## IMPORTANT NOTICE

THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE EITHER (1) QUALIFIED INSTITUTIONAL BUYERS (“QIBs”) (WITHIN THE MEANING OF RULE 144A UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”)) OR (2) NON-U.S. PERSONS (WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT) OUTSIDE THE U.S.

**IMPORTANT: You must read the following before continuing.** The following applies to the Offering Memorandum following this page, and you are advised to read this carefully before reading, accessing or making any other use of the Offering Memorandum. In accessing the Offering Memorandum, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from us as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT, OR THE SECURITIES LAWS OF ANY STATE OF THE U.S. OR OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE U.S. OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT), EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE LAWS OF OTHER JURISDICTIONS. THE OFFERING MEMORANDUM AND THE OFFER OF THE NOTES HAVE BEEN PREPARED ON THE BASIS THAT ANY OFFER OF NOTES IN ANY MEMBER STATE OF THE EUROPEAN ECONOMIC AREA (“EEA”) WILL BE MADE PURSUANT TO AN EXEMPTION UNDER THE PROSPECTUS REGULATION) FROM THE REQUIREMENT TO PUBLISH A PROSPECTUS FOR OFFERS OF NOTES. THE EXPRESSION “PROSPECTUS REGULATION” MEANS REGULATION (EU) 2017/1129. THE OFFERING MEMORANDUM IS NOT INTENDED TO BE MADE AVAILABLE TO AND SHOULD NOT BE OFFERED, SOLD OR OTHERWISE MADE AVAILABLE TO ANY RETAIL INVESTOR IN THE EEA. FOR THE PURPOSES OF THIS PROVISION, A "RETAIL INVESTOR" MEANS A PERSON WHO IS ONE (OR MORE) OF: (I) A RETAIL CLIENT AS DEFINED IN POINT (11) OF ARTICLE 4(1) OF DIRECTIVE 2014/65/EU (AS AMENDED, "MIFID II"); OR (II) A CUSTOMER WITHIN THE MEANING OF DIRECTIVE EU 2016/97 (AS AMENDED, THE “INSURANCE MEDIATION DIRECTIVE”), WHERE THAT CUSTOMER WOULD NOT QUALIFY AS A PROFESSIONAL CLIENT AS DEFINED IN POINT (10) OF ARTICLE 4(1) OF MIFID II. CONSEQUENTLY, NO KEY INFORMATION DOCUMENT REQUIRED BY REGULATION (EU) NO 1286/2014 (AS AMENDED, THE “PRIIPS REGULATION”) FOR OFFERING OR SELLING THE NOTES OR OTHERWISE MAKING THEM AVAILABLE TO RETAIL INVESTORS IN THE EEA HAS BEEN PREPARED AND THEREFORE OFFERING OR SELLING THE NOTES OR OTHERWISE MAKING THEM AVAILABLE TO ANY RETAIL INVESTOR IN THE EEA MAY BE UNLAWFUL UNDER THE PRIIPS REGULATION.

IN THE UNITED KINGDOM THE OFFERING MEMORANDUM IS ONLY BEING DISTRIBUTED TO PERSONS WHO (I) HAVE PROFESSIONAL EXPERIENCE IN MATTERS RELATING TO INVESTMENTS FALLING WITHIN ARTICLE 19(5) OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (FINANCIAL PROMOTION) ORDER 2005 (AS AMENDED, THE “FINANCIAL PROMOTION ORDER”), (II) ARE PERSONS FALLING WITHIN ARTICLE 49(2)(A) TO (D) (“HIGH NET WORTH COMPANIES, UNINCORPORATED ASSOCIATIONS, ETC.”) OF THE FINANCIAL PROMOTION ORDER, (III) ARE OUTSIDE THE UNITED KINGDOM, OR (IV) ARE PERSONS TO WHOM AN INVITATION OR INDUCEMENT TO ENGAGE IN INVESTMENT ACTIVITY (WITHIN

THE MEANING OF SECTION 21 OF THE FINANCIAL SERVICES AND MARKETS ACT 2000) IN CONNECTION WITH THE ISSUE OR SALE OF ANY NOTES MAY OTHERWISE LAWFULLY BE COMMUNICATED OR CAUSED TO BE COMMUNICATED (ALL SUCH PERSONS TOGETHER BEING REFERRED TO AS "RELEVANT PERSONS"). THIS DOCUMENT IS DIRECTED ONLY AT RELEVANT PERSONS AND MUST NOT BE ACTED ON OR RELIED ON BY PERSONS WHO ARE NOT RELEVANT PERSONS. ANY INVESTMENT OR INVESTMENT ACTIVITY TO WHICH THIS DOCUMENT RELATES IS AVAILABLE ONLY TO RELEVANT PERSONS AND WILL BE ENGAGED IN ONLY WITH RELEVANT PERSONS.

THE FOLLOWING OFFERING MEMORANDUM MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

**Confirmation of your Representation:** In order to be eligible to view this Offering Memorandum or make an investment decision with respect to the securities, investors must be either (1) QIBs or (2) non-U.S. persons (within the meaning of Regulation S under the Securities Act) outside the U.S. This Offering Memorandum is being sent at your request and by accepting the e-mail and accessing this Offering Memorandum, you shall be deemed to have represented to us that (1) you and any customers you represent are either (a) QIBs or (b) non-U.S. persons (within the meaning of Regulation S under the Securities Act) and that the electronic mail address that you gave us and to which this Offering Memorandum has been delivered is not located in the U.S., and (2) that you consent to delivery of such Offering Memorandum by electronic transmission.

You are reminded that this Offering Memorandum has been delivered to you on the basis that you are a person into whose possession this Offering Memorandum may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorized to, deliver this Offering Memorandum to any other person.

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Initial Purchasers or any affiliate of the Initial Purchasers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Initial Purchasers or such affiliate on behalf of the issuer in such jurisdiction.

This Offering Memorandum has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission, and consequently neither the Initial Purchasers, nor any person who controls them nor any of their directors, officers, employees nor any of their agents nor any affiliate of any such person accept any liability or responsibility whatsoever in respect of any difference between this Offering Memorandum distributed to you in electronic format and the hard copy version available to you on request from the Initial Purchasers.

Subject to completion, dated October 17, 2019

**THESE NOTES ARE BEING REGISTERED BEFORE THE PANAMANIAN SUPERINTENDENCY OF CAPITAL MARKETS (SMV), AND AS SUCH, ALL THE INFORMATION CONTAINED IN THIS PRELIMINARY OFFERING MEMORANDUM IS SUBJECT TO REVIEW AND CHANGES THAT COULD SUBSTANTIALLY MODIFY THE TERMS AND CONDITIONS OF THE OFFERING. THIS DOCUMENT IS BEING DISTRIBUTED SOLELY FOR INFORMATIONAL PURPOSES.**

**PRELIMINARY OFFERING MEMORANDUM** **STRICTLY CONFIDENTIAL**

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**Cable Onda, S.A.**

A corporation (*sociedad anónima*) incorporated and existing under the laws of Panama

Public Offering authorized by the Panamanian Superintendency of Capital Markets (SMV) through Resolution No.____ of _____

**% Senior Notes due 20**

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Interest payable on and

We are offering $ aggregate principal amount of our % Senior Notes due 20 (the "Notes").

Interest on the Notes will accrue from , 2019 at a rate to be notified to the SMV and the Panama Stock Exchange ("PSE") prior to the Issue Date (as defined herein) through a pricing term sheet and we will pay interest on the Notes semiannually in arrears on and of each year, starting , 2020. The ratio of the total principal amount of the Notes being offered to our paid-in capital (defined as common shares plus additional paid-in capital) is . The Notes will mature on , 20 . The Notes will be subject to redemption, in whole but not in part, prior to maturity upon the imposition of certain changes affecting taxation in Panama. See "Description of Notes—Tax Redemptions." The Notes will also be subject to redemption by us, in whole or in part, at any time and from time to time prior to , 20 at their principal amount plus a "make-whole" premium, and accrued and unpaid interest, if any, to the date of redemption. The Notes also will be subject to redemption by us, in whole or in part, at any time and from time to time on or after , 20 at redemption prices based on percentages of the outstanding principal amount thereof, plus accrued and unpaid interest, if any, to the date of redemption. In addition, we may redeem up to 40.0% of the original aggregate principal amount of the Notes using the proceeds of certain equity offerings at any time and from time to time prior to , 20 , at a redemption price equal to % of the principal amount thereof, plus accrued and unpaid interest, if any, to the date of redemption. See "Description of Notes—Optional Redemption." Payments on the Notes will be payable in U.S. dollars and will be paid without deduction for or on account of taxes imposed or levied by Panama to the extent set forth under "Description of Notes—Additional Amounts."

