognized upon delivery of the product to the customer. Includes income from the sale of batteries, hands-free, covers, straps, and other items related to the sale of mobile terminals, also includes the sale of other electronic devices, such as MP3 players, or others.

*Income from Operating Leases*

Income from operating leases is recognized on a linear basis throughout the lease term.

Significant judgments: The main judgments applied by the Company for the recognition of income are detailed below:

a) Under IFRS 15, in commercial package offers that combine different telephony goods and services, income is assigned to each obligation based on the independent sale prices of each individual component in relation to the total price of the package, and is recognized when (or as) the obligation is satisfied, regardless of whether there are items pending delivery. The difference between the income from sales of equipment and cell phones and the amount received from the client at the beginning of the contract appears as a contractual asset in the statement of financial position.

b) The Company recognizes the costs of obtaining contracts as expenses as they are incurred when their expected amortization period is equal to or less than one year.

**4. Summary of Accounting Policies (continued)**

c) Modifications to contracts are recorded retroactively, in the case of continuation of the original contract, while other modifications are prospectively recognized as a separate contract, accounting for a termination of the existing contract and the creation of a new one.

d) The Company does not adjust the transaction price for the significant financial component when:

- Estimates that the period between the time the good or service promised to the customer is transferred and the time the customer pays for the good or service is equal to or less than one year.
- Estimates that the monetary impact is not material.

*Revenue from installation services*

Revenue from installation services is recognized over time, using a method that allows for establishing the level of completion of the service at the date of the consolidated statements of financial position, taking into account compliance with the performance obligation.

**Currently payable income tax**

The Group calculates income tax applying the adjustments of certain items subject or not to the tax, to pretax income, in accordance with the current tax regulations. Current tax, corresponding to the present and past periods, must be recorded as a liability when it has not yet been paid. If the amount paid corresponding to the present and preceding periods exceeds the amount payable for those periods, the excess is recorded as an asset.

The Group recognizes income tax associated with elements of other comprehensive income outside the consolidated statement of income and recognizes it in the consolidated statement of comprehensive income.

**Deferred income tax**

Deferred income tax is determined by the liability method for all existing temporary differences between the tax base of assets, liabilities and net equity and the respective book figures for financial purposes at the date of the consolidated statements of financial position. Deferred income tax is calculated taking into account the tax rate expected to be applied in the period in which the asset is expected to be realized or the liability paid. Deferred tax assets are recognized only when they are reasonably likely to be realized.

The Group recognizes income tax and deferred income tax in the statement of income.

## 4. Summary of Accounting Policies (continued)

### Sales tax

The Group recognizes revenues net of sales tax and recognizes a liability in the consolidated statements of financial position for the amount of the related sales tax. Expenses and the acquisition of assets are recorded by the Group for the net of sales tax, if said taxes are credited to the Group by the tax authorities, recognizing the accumulated amount receivable in the consolidated balance sheet. In those cases in which the sales tax is not credited, the Group includes the tax as part of the expense or of the asset, as applicable.

### Reclassifications

Certain amounts in the consolidated financial statements at and for the year ended December 31, 2019 were reclassified for comparison with the amounts at and for the year ended December 31, 2018. These classifications have no significant effects related to the Group's financial position or results of operations.

## 5. Business Combination Telefónica Panamá

On August 29, 2019, Cable Onda acquired 100% of the share capital of Telefónica Panamá, S.A. (44,687,308 shares) for $593.6 million from Telefónica Centroamérica Inversiones, S.L. (“Telefónica Centroamérica”), which is owned, directly and indirectly by Telefónica S.A. (“Telefónica Panamá Acquisition”). The consummation of the Telefónica Panamá Acquisition was approved by the appropriate regulator “Autoridad de Protección al Consumidor y Defensa de la Competencia (ACODECO) on August 29, 2019, when Cable Onda acquired the entire share capital of Telefónica Panamá, S.A.

As of December 31, 2019, the valuation related to the Telefónica Móviles Panamá, S.A. acquisition is not final, and the purchase price allocation is preliminary and subject to revision, which is expected to occur within twelve months of the acquisition date. The preliminary purchase price allocation for Telefónica Panamá is as follows:

## 5. Business Combination Telefónica Panamá (continued)

| | Acquired values | Adjustments of the business combination. | Fair value recognized in the acquisition |
|---|---|---|---|
| **ASSETS** | | | |
| **Current Assets** | | | |
| Cash | B/. 11,251,626 | B/. - | B/. 11,251,626 |
| Accounts receivable - customers, net | 23,322,828 | - | 23,322,828 |
| Other accounts receivable | 10,526,283 | 246,000 | 10,772,283 |
| Contract assets | 1,265,910 | - | 1,265,910 |
| Inventory | 4,175,991 | - | 4,175,991 |
| Prepaid expenses | 1,058,142 | - | 1,058,142 |
| | **51,600,780** | **246,000** | **51,846,780** |
| **Non- Current Assets** | | | |
| Severance fund | 2,041,953 | - | 2,041,953 |
| Other non-current assets | 1,844,256 | | 1,844,256 |
| Intangible assets, net | 108,902,874 | 61,838,000 | 170,740,874 |
| Right of use assets | 46,638,060 | - | 46,638,060 |
| Property, furniture, equipment and leasehold improvements, net | 117,675,749 | - | 117,675,749 |
| | **277,102,892** | 61,838,000 | **338,940,892** |
| **TOTAL ASSETS** | **B/. 328,703,672** | **B/. 62,084,000** | **B/. 390,787,672** |

## 5.-Business Combination Telefónica Panamá (continued)

| | Acquired values | Adjustments of the business combination. | Fair value recognized in the acquisition |
|---|---|---|---|
| **Continued…** | **B/. 328,703,672** | **B/. 62,084,000** | **B/. 390,787,672** |
| **LIABILITIES** | | | |
| **Current Liabilities** | | | |
| Accounts payable | B/. 57,124,452 | | B/. 57,124,452 |
| Short term lease liability | 19,265,502 | - | 19,265,502 |
| Employee benefits payable | 2,349,157 | - | 2,349,157 |
| Short term loans payable | 17,000,000 | - | 17,000,000 |
| Short term deferred income | 3,943,994 | - | 3,943,994 |
| Accrued expenses and other accounts payable | 10,026,086 | - | 10,026,086 |
| Income tax payable | 3,825,395 | - | 3,825,395 |
| | **113,534,586** | **-** | **113,534,586** |
| **Non-Current Liabilities** | | | |
| Long term loans payable | 57,180,000 | | 57,180,000 |
| Long term lease liability | 30,497,489 | | 30,497,489 |
| Other long-term liabilities | 9,195,176 | | 9,195,176 |
| Deferred income tax | 696,422 | 15,459,500 | 16,155,922 |
| | **97,569,087** | **15,459,500** | **113,028,587** |
| **TOTAL LIABILITIES** | **B/. 211,103,673** | **B/. 15,459,500** | **B/. 226,563,173** |
| Value of net assets and liabilities acquired as of July 31, 2019 | 117,599,999 | 46,624,500 | 164,224,499 |
| Result for the month of August 2019 | 3,191,383 | - | 3,191,383 |
| Value paid in excess of the cost of the assets acquired | 472,841,657 | (46,624,500) | 426,217,157 |
| Payment value of the transaction | **B/. 593,633,039** | **B/. -** | **B/. 593,633,039** |

## 5.-Business Combination Telefónica Panamá (continued)

Goodwill is calculated as the excess of the total purchase consideration over the fair value of the underlying net assets. None of the acquired goodwill is expected to be deductible for tax purposes.

Telefónica Panamá amortizable intangible assets are comprised mainly of computer applications, and administrative concessions.

For the year ended December 31, 2019, revenues of USD 66.5 million and net income of USD 14.4 million, from Telefónica Móviles Panamá, S.A. included in the consolidated statement of Income of Cable Onda, S.A., correspond to the five months after the acquisition date held on August 29, 2019.

The unaudited pro forma revenue and net income of Cable Onda, S.A. prepared utilizing the historical financial statements of Telefónica Panamá, giving effect to Telefónica Panamá acquisition as if the acquisition discussed above occurred on January 1, 2019, are as follows:

| | Ended December 31, 2019 | |
|---|---|---|
| **Revenue** | **B/.** | **619,503,532** |
| **Net Income** | **B/.** | **61,995,133** |

The pro forma financial information as presented above is for informational purposes only and is not indicative of the results of operations that would have been achieved if the acquisition had taken place at the beginning of fiscal year 2019.

