Management's Discussion and Analysis of Financial Condition and Results of Operations of Cable Onda

The following discussion of our financial condition and results of operations should be read in conjunction with the audited annual consolidated financial statements as of December 31, 2021 and 2020.

Overview

Founded in 1990, we are the leading provider of Pay-TV, broadband Internet, telephony and mobile telecommunications services in Panama, serving residential (B2C). Through our flagship "Tigo" brand, we are the largest provider of fixed broadband internet and fixed telephony in Panama. We also offer B2B services to governmental, enterprise and SME customers, including fixed Internet, cloud and backup solutions, outsourcing of both IT department management and operations, personalized IT projects, and cybersecurity. Through our wholly owned subsidiary Grupo de Comunicaciones Digitales ("GCD", formerly Telefonica Moviles Panama), we are the largest provider of mobile communications services in the country. We are the market leader as measured by revenue and number of customers, serving more than 2.0 million mobile customers and more than 1.1 million fixed revenue generating units (RGUs) as of December 31, 2021.

Throughout our 30-year history, we have experienced significant organic growth, complemented by strategic acquisitions, which have helped us strengthen our leadership position. Our growth has also been driven by our consistent investments to maintain, expand and upgrade our network capabilities to allow us to offer advanced communications and entertainment services with a high degree of reliability and customer satisfaction. As a result of these investments, our cable network today is entirely digital and employs the DOCSIS 3.0 standard. Our network also includes more than 11,900 km of HFC and more than 8,300 km of fiber, with more than 485,000 customer relationships.

Recent Business Developments

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

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

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

Results of operations

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

(*in thousands of $*)	Years ended December, 31		
	2021	**2020**	**% Change**
Revenue	**634,687**	**587,912**	**8.0%**
Costs and expenses	**(511,730)**	**(508,836)**	**0.6%**
Programming and operating costs	(148,552)	(136,021)	9.2%
Depreciation and amortization	(153,623)	(178,974)	-14.2%
Personnel expenses	(74,945)	(69,753)	7.4%
General, sales and administrative expenses	(134,610)	(124,088)	8.5%
Income from operations	**122,957**	**79,076**	**55.5%**
Financial expenses	(47,925)	(51,355)	-6.7%
Profit before income tax	**75,033**	**27,720**	**170.7%**
Income tax	(25,689)	(13,318)	92.9%
Net Income	**49,344**	**14,402**	**242.6%**
Attributable to:			
Owners of the Company	49,479	14,481	241.7%
Non-controlling interest	(135)	(79)	71.4%
Operating Data (in thousands) except for ARPU's*			
RGUs Cable and other fixed	1,105	1,028	7.5%
ARPU Cable and other fixed	44.8	45.7	-2.0%
Mobile Subscribers	2,095	1,957	6.7%
ARPU Mobile	9.40	9.10	3.3%

***Average Revenue per User per Month (ARPU)**

Revenue

Total revenue increased by 8.0%, or $46.8 million, from $587.9 million for the year ended December 31, 2020 to $634.7 million for the year ended December 31, 2021.

Revenue from data transmission, Internet and data center increased by 12.1% for the year ended December 31, 2021, while TV subscriptions revenue decreased by 3.9% and fixed-line services revenue fell by 10.0%.

Data transmission, internet and data center revenue accounted for 32.1% of total revenue in 2021, compared to 31.0% in 2020, while revenue from TV subscriptions accounted for 19.6% of total revenue in 2021, compared to 22.1% in 2020. Fixed-voice services revenue accounted for 5.4% of total revenue in 2021, compared to 6.4% in 2020. Mobile service revenue as a share of total revenue was 38.0% in 2021 and sale of mobile devices as a share of total revenue was 3.9% for the same period.

Programming and operating costs

Programming and operating costs increased by 9.2% year over year, or $12.5 million, from $136.0 million in 2020 to $148.6 million in 2021, primarily as a result of an increase in selling costs of mobile equipment of $8.3 million, due to higher revenues on that same line.

Depreciation and amortization

Depreciation and amortization decreased by 14.2% year over year, or $25.4 million, to $153.6 million from $179.0 million. The decreases were primarily in amortization of fixed assets of $16.0 million and intangible assets of $10.0 million, due to the Telecarrier brand amortization in 2020 of $10.9 million.

Personnel expenses

Personnel expenses increased by 7.4%, or $5.2 million, to $75 million in 2021 from $69.8 million in 2020. As a percentage of revenues, personnel expenses decreased 0.1%, from 11.9% in 2020 to 11.8% for 2021.

General, sales and administrative expenses

General, sales and administrative expenses increased by 8.5%, or $10.5 million, to $134.6 million in 2021 from $124.0 in 2020. This increase is mainly driven by higher professional services fees and services expenses of $3.4 million, due to more customers installations, and office expenses of $1.6 million.

Income from operations

Income from operations increased by 55.5% or $43.9 million year over year, for the year ended December 31, 2021. This increase is mainly driven by the $46.8 million increase in revenues and the lower amortization expense.

Financial expense

Financial expense, which includes interest expense, net of interest income decreased by 6.7%, or $3.4 million, from $51.4 million for 2020 to $47.9 million for 2021. This decrease was mainly the result of refinancing at lower interest rates.

Income tax

Income tax expense was $25.7 million, an increase of 92.9%, or $12.4 million, for the year ended December 31, 2021 compared to the estimated income tax of $13.3 million for the year ended December 31, 2020. This is due mainly to a higher profit before tax, which increased from $27.7 million in 2020 to $75.0 million in 2021. The statutory tax rate in Panama is 25%.

Net income

As a result of the foregoing, net income for year ended December 31, 2021 was $49.3 million, a 242.6% increase compared with our income of $14.4 million for the year ended December 31, 2020. As shown above, the main drivers are: the increase in revenue of $46.8 million, the decrease in cost and expenses of $2.9 million, and the decrease in financial expenses of $3.4 million.

Liquidity and capital resources

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

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

Capital expenditures

Our capital expenditures on property, plant and equipment for the year ended December 31, 2021 were $124.8 million, mostly driven by investments in customer premise equipment (CPE) installation cost, IT equipment and core network expansion.

Cash flows

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

(*in thousands of $*)	Years ended December, 31		
	2021	**2020**	**% Change**
Net cash provided by operating activities	180,027	206,309	-12.7%
Net cash provided by (used in) investing activities	(124,753)	(117,727)	6.0%
Net cash provided by (used in) financing activities	(37,938)	(64,428)	-41.1%
Net increase in cash and cash equivalents	**17,337**	**24,154**	-28.2%
Cash and cash equivalents at the end of the period	**102,184**	**84,847**	20.4%

Years ended December 31, 2021 and 2020

For 2021, cash provided by operating activities was $180.0 million compared to $206.3 million in 2020. The decrease was mainly due by phasing of accounts receivables on government contracts, partially offset by lower level of income tax and interest paid.

For 2021, cash used in investing activities was $124.8 million compared to $117.7 million used in 2020. The change is mainly due to the year over year impact of $28.9 million in acquisition of intangible assets and a lower level of cash used on tangible assets of $23.8 million.

For 2021, cash provided by financing activities was negative $37.9 million compared to a positive $64.4 million used in financing activities in 2020. The change in mainly driven by issuance of new loans for $100.0 million compared to $85.0 in 2020, and a lower debt repayment of $125.0 million in 2021 compared to $135.0 million in 2020.

As a result of the above, cash and cash equivalents increased by $17.3 million in 2021. We had closing cash of $102.2 million as of December 31, 2021, compared to $84.8 million as of December 31, 2020.