The Notes will be our unsecured, unsubordinated and senior obligations and will rank *pari passu* in right of payment with all our existing and future unsecured and unsubordinated obligations other than obligations preferred by statute or operation of law. The Notes will be effectively subordinated to all of our secured indebtedness with respect to the value of our assets securing that indebtedness and structurally subordinated to all of the existing and future liabilities of our subsidiaries. The Notes will not be guaranteed by any person or entity.

For a more detailed description of the Notes, see "Description of Notes" beginning on page 120 of this offering memorandum.

Cable Onda S.A. is a corporation (sociedad anónima) incorporated and existing under the laws of Panama, since September 7, 1990, as evidenced in the Panamanian Public Registry, File 238626 of the Mercantile Section with our principal place of business at GMT Building (MAPFRE), 4th Floor, Paseo del Mar Ave and La Rotonda Ave, Costa del Este, Panama City, Republic of Panama, telephone number + 507-390-7555.

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We will offer the Notes for sale on the PSE on the local trading date pursuant to a public auction process detailed in this offering memorandum. See "Plan of Distribution—Settlement—Panamanian Settlement Process." We will execute a purchase agreement on the date hereof under which, subject to certain conditions, the Initial Purchasers will submit a bid to purchase the Notes on the local trading date and, provided that the bid of the Initial Purchasers on the PSE is the highest (and in case of a tie, earliest) bid, such bid will be accepted by us. The Initial Purchasers will only be offering the Notes to investors that satisfy certain requirements. See "Plan of Distribution" for more information. The settlement will take place business days after the local trading date. However, consummation of the sale and purchase of the Notes on the settlement date as contemplated in the purchase agreement will be conditioned upon the Initial Purchasers' satisfaction on the settlement date that all conditions precedent set forth in the purchase agreement have been met or waived on or prior to the settlement date (the "Conditions"). In addition, the purchase agreement permits the Initial Purchasers to terminate their respective obligation to purchase the Notes in certain circumstances, including general trading suspensions, bank moratoria in the United States or Panama and acts of war or terrorism ("Termination Events").

If the Initial Purchasers were to determine on or prior to the settlement date, in accordance with the terms of the purchase agreement, that any of the Conditions has not been satisfactorily met or waived or that a Termination Event has occurred or if we and the Initial Purchasers mutually agree, the Initial Purchasers have the right to require the issuer to repurchase the Notes on the settlement date by delivering a notice to us, and in that event we will repurchase on the settlement date the Notes sold to the Initial Purchasers on the PSE.

No public market currently exists for the Notes. Application will be made to admit the Notes to listing on the Official List of the Luxembourg Stock Exchange and to trading on the Euro MTF Market, the alternative market of the Luxembourg Stock Exchange. See "Listing and General Information."

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**Investing in the Notes involves risks. See "Risk Factors" beginning on page 26 of this offering memorandum.**

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**Price: %, plus accrued interest, if any from , 2019**

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The Notes have not been registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), or under any state securities laws. Accordingly, the Notes are being offered and sold only (1) to qualified institutional buyers in accordance with Rule 144A under the Securities Act, or Rule 144A, and (2) to non-U.S. persons in offshore transactions outside the United States in accordance with Regulation S under the Securities Act, or Regulation S. Prospective purchasers that are qualified institutional buyers are hereby notified that we may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. For a description of certain restrictions on transfer of the Notes, see "Transfer Restrictions."

THE PUBLIC OFFERING OF THE NOTES HAS BEEN AUTHORIZED IN PANAMA BY THE SMV. THIS AUTHORIZATION DOES NOT IMPLY THAT THE SUPERINTENDENCY RECOMMENDS INVESTING IN THE NOTES NOR DOES IT REPRESENT A FAVORABLE OR UNFAVORABLE OPINION ON THE ISSUER'S BUSINESS PROSPECTS. THE PANAMA SECURITIES MARKET SUPERINTENDENCY WILL NOT BE RESPONSIBLE FOR THE ACCURACY OF THE INFORMATION PRESENTED IN THIS OFFERING MEMORANDUM OR OF THE DECLARATIONS CONTAINED IN THE REGISTRATION APPLICATION OR THE OTHER DOCUMENTATION AND INFORMATION PRESENTED BY US FOR THE REGISTRATION OF THE PUBLIC OFFER. THE SPANISH LANGUAGE OFFERING MEMORANDUM WIL BE REGULATED BY THE PANAMANIAN SECURITIES LAW (LAW DECREE 1 OF 1999 AS FURTHER AMENDED).

THE LISTING AND TRADING OF THE NOTES HAVE BEEN AUTHORIZED BY THE PANAMA STOCK EXCHANGE. THIS AUTHORIZATION DOES NOT IMPLY ANY RECOMMENDATION OR OPINION REGARDING THE NOTES OR THE ISSUER.

TO THE EXTENT THAT THE SPANISH LANGUAGE OFFERING MEMORANDUM USED IN CONNECTION WITH THE OFFERING OF THE NOTES CONFLICTS WITH THIS OFFERING MEMORANDUM, THIS OFFERING MEMORANDUM SHALL GOVERN AND CONTROL. *EN LA MEDIDA QUE EL PROSPECTO INFORMATIVO EN IDIOMA ESPAÑOL UTILIZADO EN RELACIÓN CON LA OFERTA DE LOS BONOS CONTRADIGA O PRESENTE UN CONFLICTO CON EL PROSPECTO INFORMATIVO EN IDIOMA INGLÉS, ÉSTE ÚLTIMO REGIRÁ Y CONTROLARÁ. LA VERSIÓN EN ESPAÑOL DEL PROSPECTO INFORMATIVO HA SIDO APROBADA POR LA SMV.*

**THE NOTES WILL BE OFFERED FOR SALE BY THE ISSUER AND PURCHASED BY THE INITIAL PURCHASERS AND POTENTIALLY OTHER PURCHASERS ON THE PANAMA STOCK EXCHANGE PURSUANT TO THE BIDDING PROCESS DESCRIBED HEREIN.**

**THE SETTLEMENT WILL TAKE PLACE     BUSINESS DAYS AFTER THE TRADE DATE.**

**HOWEVER, CONSUMMATION OF THE SALE AND PURCHASE OF THE NOTES ON THE SETTLEMENT DATE AS CONTEMPLATED IN THE PURCHASE AGREEMENT WILL BE CONDITIONED UPON THE INITIAL PURCHASERS' SATISFACTION ON THE SETTLEMENT DATE THAT THE CONDITIONS HAVE BEEN MET OR WAIVED ON OR PRIOR TO THE SETTLEMENT DATE. IN ADDITION, THE PURCHASE AGREEMENT PERMITS THE INITIAL PURCHASERS TO TERMINATE THEIR RESPECTIVE OBLIGATIONS TO PURCHASE THE NOTES IN CERTAIN CIRCUMSTANCES, INCLUDING GENERAL TRADING SUSPENSIONS, BANK MORATORIA IN THE UNITED STATES OR PANAMA AND ACTS OF WAR OR TERRORISM ("TERMINATION EVENTS").**

**IF THE INITIAL PURCHASERS WERE TO DETERMINE ON OR PRIOR TO THE SETTLEMENT DATE, IN ACCORDANCE WITH THE TERMS OF THE PURCHASE AGREEMENT, THAT ANY OF THE CONDITIONS HAS NOT BEEN SATISFACTORILY MET OR WAIVED OR THAT A TERMINATION EVENT HAS OCCURRED OR IF THE ISSUER AND THE INITIAL PURCHASERS MUTUALLY AGREE, THE INITIAL PURCHASERS HAVE THE RIGHT TO REQUIRE THE ISSUER TO REPURCHASE THE NOTES ON THE SETTLEMENT DATE BY DELIVERING A NOTICE TO THE ISSUER, AND IN THAT EVENT THE ISSUER SHALL REPURCHASE ON THE SETTLEMENT DATE THE NOTES SOLD TO THE INITIAL PURCHASERS ON THE PANAMA STOCK EXCHANGE AND IN ADDITION IN THE CASE OF A REPURCHASE IN WHOLE THE ISSUER SHALL REPURCHASE OR REDEEM (AT ITS OPTION) ON THE SETTLEMENT DATE ALL NOTES SOLD TO OTHER PURCHASERS ON THE PANAMA STOCK EXCHANGE.**