## 6. Cash

| | As of December 31, | | | |
|---|---|---|---|---|
| Cash on hand | **B/.** | **115,901** | B/. | 57,260 |
| Banco General | | **21,205,752** | | 5,692,721 |
| The Bank of Nova Scotia | | **19,574,968** | | 29,138 |
| Citibank | | **11,445,810** | | 7,285 |
| Banco Panamá | | **4,616,673** | | 31,697 |
| Bac Panamá | | **1,768,732** | | 214,893 |
| Banistmo | | **800,321** | | 169,174 |
| Global Bank | | **399,779** | | 72,171 |
| Banco Nacional de Panamá | | **298,437** | | 106,816 |
| JP Morgan | | **175,903** | | - |
| Banesco | | **123,789** | | 48,497 |
| Caja de Ahorros | | **113,235** | | 48,664 |
| St Georges Bank | | **54,000** | | - |
| Banvivienda | | **-** | | 7,350 |
| | **B/.** | **60,693,300** | B/. | 6,485,666 |

## 7. Accounts receivable, Net

| | As of December 31, | | | |
|---|---|---|---|---|
| | | **2019** | | 2018 |
| Cable, telephone and other services | **B/.** | **76,761,515** | B/. | 31,164,425 |
| Operators | | **1,236,562** | | 1,287,858 |
| | | **77,998,077** | | 32,452,283 |
| Less: allowance for doubtful accounts | | **(5,304,605)** | | (3,224,495) |
| Accounts receivable, net | **B/.** | **72,693,472** | B/. | 29,227,788 |

## 7. Accounts receivable, Net (continued)

Following is an analysis of the age of the accounts receivable not impaired as of December 31, 2019 and 2018:

| | *Current* | *30 to 60 days* | *61 to 90 days* | *91 to 120 days* | *Over 121 days* | Total |
|---|---|---|---|---|---|---|
| **2019** | **17,186,351** | **9,963,744** | **859,217** | **13,707,807** | **30,976,353** | **72,693,472** |
| 2018 | B/. 16,922,889 | B/. 7,342,020 | B/. 1,554,918 | B/. 672,239 | B/. 2,735,722 | B/. 29,227,788 |

| | As of December 31, | | | |
|---|---|---|---|---|
| | **2019** | | **2018** | |
| *Movements of allowance for doubtful accounts* | | | | |
| Balance at beginning of year | **B/.** | **3,224,495** | B/. | 2,178,236 |
| Plus allowance for the year | | **4,170,654** | | 5,560,268 |
| Less charge to allowance | | **(2,090,544)** | | (4,514,009) |
| Balance at end of year | **B/.** | **5,304,605** | B/. | 3,224,495 |

The terms for payment of accounts receivable are extended up to 30 days, as from the date of issuance of the respective bill, are not subject to discount for prompt payment, do not bear interest except for late-payment interest and are recoverable.

## 8. Other accounts receivable

As of December 31, 2019 and 2018, the other accounts receivable compose as following.

| | As of December 31 | | | |
|---|---|---|---|---|
| | | **2019** | | 2018 |
| Contractors | **B/.** | **1,668,682** | B/. | 554,476 |
| Related parties | | **1,025,030** | | - |
| Others | | **2,937,134** | | 1,791,324 |
| | **B/.** | **5,630,846** | B/. | 2,345,800 |

## 9. Inventory

As of December 31, 2019 and 2018, the breakdown of inventory is as following.

| | As of December 31, | | | |
|---|---|---|---|---|
| | | **2019** | | 2018 |
| Materials and equipment | **B/.** | **27,191,891** | B/. | 28,529,200 |
| Inventory in transit | | **1,016,936** | | 190,289 |
| Provision for inventory obsolescence | | **(1,943,904)** | | (785,452) |
| | **B/.** | **26,264,923** | B/. | 27,934,037 |

## 10. Intangible assets, Net

*Intangible Assets*

As of December 31, 2019 and 2018, intangible assets are summarized as follows

| | As of December 31, | | | |
|---|---|---|---|---|
| | | **2019** | | 2018 |
| Indefinite useful life | **B/.** | **-** | B/. | 16,699,519 |
| Finite useful life | | **190,579,015** | | 3,421,798 |
| | **B/.** | **190,579,015** | B/. | 20,121,317 |

## 10. Intangible assets, Net (continued)

| | 2019 | | | | | | | | 2018 |
|---|---|---|---|---|---|---|---|---|---|
| | **Administrative Concession** | **Relationship with customers** | **Software & licences** | **Brands** | **Optics fiber** | **Projects in process** | **Others** | **Total** | **Total** |
| At January 1, 2019, net of accumulated amortization | B/. - | B/. - | B/. 3,077,162 | B/. 319,122 | B/. - | B/. - | B/. 25,514 | **B/. 3,421,798** | **B/. 6,922,211** |
| Additions | - | - | 1,502,930 | - | 9,951,140 | 2,584,871 | 1,197,697 | **15,236,638** | 826,958 |
| Intangible asset reclassification | - | - | - | 16,699,519 | - | - | - | **16,699,519** | - |
| Acquisition of subsidiary, net | 89,321,138 | 61,838,000 | 13,286,216 | - | - | - | 6,295,520 | **170,740,874** | - |
| Disposals | (451,061) | - | (463,768) | - | - | - | - | **(914,829)** | - |
| Transfer | - | - | 190,282 | - | - | 816,583 | (334,337) | **672,528** | - |
| Adjustments and reclassifications | - | - | (129,547) | - | - | - | - | **(129,547)** | - |
| Amortization | (1,804,245) | (3,377,841) | (3,795,915) | (5,358,698) | (443,527) | (357,477) | (10,263) | **(15,147,966)** | (4,327,371) |
| At December 31, 2019, net of accumulated amortization | **B/. 87,065,832** | **B/. 58,460,159** | **B/. 13,667,360** | **B/. 11,659,943** | **B/. 9,507,613** | **B/. 3,043,977** | **B/. 7,174,131** | **B/.190,579,015** | **B/. 3,421,798** |
| At January 1, 2019 | | | | | | | | | |
| at cost | B/. - | B/. - | B/. 15,365,539 | B/. 17,091,223 | B/. 2,353,883 | B/. - | B/. 3,856,277 | **B/. 38,666,922** | **B/.40,087,218** |
| Accumulated amortization | - | - | (12,288,377) | (16,772,101) | (2,353,883) | - | (3,830,763) | (35,245,124) | (33,165,007) |
| Net balance | **B/. -** | **B/. -** | **B/. 3,077,162** | **B/. 319,122** | **B/. -** | **B/. -** | **B/. 25,514** | **B/. 3,421,798** | **B/. 6,922,211** |
| At December 31, 2019 | | | | | | | | | |
| At cost | B/. 88,870,077 | B/. 61,838,000 | B/. 29,751,778 | B/. 33,790,742 | B/. 12,305,023 | B/. 3,401,454 | B/.11,015,157 | B/. 240,972,231 | B/. 40,914,176 |
| Accumulated amortization | (1,804,245) | (3,377,841) | (16,084,418) | (22,130,799) | (2,797,410) | (357,477) | (3,841,026) | (50,393,216) | (37,492,378) |
| Net balance | **B/. 87,065,832** | **B/. 58,460,159** | **B/. 13,667,360** | **B/. 11,659,943** | **B/. 9,507,613** | **B/. 3,043,977** | **B/. 7,174,131** | **B/. 190,579,015** | **B/. 3,421,798** |

**10. Intangible assets, Net (continued)**

As of December 31, 2019, a reclassification of intangible assets from indefinite life to finite life was made for $ 16,699,520 related to the Telecarrier brand, which was assigned a useful life of three years.

The following is a summary of the administrative concession contracts:

- On February 5, 1996, the Panamanian Government granted Telefónica Móviles Panamá, SA at a cost of US $ 72,610,000 and for a period of 20 years, Concession Contract No. 30 - A, through which the Company acquired the license to operate, install, maintain, manage and commercially exploit the 850 MHz Band "A" Cellular Mobile Telephone Service, as well as the necessary link frequencies for the provision of the Cellular Mobile Telephone Service.

- On October 26, 2007, the National Authority of Public Services through Resolution No.AN No. 1234-Telco assigned Telefónica Móviles Panamá, SA at cost of US $ 28,666,693 an additional segment of radio spectrum frequencies, 10MHz wide of band, included in the frequency ranges from 1890 MHz to 1895 MHz (5MHz upstream) and 1970 MHz to 1975 MHz (5MHz downlink), for the provision of the Cellular Mobile Telephone Service Band "A".

- Through Resolution AN No. 7231-Telco of April 2, 2014, the National Authority of Public Services granted Telefónica Móviles Panamá, SA additional frequency segments to be used in the provision of the Cellular Mobile Telephone Service: one segment 10 MHz of the radio spectrum in the 1900 MHz Band, corresponding to Channel JJ ', comprising the frequency ranges from 1895 MHz to 1900 MHz (5 MHz rise) and in the frequency range from 1975 MHz to 1980 Mhz (5 MHz descent) and 20 MHz of the radio spectrum in the 700 MHz Band, corresponding to the DE and D'E 'Channels, included in the frequency ranges from 718 MHz to 728 MHz (10 MHz rise) and 773 at 883 MHz (10 MHz downlink).

- The State granted Telefónica Móviles Panamá, SA, through Concession Contract No. 01-OAL-2014 of March 27, 2014, a new concession for the provision of the Cellular Mobile Telephone Service, in order to install, maintain , manage, operate and commercially exploit, at your own risk and expense, in competition, the Cellular Mobile Telephone Service. The new contract is published in Official Gazette No.27587-A of July 28, 2014.

The most important clauses of this contract are:

1. The concession will be in force for a term of twenty (20) years, starting on February 5, 2016.
2. The Company will have the preferential option to request a new concession, for which it must present said request in writing before the three (3) years prior to the end of the concession period.

## 10. Intangible assets, Net (continued)

3. The right of the Concession is for the sum of US $ 108,146,566, a payment that includes the right to use the frequencies included in the 850 MHz (25 MHz), 1900 MHz (20 MHz) and 700 MHz (20 MHz), as well as the necessary link frequencies for the provision of the Cellular Mobile Telephone Service.
4. On the total monthly gross income exclusively derived from the operation and provision of the Cellular Mobile Telephone Service, plus the income from the interconnection contracts, less the expenses caused by the interconnection contracts, the Company will be subject to the payment of the rate of control, surveillance and inspection to the Regulatory Authority, as follows:
   - From the first to the fifth year, it will pay an amount equal to zero point thirty-five percent (0.35%).
   - From the sixth to the tenth year, it will pay an amount equal to zero point fifty percent (0.50%).
   - From the eleventh to the fifteenth year, it will pay an amount equal to zero point seventy-five percent (0.75%).
   - From the sixteenth to the twentieth year, it will pay an amount equal to one percent (1%).
   - The Company may assign or transfer in any way, totally or partially the concession, its rights, or the exclusive and direct exploitation of the service, after five (5) years counted from the date of perfection of the Concession contract, upon request before the Regulatory Authority and authorization of the Cabinet Council.