**THE REPURCHASE PRICE (AND, IF REDEMPTION OF ANY NOTES IS REQUIRED, THE REDEMPTION PRICE) SHALL BE EQUAL TO THE PRICE PAYABLE TO THE ISSUER FOR THE NOTES (INCLUDING ANY PREMIUM, DISCOUNT AND/OR PREPAID INTEREST), AND NO MAKE-WHOLE PREMIUM OR ANY OTHER AMOUNTS SHALL BE PAYABLE IN CONNECTION THEREWITH. THE ISSUER'S OBLIGATION TO PAY THE REPURCHASE PRICE FOR THE NOTES ACQUIRED BY THE INITIAL PURCHASERS AND THE ISSUER'S OBLIGATION TO PAY THE REPURCHASE OR REDEMPTION PRICE FOR THE NOTES ACQUIRED BY OTHER PURCHASERS (IN THE CASE OF ANY REDEMPTION, TO THE GREATEST EXTENT POSSIBLE) WILL BE SET OFF AGAINST THE INITIAL PURCHASERS' OBLIGATION (AND THE OTHER PURCHASERS' OBLIGATION, AS APPLICABLE) TO PAY THE PURCHASE PRICE FOR SUCH NOTES. SEE "PLAN OF DISTRIBUTION."**

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The Initial Purchasers expect to deliver the Notes to investors in book-entry form through The Depository Trust Company ("DTC") and Euroclear Bank S.A./N.V. and Clearstream Banking, *société anonyme*, Luxembourg, as DTC participants, on or about          , 2019. Beneficial interests in the Notes may be held in Panama through Central Latinoamericana de Valores S.A. ("LatinClear"), a participant in Euroclear and Clearstream.

On or prior to the date the Notes are issued, the Notes are expected to have been rated. A CREDIT RATING DOES NOT GUARANTEE THE REPAYMENT OF THE NOTES. A securities rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time.

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*Global Coordinators and Bookrunners*

**Goldman Sachs & Co. LLC** **J.P. Morgan**

*Joint Bookrunners*

**BNP PARIBAS** **Morgan Stanley** **Scotiabank**

THE PUBLIC OFFERING OF THE NOTES IS REGISTERED IN PANAMA WITH AND AUTHORIZED BY THE SMV AND THE NOTES ARE LISTED ON THE PSE. NONE OF THE REGISTRATION WITH OR THE AUTHORIZATION BY THE SMV, THE LISTING OF THE NOTES ON THE PSE OR THE REST OF THE DOCUMENTATION AND INFORMATION PRESENTED FOR THE REGISTRATION OF THE PUBLIC OFFERING IMPLIES ANY CERTIFICATION OR RECOMMENDATION TO THE INVESTMENT QUALITY OF THE NOTES, OUR SOLVENCY, OR A FAVORABLE OR UNFAVORABLE OPINION OF OUR BUSINESS OR THE ACCURACY OR COMPLETENESS OF THE INFORMATION AS CONTAINED IN THIS OFFERING MEMORANDUM AND IN ITS FILING REQUEST.

Offering Memorandum dated , 2019

**Table of Contents**

Unless otherwise indicated or the context otherwise requires, all references in this offering memorandum to "Cable Onda," the "Company," "we," "our," "ours," "us" or similar terms refer to Cable Onda, S.A. together with its subsidiaries and references to the "Issuer" refer to Cable Onda, S.A., as issuer of the Notes. In addition, references in this offering memorandum to "Millicom" are to our ultimate parent, Millicom International Cellular S.A., a public limited liability company (société anonyme) organized and established under the laws of the Grand Duchy of Luxembourg and listed on the Nasdaq Global Select Market.

References to "Panama" are to the Republic of Panama.

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## Notice to Investors

**This offering memorandum does not constitute an offer to sell, or a solicitation of an offer to purchase, any Note offered hereby by any person in any jurisdiction in which it is unlawful for such person to make an offer or solicitation. Neither the delivery of this offering memorandum nor any sale made hereunder shall under any circumstances imply that there has been no change in our affairs or the affairs of our subsidiaries or that the information set forth in this offering memorandum is correct as of any date subsequent to the date of this offering memorandum.**

This offering memorandum has been prepared by us solely for use in connection with the proposed offering of the Notes. We, as well as Goldman Sachs & Co. LLC, J.P. Morgan Securities LLC ("JP Morgan"), BNP Paribas Securities Corp., Morgan Stanley & Co. LLC and Scotia Capital (USA) Inc. (collectively, the "Initial Purchasers"), reserve the right to reject any offer to purchase, in whole or in part, for any reason, or to sell less than all of the Notes offered by this offering memorandum. This offering memorandum does not constitute an offer to any other person or to the public in general to subscribe for or otherwise acquire the Notes. Distribution of this offering memorandum by you to any person other than those persons retained to advise you is unauthorized, and any disclosure of any of the contents of this offering memorandum without our prior written consent is prohibited.

You must (1) comply with all applicable laws and regulations in force in any jurisdiction in connection with the possession or distribution of this offering memorandum and the purchase, offer or sale of the Notes, and (2) obtain any required consent, approval or permission for the purchase, offer or sale by you of the Notes under the laws and regulations applicable to you in force in any jurisdiction to which you are subject or in which you make such purchases, offers or sales, and neither we nor the Initial Purchasers have any responsibility therefor. See "Transfer Restrictions" for information concerning some of the transfer restrictions applicable to the Notes.

You acknowledge that:

- you have been afforded an opportunity to request from us, and to review, all additional information considered by you to be necessary to verify the accuracy of, or to supplement, the information contained in this offering memorandum;
- you have not relied on the Initial Purchasers or any person affiliated with the Initial Purchasers in connection with your investigation of the accuracy of such information or your investment decision; and
- no person has been authorized to give any information or to make any representation concerning us or the Notes other than those as set forth in this offering memorandum. If given or made, any such other information or representation should not be relied upon as having been authorized by us or the Initial Purchasers.

**This offering memorandum summarizes certain documents and other information, and we refer you to those sources for a more complete understanding of what we discuss in this offering memorandum. We have obtained the market information in this offering memorandum from publicly-available information or other sources we deemed to be reliable. We accept responsibility for correctly extracting and reproducing such information. In making an investment decision, you must rely on your own examination of our business and the terms of this offering, including the merits and risks involved. These Notes have not been recommended, approved or disapproved by the United States Securities and Exchange Commission (the "SEC") or any other federal or state securities commission or regulatory authority, or by the SMV. Furthermore, these authorities have not confirmed the accuracy or determined the adequacy of this offering memorandum. Any representation to the contrary is a criminal offense.**

**The offering is being made in reliance upon an exemption from registration under the Securities Act for an offer and sale of securities that does not involve a public offering. The Notes are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under the Securities Act and applicable state securities laws, pursuant to registration or exemption therefrom. In making your purchase, you will be deemed to have made certain acknowledgments, representations and agreements set forth in this offering memorandum under the caption "Transfer Restrictions." You should be aware that you may be required to bear the financial risks of this investment for an indefinite period of time.**

This offering memorandum omits certain information that we would be required to include in a prospectus prepared in compliance with SEC rules relating to a public offering of securities, including, for example, certain executive compensation and corporate governance disclosures and historical consolidated financial data required by Regulation S-K under the Securities Act.

Laws in certain jurisdictions may restrict the distribution of this offering memorandum and the offer and sale of the Notes. Persons into whose possession this offering memorandum or any of the Notes are delivered must inform themselves about, and observe, any such restrictions. Each prospective purchaser of the Notes must comply with all applicable laws and regulations in force in any jurisdiction in which it purchases, offers or sells the Notes or distributes this offering memorandum and must obtain any consent, approval or permission required under any regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers or sales, and neither we nor any of the Initial Purchasers shall have any responsibility therefor.

***Notice to Investors in Panama***

NOTICE: This offering memorandum shall be known as the *Prospecto Informativo* in Spanish for purposes of the registration of the public offering of Notes with the SMV and its filing before the PSE, and as the offering memorandum in English for purposes of the offering of the Notes in the United States and outside the United States (except in Panama). All amendments to the terms and conditions of the Notes are subject to Acuerdo 4- 2003 of April 11, 2003 and must be performed in compliance with the provisions thereof. To the extent that the *Prospecto Informativo*, in Spanish language conflicts with the English language offering memorandum, this English language offering memorandum, shall govern and control.