## 11. Goodwill

As indicated in the accounting policies related to the impairment of assets and goodwill, the Group annually reviews the value paid in excess of the cost of assets to determine if there is impairment in its value.

| | As December 31 | |
|---|---|---|
| | **2019** | 2018 |
| Telefónica Móviles Panamá | **B/. 426,217,157** | B/. - |
| Telecarrier | **28,147,261** | 28,147,261 |
| T.P.P | **21,778,217** | 21,778,217 |
| Mobilnet de Panamá, S.A. | **10,501,853** | 10,501,853 |
| Advanced Comm Network | **9,129,566** | 9,129,566 |
| Telesat | **567,165** | 567,165 |
| Visat | **488,451** | 488,451 |
| Multicable | **310,390** | 310,390 |
| | **B/. 497,140,060** | B/. 70,922,903 |

## 12. Right of use assets

Following are the movements of right of use assets:

The depreciation expense of right of use assets contains the item depreciation and amortization expense in the consolidated statement of income.

| | Land and buildings | Towers | Sites | Other equipments | Total |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| At January 1, 2019 | B/. 25,789,495 | B/. 18,830,109 | B/. 512,830 | B/. 87,661 | **B/. 45,220,095** |
| New contracts | 217,361 | 1,784,707 | 463,488 | 333,654 | **2,799,210** |
| Adjustments and reclassifications | 5,262,140 | 20,685,796 | 1,484,516 | 2,066,346 | **29,498,798** |
| Acquisition of subsidiaries | 8,415,222 | 32,544,293 | 2,374,042 | 3,304,504 | **46,638,061** |
| At December 31, 2019 | B/. 39,684,218 | B/. 73,844,905 | B/. 4,834,876 | B/. 5,792,165 | **B/. 124,156,164** |
| **Accumulated depreciation** | | | | | |
| At January 1, 2019 | - | - | - | - | - |
| Adjustments and reclassifications | (126,017) | (1,263,458) | (166,409) | (33,803) | **(1,589,687)** |
| Depreciation of assets for right of use | (3,923,088) | (5,771,601) | (1,014,391) | (366,925) | **(11,076,005)** |
| At December 31, 2019 | (4,049,105) | (7,035,059) | (1,180,800) | (400,728) | **(12,665,692)** |
| **Net balance** | **B/. 35,635,113** | **B/. 66,809,846** | **B/. 3,654,076** | **B/. 5,391,437** | **B/. 111,490,472** |

## 13. Property, furniture, equipment and leasehold improvements. Net

December 31, 2019

| | *Land* | *Buildings* | *Furniture and fixtures* | *Computer equipment* | *Technical equipment* | *Transportation equipment* | *Construction in progress* | *Leasehold improvements* | *Total* |
|---|---|---|---|---|---|---|---|---|---|
| At January 1, 2019, net of accumulated depreciation and amortization | **B/. 8,880,134** | **B/. 7,924,474** | **B/. 3,883,019** | **B/. 4,316,992** | **B/.271,343,065** | **B/. 2,455,488** | **B/. -** | **B/. 19,407,349** | **B/. 318,210,521** |
| Capitalized additions | **280,000** | **1,674,818** | **850,207** | **2,307,457** | **70,734,621** | **243,319** | **-** | **2,930,021** | **79,020,443** |
| Merger through absorption | **-** | **-** | **-** | **-** | **26,865** | **-** | **-** | **-** | **26,865** |
| Acquisition of subsidiaries | **2,853,461** | **18,219,188** | **1,629,450** | **-** | **78,761,538** | **-** | **16,212,112** | **-** | **117,675,749** |
| Construction in progress | **-** | **-** | **-** | **-** | **-** | **-** | **9,977,992** | **-** | **9,977,992** |
| Impairment | **-** | **-** | **-** | **-** | **(5,432,849)** | **-** | **-** | **-** | **(5,432,849)** |
| Disposal, net | **-** | **-** | **(124,294)** | **-** | **(692,619)** | **-** | **-** | **-** | **(816,913)** |
| Transfers | **-** | **811,977** | **488,324** | **-** | **2,013,751** | **-** | **(3,986,580)** | **-** | **(672,528)** |
| Adjustments and reclassifications | **-** | **-** | **1,315,776** | **-** | **675,966** | **-** | **(1,203,049)** | **-** | **788,693** |
| Depreciation and amortization | **-** | **(1,089,454)** | **(782,864)** | **(295,177)** | **(90,489,229)** | **(5,805)** | **-** | **(44,168)** | **(92,706,697)** |
| At December 31, 2018, net of accumulated depreciation and amortization | **B/. 12,013,595** | **B/. 27,541,003** | **B/. 7,259,618** | **B/. 6,329,272** | **B/. 326,941,109** | **B/. 2,693,002** | **B/. 21,000,475** | **B/. 22,293,202** | **B/. 426,071,276** |
| At January 1, 2019 | | | | | | | | | |
| At cost | **B/. 8,880,134** | **B/. 10,353,429** | **B/. 10,573,750** | **B/. 33,336,426** | **B/. 711,971,733** | **B/. 15,289,088** | **B/. -** | **B/. 42,431,470** | **B/. 832,836,030** |
| Accumulated depreciation and amortization | **-** | **(2,428,955)** | **(6,690,731)** | **(29,019,434)** | **(440,628,668)** | **(12,833,600)** | **-** | **(23,024,121)** | **B/. (514,625,509)** |
| Net value | **B/. 8,880,134** | **B/. 7,924,474** | **B/. 3,883,019** | **B/. 4,316,992** | **B/. 271,343,065** | **B/. 2,455,488** | **B/. -** | **B/. 19,407,349** | **B/. 318,210,521** |
| At December 31, 2019 | | | | | | | | | |
| At cost | **B/. 12,013,595** | **B/. 31,059,412** | **B/. 14,857,507** | **B/. 35,643,883** | **B/. 864,184,474** | **B/. 15,532,407** | **B/. 26,190,104** | **B/. 45,361,491** | **B/. 1,044,842,873** |
| Accumulated depreciation and amortization | **-** | **(3,518,409)** | **(7,597,889)** | **(29,314,611)** | **(537,243,365)** | **(12,839,405)** | **(5,189,629)** | **(23,068,289)** | **(618,771,597)** |
| Net value | **B/. 12,013,595** | **B/. 27,541,003** | **B/. 7,259,618** | **B/. 6,329,272** | **B/. 326,941,109** | **B/. 2,693,002** | **B/. 21,000,475** | **B/. 22,293,202** | **B/. 426,071,276** |

*(Figures stated in B/. balboas)*

**13. Property, furniture, equipment and leasehold improvements. Net (continued)**

December 31, 2018

| | *Land* | *Buildings* | *Furniture and fixtures* | *Computer equipment* | *Technical equipment* | *Transportation equipment* | *Leasehold improvements* | *Total* |
|---|---|---|---|---|---|---|---|---|
| At January 1, 2018, net of depreciation and accumulated amortization | **B/. 377** | **B/. 3,473,304** | **B/. 3,916,822** | **B/. 7,761,520** | **B/. 246,955,878** | **B/. 3,645,138** | **B/. 21,618,761** | **B/. 287,371,800** |
| Capitalized additions | | **458,427** | **1,328,173** | **2,150,577** | **85,275,276** | **1,398,418** | **4,576,469** | **95,187,341** |
| Merged company's assets | **8,879,757** | **4,051,714** | **-** | **-** | **-** | **-** | **-** | **12,931,471** |
| Disposal, net | **-** | **-** | **-** | **(203)** | **-** | **(117)** | **-** | **(320)** |
| depreciation and amortization | **-** | **(58,971)** | **(1,361,977)** | **(5,594,902)** | **(60,888,089)** | **(2,587,951)** | **(6,787,881)** | **(77,279,771)** |
| At December 31, net of accumulated depreciation and amortization | **B/. 8,880,134** | **B/. 7,924,474** | **B/. 3,883,019** | **B/. 4,316,992** | **B/. 271,343,065** | **B/. 2,455,488** | **B/. 19,407,350** | **B/. 318,210,521** |
| At January 1, 2018 | | | | | | | | |
| At cost | **B/. 377** | **B/. 5,843,288** | **B/. 9,245,576** | **B/. 31,186,052** | **B/. 626,696,457** | **B/. 13,890,787** | **B/. 37,855,001** | **B/. 724,717,538** |
| Accumulated depreciation and amortization | **-** | **(2,369,984)** | **(5,328,754)** | **(23,424,532)** | **(379,740,579)** | **(10,245,649)** | **(16,236,240)** | **(437,345,738)** |
| Net value | **B/. 377** | **B/. 3,473,304** | **B/. 3,916,822** | **B/. 7,761,520** | **B/. 246,955,878** | **B/. 3,645,138** | **B/. 21,618,761** | **B/. 287,371,800** |
| At December 31, 2018 | | | | | | | | |
| At cost | **B/. 8,880,134** | **B/. 10,353,429** | **B/. 10,573,749** | **B/. 33,336,426** | **B/. 711,971,733** | **B/. 15,289,088** | **B/. 42,431,470** | **B/. 832,836,030** |
| Accumulated depreciation and amortization | **-** | **(2,428,955)** | **(6,690,731)** | **(29,019,434)** | **(440,628,668)** | **(12,833,600)** | **(23,024,121)** | **(514,625,509)** |
| Net value | **B/. 8,880,134** | **B/. 7,924,474** | **B/. 3,883,019** | **B/. 4,316,992** | **B/. 271,343,065** | **B/. 2,455,488** | **B/. 19,407,350** | **B/. 318,210,521** |

## 14. Accounts payable

At December 31, 2019, the accounts payable balance amounts to B/.74,850,804 (2018 - B/.40,460,204). The terms for payment of accounts payable to commercial suppliers are extended up to 120 days, as from the date of issuance of the respective notes or invoice, are not subject to discount for prompt payment and do not generate interest and are recoverable in the functional currency of the consolidated financial statements.

## 15. Lease liabilities

Following are the movements of lease liabilities:

| | **2019** |
|---|---|
| Balance at beginning of year | **B/. 45,220,095** |
| New contracts and adjustments | **31,772,784** |
| Acquisitions of subsidiaries | **49,762,991** |
| Payments | **(8,598,092))** |
| Balance at end of year | **B/. 118,157,778** |

Interest expense on lease liabilities of B/ 4,377,644, is included in the interest item in the consolidated statement of income.

Detail of the maturity of the contractual cash flows related to the lease liabilities:

| | As December 31<br>**2019** |
|---|---|
| Less than a year | B/. 19,128,404 |
| One to two years | 23,156,016 |
| Two to three years | 12,335,840 |
| Three to four years | 8,835,644 |
| Four to five years | 7,860,455 |
| More than 5 years | 46,841,419 |
| | 99,029,374 |
| | **B/. 118,157,778** |

## 16. Employee benefits payable

Following is a breakdown of employee benefits:

| | As of December 31, | |
|---|---|---|
| | **2019** | 2018 |
| Employee benefits | **5,711,215** | 8,355,342 |
| Labor reserves | **6,216,714** | 6,813,972 |
| | **B/. 11,927,929** | B/. 15,169,314 |

## 17. Notes payable

The Group maintains lines of credit approved for working capital for B / .130,600,000 as of December 31, 2019 (2018 - B / .160,300,000), of which B / .6,700,000 as of December 31, 2019 (2018 - B / .77,086,517) and accrue annual interest between 3.98% -4.45%, as of December 31, 2019 (2018 - 3.00% and 5.54%).

The term of the documents payable and lines of credit is presented below:

| | Interest rate | Expiration | As of December 31, 2019 | 2018 |
|---|---|---|---|---|
| Scotiabank | 3.98%-4.38% | 2024 | **B/. 75,000,000** | B/. 24,000,000 |
| Banistmo | 4.59%-5.06% | 2019 | **-** | 15,000,000 |
| Banco Nacional | 4%-4.45% | 2024 | **75,000,000** | 24,300,000 |
| Banco General, S. A. | 5.54% | 2020 | **-** | 13,786,517 |
| | | | **150,000,000** | 77,086,517 |
| Less current portion | | | **-** | (39,000,000) |
| | | | **B/. 150,000,000** | B/. 38,086,517 |

## 17. Notes payable (continued)

The movement of documents and loans at the end of each period is presented below:

| | As of December 31, **2019** | 2018 |
|---|---|---|
| Beginning balance | **B/. 77,086,817** | B/. 47,000,000 |
| Current portion of long-term loans contracted in the year | **150,000,000** | 38,700,000 |
| Merged company debt | **-** | 13,786,817 |
| Payments made in the year | **(77,086,817)** | (22,400,000) |
| Ending balance | **B/. 150,000,000** | **B/. 77,086,817** |

## 18. Deferred income

As of December 31, 2019 and 2018, deferred income is broken down as follows:

| | As of December 31, **2019** | **2018** |
|---|---|---|
| **Current portion** | | |
| Early cash collections from monthly payments (a) | **B/. 13,062,214** | B/. 7,342,014 |
| **Non-Current portion** | | |
| Adaptation projects (b) | **B/. 11,664,250** | B/. 10,445,359 |
| Deferred income from installation services | **2,833,020** | B/. 2,346,744 |
| Deferred income (c) | **6,353,289** | B/. 6,038,498 |
| | **B/. 20,850,559** | B/. 18,830,601 |

a. Deferred income corresponding to early collection on monthly payments from clients, which are classified as business, residential and corporate.

## 18. Deferred income (continued)

b. Adaptation and relocation of wiring and telephony, which includes changes, burying of cables in areas where network changes are made. Once concluded, works are amortized over 180 months.

c. These are obligations arising from large-scale contracts, which are executed in phases as per the terms and conditions of said contracts

## 19. Accrued expenses and other liabilities

As of December 31, 2019 and 2018, accumulated expenses and other accounts payable are broken down as follows:

| | As of December 31 | | | |
|---|---|---|---|---|
| | | **2019** | | 2018 |
| Operating costs | **B/.** | **8,859,798** | B/. | 5,131,341 |
| General, sales and administrative expenses | | **8,305,994** | | 6,315,316 |
| Financial expenses | | **8,299,120** | | 723,303 |
| Programmers costs | | **7,192,071** | | - |
| Taxes | | **2,047,816** | | 800,000 |
| | **B/.** | **34,704,799** | B/. | 12,969,960 |

## 20. Other long-term liabilities

### Bond issuance clauses for $ 185,000.0000

On August 4, 2015, Cable Onda, S. A. (Issuer) issued corporate bonds, which replaced the private issue of corporate bonds for 2010. As a public placement, said bonds were authorized by the Superintendence of the Securities Market of the Republic of Panama (formerly the National Securities Commission) and are listed in the Panamanian Stock Exchange. The principal features of the issue are as follows:

1. The Issue consists of Series A bonds maturing 10 years after issuance, on August 4, 2025 and are due through a single payment at maturity.
2. The public issue was for a total B/.185,000,000 (limit up to B/.200,000,000).
3. The bonds bear quarterly interest from issuance to maturity on the bond's capital. Series A bonds bear interest at an annual fixed rate of 5.75%.

## 20. Other long-term liabilities (continued)

*Voluntary Early Redemptions*

The Issuer cannot redeem all or part of the Bonds until after three (3) years following the settlement date. The Issuer can redeem either part or all of the bonds early, once (i) three (3) years has elapsed as from the settlement date and up to five (5) years from the settlement date, subject to payment of a redemption price equal to one hundred two point five percent (102.5%) of the unpaid capital balance, and (ii) after five (5) years from the settlement date, subject to payment of a redemption price equal to one hundred percent (100%) of the unpaid capital balance.

Any early redemption, whether partial or total, must be made on an interest payment date. Said penalties are not applicable in the event of mandatory early redemption.

Notwithstanding the foregoing, with respect to partial early redemptions, the sum assigned for the redemption cannot be less than five million dollars (US$5,000,000.00) and one million dollar (US$1,000,000.00) increases or multiples thereof in excess of said amount, unless the unpaid balance of capital of the issue is below said amount, in which case, the redemption must be for the total unpaid capital balance. Partial early redemption must be conducted on a pro rata basis to all registered holders of the issue.

*Mandatory Early Redemptions*

In the event the issuer requests approval of a change of control and the request is denied by the majority of the holders, the issuer must redeem the bonds in their entirety at a price of one hundred percent (100%) of the unpaid capital balance (mandatory early redemption). Said redemption must take place within a term of no longer than one hundred twenty (120) calendar days.

Some of the most important restrictions and financial conditions of the bonds are to:

a) Maintain the following financial ratio: Net financial debt to EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) of no more than three (3.0) to one (1.0).

b) The issuer must pay dividends, or conduct a capital reduction, or other capital distributions, provided all of the financial conditions are met. The twelve (12) months of operations immediately prior to the calculation date are taken as the basis for calculation of the financial conditions.

c) Ensure that all payment obligations related to the bonds and other warranty documents maintain a status of no less than pari passu at all times, with all other unsecured payment obligations, present and future, except for any obligations or borrowings privileged by law.

**20. Other long-term liabilities (continued)**

The issuer agrees not to act as guarantor of obligations to third parties, or to establish mortgages, pledges, antichresis, guarantee trusts or any other encumbrance on their assets and rights except for (i) encumbrances established under guarantee trust and those required by law.

d) Not sell, assign, exchange, donate, give in trust, transfer or otherwise dispose of all or part of its assets except in the following cases:

- If done so in the usual line of business, at market value; or
- If authorized by the majority of registered holders.

e) Not make substantial changes to the line of business which it is engaged in on the date of the offer, not merge or combine, and not change its current shareholding composition to such an extent that would lead to a change of control of the Issuer, without authorization from the majority of registered holders;

f) Not enter into agreements, or conduct transactions with affiliated companies unless done so in fair terms;

g) The Issuer agrees to conduct no transactions involving the sale of fixed assets followed by the financial leasing of the same or similar fixed asset (sale and leaseback transactions) for amounts in excess of five percent (5%) of its total assets or grant loans, or pledge its assets (negative pledges), or allow withdrawals or advances or holding accounts receivable from stockholders, directors, affiliates, subsidiaries or related parties, except for those arising from the normal line of business.

**Bond Issue Clauses for $ 600,000.0000**

On November 1, 2019, Cable Onda, SA (Issuer) issued bonds authorized by the Superintendence of the Panama Stock Market (SMV) by Resolution No. 431-19 dated October 22, 2019, with the following characteristics:

1. The Company issued the Bonds for an aggregate principal amount of $600,000,000.

2. The Bonds mature on January 30, 2030.

3. The Bonds accrue interest at 4,500% annually, payable semi-annually in payments due every January 30 and July 30, from January 30, 2020 to holders registered as of January 15 or July 15 immediately prior to the date of payment of interest. Interest will be computed based on a year of 360 days, twelve months of 30 days.

## 20. Other long-term liabilities (continued)

4. The Bonds were issued, pursuant to an issue contract between Cable Onda, SA, Citibank, NA, as Trustee, the bond registrar, transfer agent and main payment agent and Banque Internationale à Luxembourg SA, as the payment agent of Luxembourg.