***Notice to Investors in Canada***

The Notes may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the Notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this offering memorandum (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 (or, in the case of securities issued or guaranteed by the government of a non-Canadian jurisdiction, section 3A.4) of National Instrument 33-105 Underwriting Conflicts ("NI 33-105"), the Initial Purchasers are not required to comply with the disclosure requirements of NI33-105 regarding underwriter conflicts of interest in connection with this offering.

***Notice to Investors in the United Kingdom***

In the United Kingdom, this document is being distributed only to, and is directed only at, and any offer subsequently made may only be directed at persons who (i) have professional experience in matters relating to investments falling within Article 19 (5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "Order"); (ii) are persons falling within Article 49(2)(a) to (d) ("high net worth companies, unincorporated associations etc.") of the Financial Promotion Order, (iii) are outside the United Kingdom, or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (the "FSMA")) in connection with the issue or sale of any securities may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as "relevant persons"). This document must not be acted on or relied on in the United Kingdom by persons who are not relevant persons. In the United Kingdom, any investment or investment activity to which this document relates is only available to, and will be engaged in with, relevant persons.

*Notice to Investors in the European Economic Area*

The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("EEA"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "MiFID II"); or (ii) a customer within the meaning of Directive EU 2016/97 (as amended, the "Insurance Mediation Directive"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the "PRIIPs Regulation") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPS Regulation.

**This offering memorandum may only be used for the purposes for which it has been published. The Initial Purchasers make no representation, express or implied, as to the accuracy or completeness of the information contained in this offering memorandum. Nothing contained in this offering memorandum is, or should be relied upon as, a promise or representation by the Initial Purchasers as to the past or future. The Initial Purchasers assume no responsibility for the accuracy or completeness of any such information.**

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See "Risk Factors," following the "Summary," for a description of certain risk factors relating to an investment in the Notes, including information about our business. None of us, the Initial Purchasers or any of our or their representatives is making any representation to you regarding the legality of an investment by you under applicable legal investment or similar laws. You should consult with your own advisors as to legal, tax, business, financial and related aspects of a purchase of the Notes.

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## Service of Process and Enforceability of Civil Liabilities

### Panama

We have been advised by our Panamanian counsel, Galindo Arias & López, and the Initial Purchasers have been advised by their Panamanian counsel, Arias, Fábrega & Fábrega, that no treaty exists between the United States and Panama for the reciprocal enforcement of foreign judgments and that there is doubt as to the enforceability, in original actions in Panamanian courts, of liabilities predicated solely on United States federal securities laws and as to the enforceability in Panamanian courts of judgments of United States courts obtained in actions predicated upon the civil liability provision of the United States federal securities laws. In any case, judgments of courts outside Panama, including but not limited to judgments of United States courts, may only be recognized and enforced by the courts of Panama in the event that the Supreme Court of Panama validates the judgment by issuing a writ of exequatur. Subject to a writ of exequatur, any final money judgment rendered by any foreign court will be recognized, conclusive, and enforceable in the courts of Panama without reconsideration of the merits, *provided* that (i) such foreign court grants reciprocity to the enforcement of judgments of courts of Panama, (ii) the party against whom the judgment was rendered, or its agent, was personally served (service by mail not being sufficient) in such action within such foreign jurisdiction, (iii) the judgment arises out of a personal action against the defendant, (iv) the obligation in respect of which the judgment was rendered is lawful in Panama and does not contradict the public policy of Panama, (v) the judgment, in accordance with the laws of the country where it was rendered, is final and not subject to appeal, (vi) the judgment is properly authenticated by diplomatic or consular officers of Panama, or pursuant to the 1961 Hague Convention on the legalization of documents and, (vi) a copy of the final judgment is translated into Spanish by a licensed translator in Panama. Any final money judgment rendered against us and validated by the Supreme Court of Panama will be delivered by the Supreme Court of Panama to us for payment.

All or a substantial portion of our assets are located in Panama or outside the United States. As a result, it may not be possible for investors in our securities to enforce judgments of U.S. courts against us predicated upon the civil liability provisions of the U.S. federal securities laws, or otherwise obtained, in U.S. courts. Because all or a substantial portion of our assets are located outside the United States, any judgment obtained in the United States against us may not be fully collectible in the United States.

We have appointed CT Corporation System, presently located at 28 Liberty Street, New York, New York 10005, as our authorized agent upon which process may be served in any action arising out of or in connection with the indenture governing the Notes (the "Indenture"). With respect to such actions, we have submitted to the jurisdiction of the courts of the State of New York sitting in the County of New York in New York City, or courts of the United States for the Southern District of New York.

## Additional Information

For so long as any Notes remain outstanding, we have agreed to make available to any holder or beneficial owner of an interest in the Notes, or to any prospective purchasers designated by such holder or beneficial owner, upon request of such holder or beneficial owner, information required to be delivered under paragraph (d)(4) of Rule 144A unless, at the time of such request, we are subject to the reporting requirements of Section 13 or 15(d) of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"), or exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act.

Application will be made to admit the Notes offered hereby to listing on the Official List of the Luxembourg Stock Exchange and to trading on the Euro MTF market of that exchange. See "Listing and General Information." We will comply with any undertakings given by us from time to time to the Luxembourg Stock Exchange in connection with the Notes, and we will furnish to them all such information as the rules of the Luxembourg Stock Exchange may require in connection with the listing of the Notes. The Luxembourg Stock Exchange takes no responsibility for the contents of this offering memorandum, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this offering memorandum.

We have filed with the SMV a registration petition which contains a Spanish language translation of this offering memorandum. As a recurring registered issuer, our annual audited financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") are on file with the SMV and PSE. This information can be obtained by investors upon request at the PSE, located at Edificio Bolsa de Valores de Panama, Calle 49 y Av. Federico Boyd, Panama, Republic of Panama, or upon request at the SMV located at Calle 50, Edificio Global Plaza, Piso 8, Panama, Republic of Panama. The documents filed with the SMV are not and will not form part of this offering memorandum and are not incorporated by reference herein.

## Cautionary Statement Regarding Forward-Looking Statements

This offering memorandum contains statements that constitute forward-looking statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. Many of the forward-looking statements contained in this offering memorandum can be identified by the use of forward-looking words such as "anticipate," "believe," "could," "expect," "should," "plan," "intend," "estimate" and "potential," among others. These statements appear in a number of places in this offering memorandum and include, but are not limited to, statements regarding our intent, belief or current expectations with respect to:

- operating only in Panama;
- the implementation of our principal operating and funding strategies and capital expenditure plans;
- our level of capitalization;
- the performance of the Panamanian economy and regional and global economies in general;
- developments in, or changes to, the laws, regulations, tax matters and governmental policies governing or affecting our business;
- adverse legal or regulatory disputes or proceedings;
- the declaration or payment of extraordinary dividends;
- general economic and political conditions, government and regulatory policies and business conditions in the markets served by us and our affiliates;
- changes in accounting standards;
- telecommunications usage levels, including traffic and customer growth;
- changes in the preferences and financial condition of our customers;
- our ability to maintain and expand our telecommunications network;
- competitive forces, including pricing pressures, technological developments and our ability to retain market share in the face of competition from existing and new market entrants;
- regulatory developments and changes, including with respect to the telecommunication industry by the Panamanian Government, spectrum availability, the terms of interconnection, customer access and international settlement arrangements, and the outcome of litigation related to regulation;
- our ability to comply with applicable laws and regulations;
- the success of business, operating and financing initiatives and product and service offerings, the level and timing of the growth and profitability of new initiatives, start-up costs associated with entering new markets, relationships with suppliers, costs of handsets and other equipment, the successful deployment of new systems and applications to support new initiatives, and local conditions;
- our ability to realize the anticipated benefits from our acquisitions;
- the availability, terms and use of capital, the impact of regulatory and competitive developments on capital outlays, the ability to achieve cost savings and realize productivity improvements, and the success of the Company's investments, operations and alliances;
- technological developments, including challenges in meeting consumer demand for new technology and the cost of upgrading existing infrastructure;

- our dependence on intellectual property rights and on not infringing on the intellectual property rights of others;
- labor relations with our employees or increases in labor costs;
- other factors or trends affecting our financial condition or results of operations;
- the factors discussed in the section entitled "Risk Factors" in this offering memorandum; and
- other statements contained in this offering memorandum regarding matters that are not historical facts.