### *Change of Control*

Within 60 days from the occurrence of a Breach of Control Event, the Company will have to make an Offer to buy all the Outstanding Bonds at a purchase price equal to 101% of their principal amount plus the accrued interest and any additional amount in it on the purchase date (subject to the right of the holders registered on the corresponding Registration Date to receive interest that is due on the date of payment of the corresponding interest).

An “Event of Default for Change of Control” will be considered to have occurred if there is a Change of Control and, likewise, a Decrease in the Risk Rating.

*Among the most important restrictions and financial conditions of the bonds are:*

a) *Debt Limitation.* The Company may not allow any of its Restricted Subsidiaries to Incur any Debt, unless the Debt-Capital Ratio for the most recently completed fiscal quarter for which the financial statements are available is less than 4.00 to 1.00; provided that the Company does not allow Telefónica Panamá to incur debt under this paragraph unless Telefónica Panamá is a Guarantor Subsidiary

b) *Dividend Limitation and Other Payment Restrictions Affecting Subsidiaries*.
c) *Limitation of Liens Protecting Company Debt or Debt of any Restricted Subsidiary*
d) *Limitation of Guarantees of the Company's Subordinated Debt*
e) *Limitation on Dispositions of Assets*.

f) *Transactions with Affiliates*. The Company may not, and will not allow any of its Restricted Subsidiaries, to participate in any transaction involving an excess of USD 10.0 million with any of the Company's Affiliates (other than the Company or any of the Restricted Subsidiaries), as is directly or indirectly, unless said transaction is not less favorable to the Company or said Restricted Subsidiary than those that could be obtained in a transaction on equal terms with an entity that is not a Subsidiary of the Company or said Restricted Subsidiary. For any transaction that exceeds the amount of USD 20.0 million, the majority of the members of the Company's Board of Directors will determine that said transaction meets the aforementioned criteria and such determination must be verified by means of a Resolution of the Board of Directors presented to the Trust

## 20. Other long-term liabilities (continued)

g) *Tax payment.* The Company will pay or liquidate or direct the payment or liquidation, before a default occurs, (1) all taxes, valuations and government charges that are required or requested from the Company or any of its Restricted Subsidiaries, or in Regarding the income, earnings or property of the Company or any of its Restricted Subsidiaries, and (2) all the substantial claims of the goods, materials and supplies that, if not paid, could become liens on the Company assets, or the assets of Restricted Subsidiaries; being established, however, that the Company will not have to pay or settle or instruct that any tax, assessment, charge or claim be paid or settled, the amount, applicability or validity of which is disputed in good faith through appropriate procedures, except if, when not paid or liquidate said taxes, evaluations, government charges or claims, individually or jointly, a material adverse effect occurs.

h) *Delivery of Financial Information.* The Company will provide the Trustee and the Bondholders, in English, at no cost to each holder:

Within 120 days from the end of each fiscal year (such fiscal year ends December 31), the Company's audited financial statements for the past two years (including income statements, balance sheets, cash flow statements and statements of changes in shareholders' equity) and the Bonds related thereto, prepared in accordance with IFRS, which are applied consistently, together with a section on “Management Report and Analysis of the Financial Situation and the Results of the Operations ”that have a content substantially similar to the corresponding section of this offering memorandum (after taking into account any changes to the Company's business and operations after the Issue Date), and with respect to financial information annually, a report from the Company's certified accountants together with a certificate from the company's chief financial officer stating e that, to the knowledge of said executive after the appropriate investigation, the Company during said period has kept, complied with, made and carried out each of the agreements and conditions that are established in the Issuance Contract, and that said executive has not had any knowledge of Default or Event of Default or, to the extent applicable, describe any failure to maintain, observe, perform or comply with any agreement or condition and / or
describe such Default or Event of Default and the corresponding response (s) of the Company;

Within 60 days after the end of each of the four fiscal quarters of each fiscal year, quarterly reports attaching the unaudited consolidated financial statements of the Company for the period ending and the comparable period of the previous year ( (including income statements, balance sheets, cash flow statements and statements of changes in shareholders' equity) prepared in accordance with IFRS, together with the disclosure of footnotes and a summary of the section “Management Report and Analysis of the Financial Situation and Results of Operations ” (after taking into account any changes in the business and operations of the Company after the Issue Date); and any other information, report or notification of relevant facts (notification of relevant fact) offered by the Company

## 20. Other long-term liabilities (continued)

i) *Payments to Regulatory Agencies, Stock Market and Compensation*

*Limitation of Business Areas*. The Company, along with its Restricted Subsidiaries, will not primarily participate in any business other than a Related Business

As of December 31, 2019, the Group's Management is complying with the financial conditions established in the bond purchase-sale contract.

Following is a breakdown of bonds:

| | As of December 31, | | | |
|---|---|---|---|---|
| | | **2019** | | 2018 |
| Bonds - Banco General | **B/.** | **185,000,000** | B/. | 185,000,000 |
| Financial costs | | **(1,238,459)** | | (745,324) |
| Bonds - Citibank N.A. | | **600,000,000** | | - |
| Financial costs | | **(15,745,998)** | | - |
| | **.B/.** | **768,015,543** | B/. | 184,254,676 |

## 21. Balances and transactions with related parties

| | As of December 31 | | | |
|---|---|---|---|---|
| | | **2019** | | 2018 |
| **Consolidates Statements of Financial Position** | | | | |
| ***Assets*** | | | | |
| ***Receivable accounts*** | | | | |
| Corporación Medcom Panamá, S.A. | **B/.** | **121,783** | B/. | 232,930 |
| ***Other accounts receivables*** | | | | |
| Corporación Medcom Panamá, S.A. | **B/.** | **74,907** | B/. | 23,882 |
| Green Real Estate and Investments, Corp | | - | | - |
| Televisora Nacional, S.A. | | **239,490** | | - |
| Others | | **12,737** | | - |
| | **B/.** | **327,134** | B/. | 23,882 |
| **Intercompany** | | | | |
| Millicom Internacional Celular | **B/.** | **697,897** | B/. | - |
| Telefónica de Nicaragua, S.A. | | **183,622** | | - |
| | | **881,519** | | |
| | **B/.** | **1,330,436** | B/. | 256,812 |
| ***Liabilities*** | | | | |
| ***Accounts payable*** | | | | |
| Costa del Este Infrastructure | **B/.** | **104,134** | B/. | - |
| Green Real Estate and Investments, Corp | | **49,162** | | - |
| Corporación Medcom Panamá, S.A. | | **20,347** | | 1,514,907 |
| Others | | **19,808** | | - |
| | **B/.** | **193,451** | B/. | 1,514,907 |
| **Intercompany** | | | | |
| Millicom Internacional Celular | **B/.** | **1,106,190** | B/. | - |
| Telefónica de Nicaragua, S.A. | | **602,169** | | |
| Others | | **95,286** | | - |
| | **B/.** | **1,803,645** | B/. | - |
| | **B/.** | **1,977,096** | B/. | 1,514,907 |

| | Years ended December 31 | | | |
|---|---|---|---|---|
| | | **2019** | | 2018 |
| **Consolidated Statements of Income** | | | | |
| ***Advertising income*** | | | | |
| Corporación Medcom, S.A. | **B/.** | **500,000** | B/. | 500,000 |

## 21. Balances and transactions with related parties (continued)

| | | |
|---|---|---|
| ***Expenses*** | | |
| Corporación Medcom, S.A. | **B/. 6,373,087** | B/. 9,089,754 |
| Televisora Nacional, S.A. | **1,226,414** | 963,491 |
| Costa del Este Infraestructure, Inc | **710,933** | 813,083 |
| Cable Capitol, Inc. | **708,152** | 753,493 |
| Assa Compañía De Seguros, S. A. | **697,662** | 1,031,799 |
| Alliance Transport Logistics | **102,129** | 99,078 |
| Motta Internacional, S.A. | **15,099** | 15,200 |
| Metrovisión Bienes Raíces, S.A. | **-** | 140,758 |
| | **B/. 9,833,476** | B/. 12,906,656 |

Cable Onda, S. A. signed an agreement with Corporación Medcom, S.A. for the rental of Advertising Space for B/.500,000 per year, for all of the advertising space available on Cable Onda, S. A. channels.

The rental expenses corresponds to lease the main building that houses Cable Onda, S. A. and other property, as described in Note 27.

No guarantees have been granted or received for accounts receivable from or payable to related parties. For the years ended December 31, 2019 and 2018, the Group has set up no allowance for doubtful accounts owed by related parties. This evaluation is conducted at the end of each financial year through testing of the related party's financial position and of the market in which it operates.

Accounts receivable from and payable to related parties are shown in accounts receivables, net and accounts payable, respectively, as they are the product of the services provided or received by the Group.

## 22. Income tax

Following is a summary of the income tax expense:

| | Years ended December 31, | |
|---|---|---|
| | **2019** | 2018 |
| Current | **B/. 21,764,209** | B/. 9,706,769 |
| Deferred tax, | **(971,055)** | (153,876) |
| | **B/. 20,793,154** | B/. 9,552,893 |

## 22. Income tax (continued)

Through Official Gazette No. 26489-A, Law No. 8 of March 15, 2010, was published, reforming the tax regime in force in the Republic of Panama. Among the main changes are:

- The income tax rate was decreased as from the 2010 tax period, except for companies and their subsidiaries engaged in certain lines of business such as telecommunications, which will reduce the income tax rate to 25% from 2014 on.
- Modification of the application base for taxpayers to which the Alternative Calculation of Income Tax is applicable, is replaced with another form of presumed taxation for income tax purposes, forcing all legal entities that earn income in excess of one million five hundred thousand balboas (B/.1,500,000) to determine, as the tax base, whichever is the greater: (a) net taxable income calculated by the ordinary method set out in the tax code
- and (b) net taxable income arrived at by applying four point sixty seven percent (4.67%) to total taxable income.