Forward-looking statements are based on our management's beliefs and assumptions and on information currently available to our management. Such statements are subject to risks and uncertainties, and actual results may differ materially from those expressed or implied in the forward-looking statements as a result of various factors, including, but not limited to, those identified under the section entitled "Risk Factors" in this offering memorandum. These risks and uncertainties include factors relating to the Panamanian and global economies and political conditions, securities and foreign exchange markets, which exhibit volatility and can be adversely affected by developments in other countries, factors relating to the Panamanian cable telecommunications industry and changes in its regulatory environment and factors relating to the competitive markets in which we operate. Other risks and uncertainties may adversely affect our results, which may differ materially from the expectations expressed in the forward-looking statements. Forward-looking statements speak only as of the date they are made, and we do not undertake any obligation to update them in light of new information or future developments or to release publicly any revisions to these statements in order to reflect later events or circumstances or to reflect the occurrence of unanticipated events. In addition, you should not interpret statements regarding past trends or activities as assurances that those trends or activities will continue in the future.

## Presentation of Financial and Other Information

### *Financial Statements*

This offering memorandum includes our audited annual consolidated financial statements as of December 31, 2018 and 2017 and for the years then ended (the "audited financial statements") and our unaudited consolidated interim financial statements as of June 30, 2019 and for the six months ended June 30, 2019 and 2018 (the "unaudited financial statements" and, together with the audited financial statements, the "financial statements"). Our audited financial statements have been audited by Ernst & Young Limited Corp. ("EY"), whose report dated April 1, 2019 is included in this offering memorandum.

Our financial statements have been prepared in accordance with IFRS as issued by the IASB. In addition, because the Notes have not been registered with the SEC, our financial statements contained elsewhere in this offering memorandum are not required to comply with the applicable requirements of the Securities Act, and the related rules and regulations adopted by the SEC, which would apply if the Notes were being registered with the SEC.

Unless otherwise stated or as set forth in the Pro Forma Statements (as defined below), our results of operations and financial information presented throughout this offering memorandum have not been adjusted to give effect to the Telefónica Panamá Acquisition.

### *Financial Statements of Telefónica Móviles Panamá, S.A. ("Telefónica Panamá")*

This offering memorandum also includes the audited annual financial statements of Telefónica Panamá as of December 31, 2018 and 2017 and for the years then ended (the "Telefónica Audited Financial Statements") and its unaudited interim financial statements as of June 30, 2019 and for the six months ended June 30, 2019 and 2018 (the "Telefónica Unaudited Financial Statements" and, together with the Telefónica Audited Financial Statements, the "Telefónica Financial Statements"). The Telefónica Audited Financial Statements have been audited by PricewaterhouseCoopers, S.R.L. ("PWC"), whose report dated March 29, 2019 is included in this offering memorandum.

The Telefónica Financial Statements have been prepared in accordance with IFRS as issued by the IASB. The Telefónica Financial Statements contained elsewhere in this offering memorandum are not required to comply with the applicable requirements of the Securities Act, and the related rules and regulations adopted by the SEC, which would apply if the Notes were being registered with the SEC.

### *Unaudited Pro Forma Condensed Combined Financial Information*

This offering memorandum includes unaudited pro forma condensed combined financial information as of and for the year ended December 31, 2018 giving effect to our acquisition of Telefónica Panamá. This information includes the unaudited pro forma condensed combined balance sheet as of December 31, 2018 and June 30, 2019, and the unaudited pro forma condensed combined statement of income for the year ended December 31, 2018 and the six months ended June 30, 2019 (collectively, the "Pro Forma Statements"). The Pro Forma Statements were derived from our financial statements and the Telefónica Financial Statements as of and for the periods then ended.

The Pro Forma Statements may not comply with the applicable requirements of the Securities Act, and the related rules and regulations adopted by the SEC, which would apply if the Notes were being registered with the SEC.

### *Special Note Regarding Non-IFRS Financial Measures*

In this offering memorandum, we present certain non-IFRS measures, primarily Adjusted EBITDA. A non-IFRS financial measure is generally defined as one that purports to measure financial performance but excludes or includes amounts that would not be so adjusted in the most directly comparable IFRS measure. A non-IFRS financial measure does not have a standardized meaning prescribed by IFRS. We present these measures because we believe they provide investors with supplemental measures of the financial performance of our operations that facilitate period-to-period comparisons on a consistent basis. Our management also uses these measures, among others, from time to time, for internal planning and performance measurement purposes.

We define Adjusted EBITDA for any period as net income for such period, excluding depreciation and amortization, interest expense, income tax, certain non-recurring items related to our acquisition by Millicom, and Other, which represents adjustments derived from the adoption of IFRS 15 and other non-recurring items.

Adjusted EBITDA should not be construed as an alternative to profit or operating profit, as an indicator of operating performance or as an alternative to cash flow provided by operating activities (in each case, as determined in accordance with IFRS). Adjusted EBITDA, as calculated by us, may not be comparable to a similarly titled measure reported by other companies.

***Comparability of our Results of Operations***

The comparability of our results of operations is affected by our acquisition of Telefónica Panamá, which was completed on August 29, 2019.

This offering memorandum includes unaudited pro forma condensed combined financial information as of and for the year ended December 31, 2018 giving effect to the Telefónica Panamá Acquisition. Our financial statements for the periods prior to the date of the acquisition do not include the results of operations of Telefónica Panamá and therefore are not comparable to our results for periods after such dates. The Pro Forma Statements were derived from our financial statements and the Telefónica Financial Statements as of and for the periods then ended.

Unless otherwise stated or as set forth in the Pro Forma Statements, our results of operations and financial information presented throughout this offering memorandum have not been adjusted to give effect to the Telefónica Panamá Acquisition.

***Currency and Exchange Rates***

Unless otherwise specified, references herein to "U.S. dollars," "dollars," or "$" are to the legal currency of the United States of America and Panama. The Balboa, the official monetary unit of Panama, is freely exchangeable for the U.S. dollar on a one-to-one basis. Panama does not issue paper currency; instead, it uses the U.S. dollar as its legal currency.

***Functional Currency of Financial Information***

All financial information included in this offering memorandum is in U.S. Dollars. Our audited financial statements included in this offering memorandum are presented in Balboas. The Telefónica Financial Statements are presented in U.S. dollars.

***Market Share and Penetration Rates***

This offering memorandum includes market share and industry data for both Cable Onda and Telefónica Panamá and forecasts that we have obtained from industry publications and surveys, reports of governmental agencies, market research and internal reports as well as independent third-party reports. Industry publications and surveys and forecasts generally state that the information contained therein has been obtained from sources believed to be reliable, but there can be no assurance as to the accuracy or completeness of the information. While we have taken reasonable actions to ensure that the information is extracted accurately and in its proper context, we have not independently verified any of the data from third parties contained in this offering memorandum and cannot give any guarantee of the accuracy or completeness of the data, which may not be consistent with other information compiled within or outside the jurisdictions specified. However, we have included this information in this offering memorandum, and as far as we are aware and able to ascertain from such independent industry publications and reports by research firms or other published independent sources, no facts have been omitted which would render this information inaccurate or misleading.

Churn rates are calculated by dividing the number of customers whose service is disconnected during a period, whether voluntarily or involuntarily (such as when a customer fails to pay a bill) by the average number of customers during such period. We believe that we apply conservative policies in calculating customer totals and related churn rates. For example, we count a customer as an active customer only when the customer has engaged in revenue-generating activity and has had active services within a 60-day period. Therefore, when a customer does not pay an invoice, the customer is disconnected, and will be permanently disconnected if such delay exceeds a period of 60 days. Our more conservative definitions may result in different churn rates than if we used criteria or methodologies employed by other operators in calculating customer churn rates and market share. Telefónica Panamá calculates churn rates by dividing the number of customers whose service is disconnected during a period, whether voluntarily or involuntarily by the average number of customers during such period. In its mobile business Telefónica Panamá disconnects a customer if a bill payment delay exceeds 90 days.

***Trademarks***

We have 21 existing trademarks registered by DIGERPI (*Dirección General de Registro de la Propiedad Industrial*), which is the Panamanian Trademark and Patents Office. Our subsidiary, Fronteras Security, S.A., also has one existing trademark and Telefónica Panamá has 10 registered trademarks.

The following table shows a list of Cable Onda and Fronteras Security's existing trademarks.

| Trademark | Applicable Nice (2005) Classification |
|---|---|
| ***TeleCarrier, Profesionales como debe ser*** | 16-35-38 |
| ***El Minuto TeleCarrier*** | 35-38-42 |
| ***El Minuto Tecnológico TeleCarrier*** | 16-35-38 |
| ***IDC*** | 35-42 |
| ***International Data Center 12/10*** | 35-38-42 |
| ***Potenciar*** | 16-35-38 |
| ***Conéctate Seguro con Cable Onda*** | 16-35-38 |
| ***Antena Digital*** | 16-35-38 |
| ***Cable Onda Empresarial, Tu punto de Apoyo*** | 16-35-38-42 |
| ***International Data Center*** | 16-35-38-42 |
| ***Cable Modem Xtreme*** | 42 |
| ***Cable Onda, Conectado Contigo*** | 38 |
| ***Habla Panama*** | 16-35-38 |
| ***Cable Onda Empresarial, Recibes Todo*** | 16-35-38 |
| ***InternetXtreme*** | 16-35-38-42 |
| ***Cable Onda, Blanco*** | 16-35-38-42 |
| ***Cable Onda, Negro*** | 16-35-38-42 |
| ***Cable Onda, Viejo*** | 16-35-38-42 |
| ***BINYEA*** | 16-35-38 |
| ***BINYEALO*** | 16-35-38 |
| ***FRONTERAS SECURITY*** | 9-16-35-37-38-41-42-45 |

The following table shows a list of Telefónica Panamá's existing trademarks.

| Trademark | Applicable Nice (2005) Classification |
|---|---|
| **WHATCHATEA** | 38 |
| **HABLA NAVEGA CHATEA** | 38 |
| **PLANSAZO** | 38 |
| **PLANSAZO** | 35 |
| **HABLA NAVEGA CHATEA** | 38 |
| **HABLA NAVEGA CHATEA** | 35 |
| **HABLA NAVEGA CHATEA** | 16 |
| **HABLA NAVEGA CHATEA** | 09 |
| **PLANSAZO** | 25 |
| **PLANSAZO** | 16 |

**Macroeconomic Data**

Facts, forecasts and statistics in this document relating to Panama and its economy, other than market share data, are derived from various official and other publicly available sources that we generally believe to be reliable. However, we cannot guarantee the quality and reliability of such official and other sources of materials. In addition, these facts, forecasts and statistics have not been independently verified by us and, therefore, we make no representation as to the accuracy of these facts, forecasts and statistics, which may not be consistent with other information compiled within or outside of Panama and may not be complete or up to date. We have taken reasonable care in reproducing or extracting information from such sources. However, we have not independently verified any of the data from third parties contained in this offering memorandum and cannot give any guarantee to the accuracy or completeness of the data.

***Rounding***

We have made rounding adjustments to reach some of the figures included in this offering memorandum. Accordingly, numerical figures shown as totals in some tables may not be an arithmetic aggregation of the figures that preceded them and percentage calculations using these adjusted figures may not result in the same percentage values as are shown in this offering memorandum.

**Glossary of Terms**

Unless otherwise indicated or as the context otherwise requires, a reference in this offering memorandum to:

- **"2025 Notes"** refers to our 5.75% Senior Notes due 2025 issued in Panama, approved by Resolution SMV No.479-15 of August 3, 2015 and governed by Panamanian law;
- **"ADSL"** refers to asymmetric digital subscriber line, which is a type of data communications technology that enables faster data transmission over copper telephone lines than a conventional voiceband modem can provide;
- **"ARPU"** refers to average revenue per user;
- **"ASEP"** refers to the National Authority of Public Services in Panama (*Autoridad Nacional de los Servicios Publicos*);
- **"B2B"** refers to business to business;
- **"B2C"** refers to business to consumer;
- **"BG Trust"** refers to BG Trust, Inc., as trustee under the 2025 Notes;
- **"Cable Onda"** refers to Cable Onda, S.A.;
- **"Cable Onda Go"** refers to the mobile television platform of Cable Onda;
- **"CAGR"** refers to compound annual growth rate;
- **"CPE"** refers to Customer Premises Equipment;
- **"CSS"** refers to Caja de Seguro Social;
- **"Conditions"** refers to the conditions precedent set forth in the purchase agreement have been met or waived on or prior to the settlement date;
- **"Data Protection Law"** refers to Panamanian law No. 81 of 2019 that comes into effect in March 2021;
- **"DOCSIS"** refers to Data Over Cable Service Interface Specification, an international telecommunications standard that allows for the addition of high-bandwidth data transfer to an existing coaxial cable TV system, consequently allowing for higher Internet speeds without complete replacement of coaxial cable networks;
- **"DTC"** refers to The Depository Trust Company;
- **"DTH"** refers to direct-to-home;
- **"FWA"** refers to fixed wireless access;
- **"GDP"** refers to gross domestic product;
- **"GPON"** refers to Gigabit Passive Optical Networks, which is a point-to-multi point access mechanism that uses passive splitters in the fiber distribution network to enable one single feeding fiber to serve multiple homes and small businesses;
- **"GSMA mobile data base"** refers to the GSM Association's mobile data base;
- **"HFC"** refers to Hybrid Fiber Coaxil;

- **“Homes Passed”** refers to our estimate of the number of potential residential and commercial customers to whom we currently offer our services;
- **“IASB”** refers to the International Accounting Standards Board;
- **“IFRS”** refers to International Financial Reporting Standards as issued by IASB;
- **“ISO”** refers to the International Organization for Standardization;
- **“Medcom Holdings”** refers to Medios de Comunicacion, Ltd.;
- **“Millicom”** refers to Millicom International Cellular S.A.;
- **“Millicom Group”** refers to Millicom, S.A.;
- **“MMDS”** refers to multichannel multipoint distribution service;
- “**MPLS**” refers to multiprotocol label switching, a routing technique that directs data from one node to the next based on short path labels rather than long network addresses;
- “**OTT**” refers to over the top media services;
- **“Pay-TV”** refers to pay television services;
- **“Required Holders”** refers to the percentage of existing holders of the 2025 Notes necessary to approve the waiver and amendments we recently requested;
- “**RGU**” refers to revenue generating units;
- **“SEC”** refers to the United States Securities and Exchange Commission;
- **“Share Purchase Agreement”** refers to the Share Purchase Agreement, dated February 20, 2019, by and among Telefónica Centroamerica Inversiones, S.L., Telefónica S.A. and Millicom International Cellular S.A.;
- **“SME”** refers to small-to-medium sized customers or enterprises;
- **“SMS”** refers to short message service;
- **“SMV”** refers to the Panamanian Superintendency of Capital Markets;
- **“TeleCarrier”** refers to TeleCarrier International;
- **“Telefónica”** refers to Telefónica S.A.;
- **“Telefónica Centroamérica”** refers to Telefónica Centroamérica Inversiones, S.L.;
- **“Telefónica Panamá”** refers to Telefónica Móviles Panamá, S.A;
- “**Telefónica Panamá Acquisition**” refers to the acquisition of the entire share capital of Telefónica Panamá for $593.6 million from Telefónica Centroamérica, which is owned, directly and indirectly by Telefónica;
- **“Tier III”** refers to the Tier III standard assessed by the ISO;
- **“VAS”** refers to value-added services; and

- **“VOD”** refers to video on demand.

## Summary

*This summary highlights information appearing elsewhere in this offering memorandum. This summary may not contain all of the information that may be important to you. You should carefully read the entire offering memorandum, including the financial statements and related Notes, before making any investment decisions. You should pay special attention to the information presented under "Risk Factors," "Cautionary Statement Regarding Forward-Looking Statements," "Management's Discussion and Analysis of Financial Condition and Results of Operations of Cable Onda," "Management's Discussion and Analysis of Financial Condition and Results of Operations of Telefónica Panamá," "Selected Historical Financial Data of Cable Onda," "Selected Historical Financial Data of Telefónica Panamá" and "Unaudited Pro Forma Condensed Combined Financial Information" to determine whether participation in the offering and investment in the Notes is appropriate for you.*

### *Business Overview*

Founded in 1990, we are one of the leading providers of residential Pay-TV, fixed broadband Internet and fixed telephony in Panama, to B2B customers. Through our "Cable Onda" brand, we are the largest fixed broadband Internet provider in Panama, with almost three times as many subscribers as the second-largest provider, and the largest fixed telephony provider in the country to B2C residential consumers. Through our "TeleCarrier" brand, we also offer B2B services to governmental and SME corporate customers, including fixed Internet, cloud solutions, backup solutions, outsourcing of both IT department management and operations, personalized IT projects, and cybersecurity. Based on our internal estimates as of June 30, 2019, for HFC network we are a top provider of fixed telephony services locally. We have an 83.0% share of the Pay-TV market with approximately 344,000 customers and a 75.0% share of the broadband Internet market with approximately 364,000 customers.