Following are the temporary differences giving rise to the deferred income tax asset and liability as December 31, 2019 and 2018:

| | Years ended December 31 | |
|---|---|---|
| | **2019** | 2018 |
| Non-Current deferred Income tax | | |
| Deferred income tax, liability: | | |
| Depreciation and amortization | **B/. 27,501,983** | B/. 22,863,474 |
| Deferred income and expenses | **371,422** | 307,983 |
| Intangibles | **3,623,978** | 5,372,508 |
| Acquisition of subsidiaries, net | **16,155,922** | - |
| Amortization of intangible assets | **(1,201,786)** | - |
| Amortization of goodwill | **2,351,795** | 5,428,540 |
| Deferred income tax, liability | **48,803,314** | 33,972,505 |
| Deferred income tax, asset: | | |
| Provision for expenses | **(8,160,594)** | (4,625,367) |
| Provision for income | **-** | (3,927,311) |
| Allowance for doubtful accounts | **(842,713)** | (804,687) |
| Deferred income tax, asset | **(9,003,307)** | (9,357,365) |
| Non-Current deferred income tax | | |
| Liability, net | **B/. 39,800,007** | B/. 24,615,140 |

## 22. Income tax (continued)

The temporary differences between the amounts in the consolidated financial statements and the tax bases of the assets and liabilities generated by deferred assets and liabilities as of December 31, 2019, are as follows:

| | 2019 | | | |
|---|---|---|---|---|
| | Net balance at the beginning of the year | Recognized in the statement of financial position | Recognized in the result of the year | **Net balance at the end of the year** |
| Non-Current deferred Income tax | | | | |
| Deferred income tax, liability: | | | | |
| Depreciation and amortization | B/. 22,863,474 | B/. - | B/. 4,638,509 | **B/. 27,501,983** |
| Deferred income and expenses | 307,983 | - | 63,439 | **371,422** |
| Intangibles | 5,372,508 | - | (1,748,530) | **3,623,978** |
| Acquisition of subsidiaries, net | - | 16,155,922 | - | **16,155,922** |
| Amortization of intangible assets | - | - | (1,201,786) | **(1,201,786)** |
| Deferred income tax, liability | 5,428,540 | - | (3,076,745) | **2,351,795** |
| | 33,972,505 | 16,155,922 | (1,325,113) | **48,803,314** |
| Deferred income tax, asset: | | | | |
| Provision for expenses | | | | |
| Provision for income | (4,625,367) | - | (3,535,227) | **(8,160,594)** |
| Allowance for doubtful accounts | (3,927,311) | - | 3,927,311 | - |
| Deferred income tax, asset | (804,687) | - | (38,026) | **(842,713)** |
| | (9,357,365) | - | 354,058 | **(9,003,307)** |
| Non-Current deferred income tax Liability, net | | | | |
| Non-Current deferred Income tax | **B/. 24,615,140** | **B/. 16,155,922** | **B/. (971,055)** | **B/. 39,800,007** |

## 22. Income tax (continued)

| | 2018 | | | |
|---|---|---|---|---|
| | Net balance at the beginning of the year | Recognized in the statement of financial position | Recognized in the result of the year | Net balance at the end of the year |
| Non-Current deferred Income tax | | | | |
| Deferred income tax, liability: | | | | |
| Depreciation and amortization | B/. 20,050,131 | B/. - | B/. 2,813,343 | **B/.22,863,474** |
| Deferred income and expenses | 961,128 | - | (653,145) | **307,983** |
| Intangibles | 5,087,056 | - | 285,452 | **5,372,508** |
| Acquisition of subsidiaries, net | | - | - | - |
| Amortization of intangible assets | | - | - | - |
| Amortization of goodwill | 5,428,540 | - | - | **5,428,540** |
| Deferred income tax liability | 31,526,855 | - | 2,445,650 | **33,972,505** |
| Deferred income tax, asset: | | | | |
| Provision for expenses | (5,580,415) | - | 955,048 | **(4,625,367)** |
| Provision for income | (632,865) | - | (3,294,446) | **(3,927,311)** |
| Allowance for doubtful accounts | | | | |
| | (544,559) | - | (260,128) | **(804,687)** |
| Deferred income tax, asset | (6,757,839) | - | (2,599,526) | **(9,357,365)** |
| Non-Current deferred income tax | | | | |
| Liability, net | B/. 24,769,016 | B/. - | B/ (153,876) | **B/.24,615,140** |

Deferred income tax was calculated at the tax rates approved in the Republic of Panama.

The Group compensates its current income tax assets and liabilities and deferred income tax assets and liabilities when it legally assists the right to do so and the items involved derived from the income tax corresponding to the same tax authority.

The Group believes it will to generate sufficient income tax payable in the future to apply or reverse the balance of the deferred income tax asset, shown as a deductible temporary difference in the consolidated statement of financial position at December 31, 2019.

According to the current tax regulations, the Group's income tax returns can be subject to review by the tax authorities for up to the last three years, including the current period at December 31, 2019.

## 23. Other services and revenue

| | Years ended December 31 | |
|---|---|---|
| | **2019** | 2018 |
| Installations | **B/. 964,674** | B/. 1,057,048 |
| Other income | **7,570,167** | 3,603,461 |
| Advertising | **500,000** | 550,000 |
| Additional services | **353,541** | 614,197 |
| | **B/. 9,388,382** | B/. 5,824,706 |

## 24. Programming and operating costs

| | Years ended December 31, | |
|---|---|---|
| | **2019** | 2018 |
| Programming costs | **B/. 52,382,196** | B/. 52,650,726 |
| Telephony costs | **24,274,656** | 11,582,016 |
| Projects costs | **8,955,108** | 8,922,378 |
| Selling costs of mobile equipment and accessories | **7,086,135** | - |
| Data transmission costs | **6,257,768** | 8,130,147 |
| Sundry costs | **3,032,084** | 2,418,397 |
| Internet costs | **1,428,376** | 1,591,802 |
| | **B/. 103,416,323** | B/. 85,295,466 |

## 25. Depreciation, amortization and impairment

| | Years ended December 31 | |
|---|---|---|
| | **2019** | 2018 |
| Depreciation, amortization and Fixed asset impairment | **B/. 92,706,697** | B/. 77,279,771 |
| Depreciation for right of use | **11,076,005** | - |
| Amortization of intangible assets | **15,147,966** | 4,327,371 |
| | **B/. 118,930,668** | B/. 81,607,142 |

## 26. Employee benefits

Employee benefits form part of general expenses, sales and administrative expenses for the period, as shown in the following breakdown:

| | Years ended December 31, | |
|---|---|---|
| | **2019** | 2018 |
| Salaries, commissions and other | **B/. 34,902,231** | B/. 34,276,727 |
| Social security and employer education insurance | **7,954,834** | 6,715,123 |
| Vacation | **5,068,706** | 3,747,224 |
| Bonuses | **4,516,791** | 4,522,026 |
| Net profit sharing | **4,303,816** | 20,792,884 |
| Travel and representation expenses | **3,231,513** | 3,499,997 |
| Professional risk | **880,358** | 991,463 |
| Share-based compensation | **746,000** | 11,945,809 |
| Seniority premium and indemnities | **272,170** | 9,392,009 |
| Other expenses | **1,163,288** | 2,577,105 |
| | **B/. 63,039,707** | B/. 98,460,367 |

## 27. General sales and administrative expenses

General sales and administrative expenses are as follows:

| | Years ended December 31, | | | |
|---|---|---|---|---|
| | | **2019** | | 2018 |
| Rent | **B/.** | **3,923,396** | B/. | 11,223,895 |
| Professional services fees | | **31,877,900** | | 28,509,507 |
| Service expenses | | **7,496,737** | | 6,740,973 |
| Repairs and maintenance support | | **7,231,910** | | 2,859,376 |
| Marketing and advertising | | **6,886,906** | | 5,103,800 |
| Electricity | | **6,673,882** | | 6,443,632 |
| Local and municipal taxes | | **6,522,598** | | 5,599,118 |
| Bad debts | | **4,170,654** | | 5,561,736 |
| Repairs, maintenance and other operating expenses | | **2,602,795** | | 3,616,218 |
| Office expenses | | **1,211,810** | | 1,266,309 |
| Insurance and bond | | **375,585** | | 249,233 |
| Amortizations | | **159,236** | | 153,480 |
| Other expenses | | **1,980,524** | | 18,399,489 |
| | **B/.** | **81,113,933** | B/. | 95,726,766 |

## 28. Commitments and contingencies

### Commitments

Cable Onda, S. A. signed an agreement for the assignment of marketing rights with Corporación Medcom, S. A., whereby marketing rights are assigned to advertising space on the paid television channels transmitted by Cable Onda, S. A. The duration of the agreement is for 10 years and the corresponding amount is B/.598,000 the first year and B/.500,000 for subsequent years.

Cable Onda, S. A. and Corporación Medcom Panamá, S. A. agreed to sign a number of agreements for the purpose of providing data, internet, paid television, telephony, pre-subscription services, for national and/or international long-distance service pertaining to all the lines of its account to Cable Onda, S. A., contracts for transmission of the Cable Onda Sports and ECO TV television channels, contract for the sale of video content on demand and video on demand subscription.

Cable Onda, S. A. and Corporación Medcom Panamá, S. A. agreed to sign an agreement for leasing of space in a number of telecommunications towers located in different areas of the country.

**28. Commitments and contingencies (continued)**

Cable Onda, S. A. and Costa del Este Infrastructure, Inc. agreed to sign an agreement for the use of ducts in the Costa del Este area.