Throughout our 29-year history, we have experienced significant growth, primarily through strategic acquisitions. Our strategic acquisitions have helped us strengthen our position as one of the leading telecommunications providers in Panama. 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 network today is entirely digital, employs the DOCSIS 3.0 standard, and 95.0% of the network has been upgraded to 1 Ghz of capacity. Our network also includes more than 10,000 km of HFC and more than 5,000 km of fiber providing 54.0% network coverage. Our network passes more than 800,000 HFC homes in Panama with 53.0% or 470,000 connected homes.

For the year ended December 31, 2018, we had total revenues of $388.4 million and consolidated net income of $4.2 million, compared to total revenues of $374.1 million and consolidated net income of $58.6 million for the year ended December 31, 2017. Our B2C services business was the largest contributor to our total revenues in 2018, representing 64.2% of such total revenues, followed by our B2B services business with 35.0%. For the six months ended June 30, 2019, B2C revenues represented 65.0% of total revenues and B2B revenues represented 34.5% of our total revenues. For the year ended December 31, 2018, we had consolidated adjusted EBITDA of $171.2 million, compared to consolidated adjusted EBITDA of $159.7 million for the year ended December 31, 2017. For the six months ended June 30, 2019, we had total revenues of $198.07 million and consolidated net income of $25.7 million, compared to total revenues of $195.1 million and consolidated net income of $30.5 million for the six months ended June 30, 2018. For the six months ended June 30, 2019, we had consolidated adjusted EBITDA of $ 88.3 million, compared to consolidated adjusted EBITDA of $82.5 million for the six months ended June 30, 2018. See "Management's Discussion and Analysis of Financial Condition and Results of Operations of Cable Onda."

### *Our History*

We began operations in 1980 as Recreaciones y Exhibiciones, S.A. offering Pay-TV services consisting of 36 channels. In 1990, we were incorporated as Cable Onda, S.A. Since then, we have developed broad residential and business services that cater to small and medium companies, reaching a leading position in paid television, broadband Internet and fixed telephony within that segment.

Originally a cable television provider, we have experienced significant growth, primarily through strategic acquisitions into the Panamanian telecommunications market. Beginning in December 1999, we launched our first Internet access service with our own network, followed by the launch of our first modern cable modem broadband service in November 2000. In 2002, we began operating our own data center and in 2003, we began operating as fixed telephony line public providers in Panama City. We continued our expansion with our acquisition of TeleCarrier in December 2009 through which we began providing B2B services. Subsequently, in October 2010, we acquired 100% of the shares of Advanced Communication Network, S.A., a company dedicated to providing Internet, fixed telephony and long-distance call services to corporate and residential clients, which enabled us to strengthen our position in B2C services.

Beginning in 2009, with our acquisition of TeleCarrier, we consolidated the business offerings that we had commenced in 2000. In 2010, we acquired Advanced Communication Network, S.A., a company dedicated to providing Internet services, landline telephony and long-distance services for business and residential customers. Through this strategic acquisition we increased our market share, especially in the province of Colón.

On December 13, 2018, we became an indirect subsidiary of Millicom (the "Millicom Acquisition"). On that date, Millicom purchased an 80.0% controlling stake in us, with our selling shareholders, Medcom Holdings and TeleCarrier International Ltd., Tenedora Activa, S.A., IGP Trading Corp and Nicolás González-Revilla, directly or indirectly retaining a collective 20.0% stake in our business.

Most recently, on February 20, 2019, Millicom agreed to purchase 100% of the shares of Telefónica Panamá from Telefónica Centroamérica for $593.6 million. On April 4, 2019, pursuant to an assignment agreement, Millicom assigned its rights and obligations under the Share Purchase Agreement to us. On August 29, 2019, we completed the Telefónica Panamá Acquisition and Telefónica Panamá became our wholly owned subsidiary. For additional details regarding the acquisition of Telefónica Panamá see "—Recent Developments—Acquisition of Telefónica Panamá."

***Our Controlling Shareholder***

Millicom is an international company providing communications, information, entertainment, solutions and financial services in emerging markets using various combinations of mobile and fixed-line telephony, and cable and broadband businesses in 15 countries in Central America, South America and Africa. In Central and South America, Millicom operates in Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, Bolivia, Colombia, Paraguay and now, Panama. Millicom's acquisition of Cable Onda is consistent with Millicom's strategy of accelerating the deployment of high-speed data networks in Central and South America. Through Millicom's acquisition of Cable Onda, Millicom now has contiguous country operations from Guatemala to Colombia, which will significantly enhance the group's B2B capabilities given Panama's increasingly important role as a business hub for the region. Through the Telefónica Panamá Acquisition, Millicom further demonstrated its commitment to position us as the market leading mobile operator in Panama, and also solidifies Millicom's position in Latin America with fixed and mobile telecommunications in every market in which it operates. See "Principal Shareholders."

***Our Existing Services***

We currently provide services on both a B2B and B2C basis through our Cable Onda and TeleCarrier brands. We offer the following principal categories of services:

- *B2C:* broadband, fixed voice and Pay-TV to residential consumers; and
- *B2B:* broadband, Pay-TV and VAS, data center and solutions on demand services (collectively, together with Pay-TV, "fixed services") to corporate and governmental customers.

The following chart shows a breakdown of our service revenue and percentage of service revenue by business unit for the six months ended June 30, 2019 and the year ended December 31, 2018:

| **Revenue (in thousands of U.S. dollars)** | **For the Six Months Ended June 30, 2019** | **%** | **For the Year Ended December 31, 2018** | **%** |
|---|---|---|---|---|
| TV subscriptions | 75,711 | 38.2% | 151,616 | 39.0% |
| Data transmission, Internet and data center | 90,010 | 45.4% | 172,887 | 44.5% |

| | | | | |
|---|---|---|---|---|
| Fixed-line service | 23,555 | 11.9% | 49,057 | 12.6% |
| Projects and solutions | 5,290 | 2.7% | 9,041 | 2.3% |
| Other services and revenue | 3,505 | 1.8% | 5,825 | 1.5% |
| Total | 198,071 | 100% | 388,426 | 100% |

Our B2B and B2C revenue breakdown is included in the chart below:

| **Revenue (in thousands of U.S. dollars)** | **For the Six Months Ended June 30, 2019** | **%** | **For the Year Ended December 31, 2018** | **%** |
|---|---|---|---|---|
| B2B | 68,398 | 34.5% | 136,065 | 35% |
| B2C | 128,843 | 65.0% | 249,377 | 64.2% |
| Others | 828 | 0.4% | 2,982 | 0.8% |
| Total | 198,071 | 100% | 388,426 | 100% |

***B2C Services***

Through our Cable Onda brand, we provide B2C fixed residential services, including broadband Internet, fixed voice and Pay-TV, to residential consumers. B2C generated 64.2%, or $249.3 million, and 65.0%, or $128.8 million, of our total revenue for the year ended December 31, 2018 and the six months ended June 30, 2019, respectively.

We continue to increase our penetration rates in the Panama market and expand our network coverage. Our network also includes more than 10,000 km of HFC and more than 5,000 km of fiber, passes more than 700,000 HFC homes in Panama and has grown as overall consumer demand increases. As of June 30, 2019, we had more than 485,163 connected homes, of which more than 365,886 connected to our HFC network.

- *Pay-TV*: We are the leading provider of Pay-TV in Panama based on number of subscribers. We also provide customers with VAS such as video on demand, pay-per-view, digital music and an on-the-go platform (Cable Onda Go). In addition, we offer a wide variety of exclusive high-definition content and channels, including Cable Onda Sports, Eco TV and 93 other HD channels, basic signal, premium and on demand. We have established licensing partnerships with key international content providers, including ESPN/Disney/Fox, HBO, Turner, Televisa, Viacom, Discovery and key local content providers like Medcom and TVN with an average remaining contract length ranging from two to three years for international providers and two years for local providers.