In consortium with other companies, Cable Onda, S. A. signed contract No. 10071970-08-21 with the Social Security Fund for a total B/.86,373,650 to conduct supply, installation, configuration and maintenance work for an integrated diagnostic imaging information system. In addition, a request was made for outfitting and licenses for all Social Security Fund execution units at the national level, aside from the supply, installation and putting into operation of radiological equipment and corrective and preventive maintenance of the imaging units. This contract took effect on January 21, 2014 for a 60-month term. On September 6, 2016, an addendum was signed, increasing the contract amount to B/. 107,868,803; however, the other terms and conditions remain unchanged. Through note DENSYPS-N-024-2019 dated January 17, 2019, signed by the Social Security Fund Director, negotiations were started with regard to the terms and conditions in addendum N°2 (Economic and time wise to contract N° 10071970-08-21 of the Teleradiology Project.

Cable Onda, S. A. guarantees compliance with the obligation contracted with the Social Security Fund through a compliance bond that represents 25% of the total amount of the contract, plus civil liability bonds for approximately B/.7 million.

*Contingencies*

As of December 31, 2019, the Group maintains legal proceedings against it for B/.10,268,526 and legal costs. The Group's management, in analysis together with its lawyers, does not estimate to incur significant losses on said judicial processes that have a material adverse effect on the Group's financial situation or financial performance.

- Cable Onda, S. A. is a party in a civil lawsuit filed against it along with a jointly liable third party for B/.2,000,000 (which means that it is only liable for B/.1,000,000). The ruling was handed down against the plaintiff; however, the sentence was appealed and the process was turned over to the Superior Court, and is expected to be rejected, as the plaintiff failed to substantiate it. Moreover, an ordinary lawsuit was filed for the purpose of establishing jurisdictions and annulment of the agreement for the sale of portfolio by Astrovisión Cable TV to Cable Onda, S. A. The plaintiff and Astrovisión reached an extra judicial agreement and the parties abandoned the process. The parties are still awaiting the judge's acceptance the request to withdrawal the lawsuit and for the case to be closed at no risk to Cable Onda, S.A.

- Higher Ordinary Civil Proceeding promoted by Teletarjetas, SA against Telefónica Móviles Panamá, SA - Teletardamientos, SA filed an ordinary civil lawsuit against Telefónica Móviles Panamá, SA for breach of contract and requests the court to order the payment of supposed damages caused, up to the concurrence of US $ 8,448,974 plus the costs, expenses and interests of the process, the reimbursement of the sum of US $ 300,000 was ordered, plus the interests in favor of the plaintiff that correspond to the execution of said compliance bond and declare the recklessness and bad faith of the defendant with the consequent application of costs.

## 28. Commitments and contingencies (continued)

- On March 20, 2012, Telefónica Móviles Panamá, SA presented the answer to the demand and a counterclaim against Teletarjetas, SA with an amount of US $ 819,552 in principal and interest calculated until February 29, 2012 and those that expire until the moment the payment of the claimed obligation is made, as well as the costs and expenses of the process. Currently the process is awaiting a second instance sentence. Administration and external legal advisors consider that it is unlikely that an adverse result will be obtained for the Group.

## 29. Objectives and policies on management of financial risks

The Group's activities are exposed to a number of financial risks and those activities include the analysis, evaluation, acceptance and management of a certain degree of risk or a combination of risks. Risk taking is basic in the business, and operational risks are an inevitable consequence of being in the business. The Group's goal, therefore, is to achieve a proper balance between the risk and the return, and minimize potential adverse effects on the Group's financial realization.

The Group’s risk management policies are designed to identify and analyze these risks, to establish proper limits and controls for the risk, and to monitor the risks and compliance with the updated limits. The Group regularly reviews its risk policies to ensure they reflect market changes and best practices.

### Financial risk management

The Group's main financial obligations are public issuance of corporate bonds for B/.185 million and credit facilities. The purpose of these financial obligations is to obtain the funds necessary for the Group to operate.

The main financial assets used by the Group are accounts receivable and cash.

These positions generate the following financial risks:

*a) Interest rate risk*

At December 31, 2019, 100% of the financing obtained by the Group was agreed at the fixed interest rate up to maturity of the respective loans.

Every 100 basis points of change in the average cost of the funds with a variable rate have an impact on the Group's net earnings of approximately B/. 9,350,000 and for 2018 B/.5,781,483.

## 29. Objectives and policies on management of financial risks (continued)

*b) Credit risk*

The Group has formally established credit procedures requiring strict compliance. The credit policy and decisions on the approval of new loans are taken by the Senior Management Committee, which evaluates the risk pertaining to credit activities and approves the credit policies. The Collections Department follows up and monitors the decisions of the Senior Management Committee.

The incidence of doubtful accounts and of late-payment on accounts receivable has historically maintained at acceptable levels.

*c) Liquidity risk*

The Group monitors the risk of running out of funds to face its obligations through preparation of projected future cash flows.

Projected cash flows are prepared weekly for the upcoming four weeks and monthly for the months remaining to the end each annual period. This allows for determining the Group's capability to face its commitments and its cash needs.

In said cash flows, both operating activities and investment activities are considered for the purpose of adequately covering needs with short or long-term funds according to the origin of the need.

Following is a summary of the maturities of the Group's financial liabilities based on its payment commitments:

| | Less than 3 months | 3 to 12 months | More than 1 year | Total |
|---|---|---|---|---|
| **December 31, 2019** | | | | |
| Accounts payable | **B/. 73,133,911** | **B/. 1,716,893** | **B/. -** | **B/. 74,850,804** |
| Lease Liabilities | **3,765,479** | **15,362,925** | **99,029,374** | **118,157,778** |
| Current portion of long-term loans | **-** | **-** | **150,000,000** | **150,000,000** |
| Other long-term liabilities | | **-** | **768,015,543** | **768,015,543** |
| | **B/. 76,899,390** | **B/. 17,079,818** | **B/. 1,017,044,917** | **B/. 1,111,024,125** |

| | Less than 3 months | 3 to 12 months | More than 1 year | Total |
|---|---|---|---|---|
| December 31, 2018 | | | | |
| Account payable | **B/. 38,073,759** | **B/. 2,386,445** | **B/. -** | **B/. 40,460,204** |
| Current portion of long-term loans | | 39,000,000 | 38,086,517 | 77,086,517 |
| Other long-term liabilities | - | - | 184,254,676 | 184,254,676 |
| | **B/.** 38,073,759 | **B/.** 41,386,445 | **B/.** 222,341,193 | **B/.** 301,801,397 |

## 30. Fair value of financial instruments

Fair value estimations are conducted at the date of the consolidated financial statements, based on the relevant market and other information related to the financial instruments. Those estimations reflect no prize or discount that could result from holding the financial instruments as available for sale, due to the fact that none of them is held for that purpose.

The nature of these estimations is objective and involves uncertain aspects and management's judgment, as a result of which, the amounts thereof cannot be determined with absolute accuracy. Consequently, changes, if any, in the assumptions on which the estimations are based could differ from the final results.

Following are the assumptions used by the Group Management to establish the fair market value of the financial instruments:

a. The values of cash and bank, accounts receivable, net clients, other accounts receivable, accounts payable, financial leases and documents and loans payable close resemble their fair market value, as they are financial instruments maturing in the short term.

Following is a comparison between the book values and fair values of the financial instruments shown in the Group's consolidated financial statements, according to their classification.

| | **Book Value** | | **Fair Value** | |
|---|---|---|---|---|
| | **2019** | 2018 | **2019** | 2018 |
| Cash and cash equivalents | **B/. 60,693,300** | B/. 6,485,666 | **B/. 60,693,300** | B/. 6,485,666 |
| Accounts receivable | **B/. 72,693,472** | B/. 20,277,788 | **B/. 72,693,472** | B/. 20,277,788 |
| Other accounts receivable | **B/. 5,630,846** | B/. 2,345,800 | **B/. 5,630,846** | B/. 2,345,800 |
| Financial liabilities | | | | |
| Accounts payable | **B/. 74,850,804** | B/. 40,460,204 | **B/. 74,850,804** | B/. 40,460,204 |
| Notes and other long-term liabilities | **B/. 918,015,543** | B/.261,341,193 | **B/. 918,015,543** | B/. 261,341,193 |

## Capital management

The main purpose of capital management is to ensure that the Group maintains sound credit ratings and healthy financial capital ratios in support of its business and to maximize profits.

## 30. Fair value of financial instruments (continued)

Cable Onda, S. A. manages its capital structure and on a timely basis, requests adjustments to said capital from its stockholders, taking into account the economic environment in which the Group operates. In order to maintain or adjust its capital structure, the Company can request changes to dividends from its stockholders, as well as capital refunds agreed and if necessary, increases in capital contributions. No significant changes were made to said policies during 2019 and 2018.

The Group monitors its capital using, as the prevailing financial ratio, the ratio arrived at by dividing total net liabilities (current liabilities plus non-current liabilities less cash) by total stockholders' equity, with a view to ensuring this financial ratio does not exceed 4.0. At December 31, 2019, said financial ratio was 7.70 (2018 - 3.98).

## 31. Subsequent events

The Company may be affected in its operations and its financial situation by the adverse effects of certain public health problems, such as epidemics, pandemics and other contagious diseases. In December 2019, a new strain of coronavirus named COVID-19 appeared, which has spread worldwide in the first quarter of 2020.

Outbreaks have already been identified in Panama, in the commercial partners of Panama and in the Central American region that could lead to a decrease in economic activity and negatively affect the Company's operating results. The extent to which the coronavirus will affect the Company's results will depend on future developments, which are highly uncertain and cannot be predicted.

# *Other Additional Information*

| | Consolidated | Eliminations | Subtotal | Cable Onda, S.A. | Telefónica Móviles Panamá, S.A. | Fronteras Security, Inc. | Mobilnet de Panamá, S.A. |
|---|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | | |
| **Current assets** | | | | | | | |
| Cash | B/. 60,693,300 | - | B/. 60,693,300 | B/. 43,801,605 | B/. 16,697,674 | B/. 194,021 | B/. - |
| Accounts receivable net | 72,693,472 | (480,706) | 73,174,178 | 50,484,899 | 22,475,788 | 213,491 | - |
| Other accounts receivable | 5,630,846 | (70,329,629) | 75,960,475 | 75,068,274 | 884,925 | 7,276 | - |
| Contract asset | 1,862,040 | - | 1,862,040 | - | 1,862,040 | - | - |
| Inventory | 26,264,923 | (31,628) | 26,296,551 | 24,597,271 | 1,699,280 | - | - |
| Prepaid expenses | 5,597,905 | - | 5,597,905 | 4,946,849 | 218,850 | 432,206 | - |
| Prepaid income tax | 1,031,380 | - | 1,031,380 | (6,995,047) | 8,023,035 | 3,392 | - |
| | 173,773,866 | (70,841,963) | 244,615,829 | 191,903,851 | 51,861,592 | 850,386 | - |
| **Non-Current assets** | | | | | | | |
| Severance fund | 2,034,259 | - | 2,034,259 | 181,747 | 1,838,532 | 13,980 | - |
| Investment in subsidiaries | - | (121,001,383) | 121,001,383 | 121,001,383 | - | - | - |
| Security deposit and other assets | 655,682 | - | 655,682 | 466,635 | 189,047 | - | - |
| Intangible assets-net | 190,579,015 | - | 190,579,015 | 71,950,627 | 118,614,390 | 13,998 | - |
| Goodwill | 497,140,060 | - | 497,140,060 | 497,140,060 | - | - | - |
| Right of use asset | 111,490,472 | - | 111,490,472 | 38,722,159 | 72,768,313 | - | - |
| Property, furniture, equipment and leasehold improvements-net | 426,071,276 | (24,071) | 426,095,347 | 316,230,065 | 109,859,656 | 5,626 | - |
| | 1,227,970,764 | (121,025,454) | 1,348,996,218 | 1,045,692,676 | 303,269,938 | 33,604 | - |
| **TOTAL ASSETS** | B/. 1,401,744,630 | B/. (191,867,417) | B/. 1,593,612,047 | B/. 1,237,596,527 | B/. 355,131,530 | B/. 883,990 | B/. - |

| | *Consolidated* | *Eliminations* | *Subtotal* | *Cable Onda, S.A.* | *Telefónica Móviles Panamá, S.A.* | *Fronteras Security, Inc.* | *Mobilnet de Panamá, S.A.* |
|---|---|---|---|---|---|---|---|
| **LIABILITIES AND STOCKHOLDERS'** | | | | | | | |
| **Current liabilities** | | | | | | | |
| Accounts payable | **B/. 74,850,804** | **B/. (1,252,051)** | **B/. 76,102,855** | **B/. 23,135,670** | **B/. 51,598,083** | **B/. 1,369,102** | **B/. -** |
| Lease liabilities | **19,128,403** | **-** | **19,128,403** | **6,339,931** | **12,788,472** | **-** | **-** |
| Employee benefits payable | **11,927,929** | **-** | **11,927,929** | **8,080,367** | **3,754,665** | **92,897** | **-** |
| Notes payable | **-** | **(69,180,000)** | **69,180,000** | **-** | **69,180,000** | **-** | **-** |
| Customer deposits | **4,313,951** | **-** | **4,313,951** | **4,313,951** | **-** | **-** | **-** |
| Deferred income | **13,062,214** | **-** | **13,062,214** | **6,827,421** | **6,234,793** | **-** | **-** |
| Accrued expenses and other accounts payable | **34,704,799** | **(322,948)** | **35,027,747** | **27,315,578** | **7,711,169** | **1,000** | **-** |
| | **157,988,100** | **(70,754,999)** | **228,743,099** | **76,012,918** | **151,267,182** | **1,462,999** | **-** |
| **Non-Current liabilities** | | | | | | | |
| Lease liabilities | **99,029,375** | **-** | **99,029,375** | **34,093,921** | **64,935,454** | **-** | **-** |
| Notes payable | **150,000,000** | **-** | **150,000,000** | **150,000,000** | **-** | **-** | **-** |
| Long-term bonds payable | **768,015,543** | **-** | **768,015,543** | **768,015,543** | **-** | **-** | **-** |
| Deferred income | **20,850,559** | **-** | **20,850,559** | **20,813,484** | **-** | **37,075** | **-** |
| Deferred income tax | **39,800,007** | **-** | **39,800,007** | **40,035,600** | **(235,593)** | **-** | **-** |
| Other long-term liabilities | **11,989,469** | **-** | **11,989,469** | **1,630,492** | **10,358,977** | **-** | **-** |
| **Total Liabilities** | **1,089,684,953** | **-** | **1,089,684,953** | **1,014,589,040** | **75,058,838** | **37,075** | **-** |
| **Stockholders' equity** | | | | | | | |
| Common shares | **57,648,922** | **B/. (45,037,338)** | **102,686,260** | **57,648,922** | **44,687,338** | **350,000** | **-** |
| Additional paid-in capital | **746,000** | **-** | **746,000** | **746,000** | **-** | **-** | **-** |
| Supplementary tax | **614,227** | **-** | **614,227** | **614,227** | **-** | **-** | **-** |
| Retained earnings | **95,308,862** | **(75,828,646)** | **171,137,508** | **87,985,420** | **84,118,172** | **(966,084)** | **-** |
| | **154,318,011** | **(120,865,984)** | **275,183,995** | **146,994,569** | **128,805,510** | **(616,084)** | **-** |
| **Non-controlling interest** | **(246,434)** | **(246,434)** | **-** | **-** | **-** | **-** | **-** |
| **Total Equity** | **154,071,577** | **(121,112,418)** | **275,183,995** | **146,994,569** | **128,805,510** | **(616,084)** | **-** |
| **TOTAL LIABILITIES AND EQUITY** | **B/. 1,401,744,630** | **B/. (191,867,417)** | **B/. 1,593,612,047** | **B/. 1,237,596,527** | **B/. 355,131,530** | **B/. 883,990** | **B/. -** |

*(Figures stated in B/. balboas)*

| | *Consolidated* | *Eliminations* | *Subtotal* | *Cable Onda, S.A.* | *Telefónica Móviles Panamá, S.A.* | *Fronteras Security, Inc.* | *Mobilnet de Panamá, S.A.* |
|---|---|---|---|---|---|---|---|
| **Revenue** | | | | | | | |
| TV subscriptions | **B/. 149,570,047** | **B/. (40)** | **B/. 149,570,087** | **B/. 149,570,087** | **B/. -** | **B/. -** | **B/. -** |
| Data transmission, internet and data center | **181,266,346** | **(25,477)** | **181,291,823** | **181,291,823** | **-** | **-** | **-** |
| Fixed-line services | **44,570,197** | **(191,115)** | **44,761,312** | **44,761,312** | **-** | **-** | **-** |
| Mobile services | **68,023,460** | **-** | **68,023,460** | **-** | **68,023,460** | **-** | **-** |
| Sales of mobile equipment’s | **6,952,606** | **-** | **6,952,606** | **-** | **6,952,606** | **-** | **-** |
| Projects and solutions | **12,320,283** | **-** | **12,320,283** | **12,320,283** | **-** | **-** | **-** |
| Other services and revenue | **9,388,382** | **(1,709,037)** | **11,097,419** | **7,310,894** | **316,458** | **3,470,067** | **-** |
| | **472,091,321** | **(1,925,669)** | **474,016,990** | **395,254,399** | **75,292,524** | **3,470,067** | **-** |
| **Costs and expenses** | | | | | | | |
| Programming and operating costs | **103,416,323** | **(1,787,995)** | **105,204,318** | **80,099,790** | **22,710,488** | **2,394,040** | **-** |
| Depreciation, amortization and impairment | **118,930,668** | **-** | **118,930,668** | **104,313,811** | **14,525,831** | **48,522** | **42,504** |
| Personnel expenses | **63,039,707** | **-** | **63,039,707** | **55,040,964** | **7,225,046** | **745,011** | **28,686** |
| General, sales and administrative expenses | **81,113,933** | **(81,976)** | **81,195,909** | **63,789,433** | **17,131,927** | **235,075** | **39,474** |
| | **366,500,631** | **(1,869,971)** | **368,370,602** | **303,243,998** | **61,593,292** | **3,422,648** | **110,664** |
| **Operating income** | **105,590,690** | **(55,698)** | **105,646,388** | **92,010,401** | **13,699,232** | **47,419** | **(110,664)** |
| Financial expense, net | **29,312,487** | **-** | **29,312,487** | **26,053,035** | **3,257,593** | **1,859** | **-** |
| **Income before tax** | **76,278,203** | **(55,698)** | **76,333,901** | **65,957,366** | **10,441,639** | **45,560** | **(110,664)** |
| Income tax | **(20,793,154)** | **-** | **(20,793,154)** | **(18,359,128)** | **(2,401,472)** | **(32,554)** | **-** |
| **Net income** | **B/. 55,485,049** | **B/. (55,698)** | **55,540,747** | **B/. 47,598,238** | **B/. 8,040,167** | **B/. 13,006** | **B/. (110,664)** |
| | - | | | | | | |
| **Attributable to:** | | | | | | | |
| Owner of the company | **B/. 55,479,847** | **B/. (55,698)** | **55,535,545** | **B/. 47,598,238** | **B/. 8,040,167** | **B/. 7,804** | **B/. (110,664)** |
| Non-controlling interest | **5,202** | **-** | **5,202** | **-** | **-** | **5,202** | **-** |
| **Net income** | **B/. 55,485,049** | **B/. (55,698)** | **55,540,747** | **B/. 47,598,238** | **B/. 8,040,167** | **B/. 13,006** | **B/. (110,664)** |