- *Fixed Broadband Internet*: We were among the first companies to offer fixed Internet in Panama. Today we are the leading provider based on the number of subscribers. We employ the DOCSIS 3.0 standard and currently 95.0% of our network has been upgraded to 1 Ghz of capacity. As broadband Internet penetration in Panama has increased, most of our customers choose to receive broadband speeds of at least 60 Mbps. In 2017, we were recognized as the fastest Internet provider in Panama by Ookla, a global leader in Internet testing, data and analysis, and among the fastest Internet providers by Netflix as of May 2019. We are introducing DOCSIS 3.1, which we expect could enable even higher levels of throughput on our HFC networks.

- *Fixed Telephony*: We began offering fixed telephony services in 2003, and are now the largest provider by number of subscribers with over 239,000 subscribers as of June 30, 2019.

We offer these services through bundled packages, aiming to fit various socio-economic segments and customer needs. We expect the addition of mobile services through the acquisition of Telefónica Panamá to increase our ability to offer quad-play offerings to our customers. Currently, 80.0% of our plans are convergence plans, which means that the vast majority of our residential customers use more than one of our product offerings, and we expect levels to continue to increase with the inclusion of mobile services. Our B2C business revenues increased 1.9%, from $126.5 million for the six months ended June 30, 2018, to $128.8 million for the six months ended June 30, 2019, and increased 4.9%, from $237.8 million for the year ended December 31, 2017, to $249.3 million for the year ended December 31, 2018.

***B2B Services***

Through TeleCarrier, we offer B2B services to government and private corporate customers, particularly, SMEs. Our services include voice data, fixed Internet, cloud solutions, backup solutions, outsourcing of IT department management and operations, personalized IT projects and cybersecurity. We offer many of these B2B services through our three IDCs, built to offer heightened security standards, service continuity and resistance to adverse conditions such as weather, natural disasters and other external factors. We have partnerships in several projects that give us the flexibility to deliver on-demand solutions. Furthermore, B2B projects are tailored to each client's needs, and, rather than offering a product, focuses on providing solutions to business problems. We offer a mix of services, including telecommunications, data center and consulting services, adding vertical solutions that are usually brought to the project through back-to-back agreements with specialized partners, which allows us to maximize the coverage of needs, configure customized solutions in terms of delivery and foster strong and long-term sales, service and support relationships with clients.

Projects are generally subject to term based agreements, averaging between one to three years, depending on the project scope and deliverable. Upon completion of the project scope, we seek to generate additional value by offering management solutions to continue providing support.

Our B2B business consists of 111 governmental and 1,260 corporate customers and more than 33,100 SME subscribers, and generates approximately $11.0 million in total contract revenues on a monthly basis.

Government contracts have a maximum contract length of three years, which term cannot be exceeded under Panamanian Law. This allows us to offer a pre-established price for one year contracts that are renewable on an annual basis. On the other hand, Corporate and SMEs contracts have different durations that vary between 24 and 36 months, all of which have automatic renewal provisions.

We have continuously focused on customer retention strategies and we believe that our B2B customers have increasingly found value in a platform that can deliver both of their telecommunications and IT needs. We believe B2B services represent a significant growth opportunity, given that the Panamanian telecommunications market is rapidly evolving and opening up to new data-driven services. Additionally, our B2B business revenues remain relatively stable year-over-year due to our multi-year contracts mentioned above.

Our B2B business revenues increased 1.1%, to $68.4 million for the six months ended June 30, 2019, from $67.7 million for the six months ended June 30, 2018, and increased 1.2%, from $134.4 million for the year ended December 31, 2017, to $136.1 million for the year ended December 31, 2018.

**Telefónica Panamá**

Telefónica Panamá, the leading mobile provider in Panama, focuses on mobile phone service, national and international long-distance calling services and the sale of cell phones necessary for the provision of cellular telephone services. This service is offered through the Movistar brand, which as of June 2019 is the top of mind mobile brand leader in the country, according to Kantar/Millward Brown's Brand Power Studies for Panama. See "Business of Telefónica Panamá— The Movistar brand."

Telefónica Panamá owns one mobile license and another license for the provision of FWA services, VAS and Pay-TV. The mobile license was renewed in 2016 for a period of 20 years and allows the company to operate across 700 MHz spectrum (20 MHz), 850 MHz spectrum (25 MHz) and 1,900 MHz spectrum (20 MHz).

Telefónica Panamá also offers services for the B2C and B2B market through the Movistar brand. For the B2C segment, it offers broadband and mobile services through prepaid and postpaid plans. Services offered to the B2B segment include broadband, trusted internet connection ("TIC") solutions, fixed and mobile services to corporate customers.

Our B2B and B2C revenue breakdown is included in the chart below:

| Revenue (in thousands of $) | For the Six Months Ended June 30, 2019 | % | For the Year Ended December 31, 2018 | % |
|---|---|---|---|---|
| B2B | 22,964 | 20% | 44,075 | 20% |
| B2C | 76,492 | 68% | 156,207 | 71% |
| Devices and Wholesale | 13,269 | 12% | 18,877 | 9% |
| Others | 371 | — | 207 | — |
| Total | 113,095 | 100% | 219,367 | 100% |

***B2B* Services**

Telefónica Panamá offers B2B Services comprised of TIC solutions and business solutions, including mobile infrastructure in offices, private networking, portals and fixed and mobile services for corporate customers. Telefónica Panamá's TIC Solutions include the following services that are available for corporate customers: cloud services, security services, secure mobile device management, and managed Wi-Fi. Telefónica Panamá's broadband services include fixed services.

***B2C* Services**

Telefónica Panamá's principal service offering is mobile communications. These services are usually offered bundled in packages or plans that include minutes usage, mobile data and text messages. Telefónica Panamá also provides mobile broadband connectivity and Internet access. Through mobile Internet access, customers are able to send and receive e-mail, browse the Internet, download games, purchase goods and services in e-commerce transactions and use Telefónica Panamá's other data and software services.

Telefónica Panamá also offers VAS, which may also be bundled, and includes, aside from other voice services, voice mail, call on hold, call waiting and roaming services, which allow customers to use their mobile handsets when they are outside their service territories, including on an international basis. We believe Telefónica Panamá has one of the best offers in the market for roaming services; for instance, customers are able to use their data allowance when they travel to certain countries, for a daily fee.

All these services are divided between our prepaid subscribers and postpaid subscribers.

- *Prepaid Customers:* Prepaid customers pay in advance for their mobile service, through the purchase of wireless airtime and bundled data packages, and are not required to sign a contract. Prepaid customers refill prepaid cards with dealers by cash payments or credit or may also directly refill their cards by accessing our web page. Prepaid balances are valid for one year from the day of the refill. As of June 30, 2019, Telefónica Panamá had 1.5 million prepaid customers, representing 56.5% of operating revenue, or $65.8 million.

  Currently, Telefónica Panamá offers five prepaid plans, based on voice tariff, and a number of options for bundled packages. Among these, they offer one package that includes unlimited data for 4G users.

- *Postpaid Customers:* Postpaid customers pay a monthly fee to receive mobile service and they are able to use the balance in mobile calls, either local or long distance, texting and additional bundled services. All postpaid plans are bundled, these plans include data allowance, a fixed number of minutes and text messages. Postpaid customers receive a monthly bill. As of June 30, 2019, Telefónica Panamá's postpaid customer base had an ARPU of $35, higher than the ARPU of the prepaid base which was $8.

  We are currently offering over 10 of postpaid plans, with plans starting at a monthly fee of $35, including unlimited data.

Below is a chart showing the split between prepaid and postpaid subscriber revenue for the six months ended June 30, 2019 and for the year ended December 31, 2018:

| **Revenue (in thousands of $)** | **For the Six Months Ended June 30, 2019** | **%** | **For the Year Ended December 31, 2018** | **%** |
|---|---|---|---|---|
| Prepaid | 64,179 | 57% | 126,990 | 58% |
| Post-Paid | 35,277 | 31% | 73,292 | 33% |
| Terminals and Wholesale | 10,568 | 9% | 18,877 | 9 % |
| Other Revenue | 3,071 | 3% | 207 | — |
| **Total** | **113,095** | **100%** | **219,367** | **100%** |

***Competitive Strengths***

We believe our position as the leading provider of telecommunications services in Panama, overall market dynamics, and our demonstrated performance provide for a compelling investment opportunity given the following factors:

***Advantageous and Stable Economic Backdrop.***

Panama is a dollarized economy, with a strategic geographical location in the middle of the Americas, connecting the Atlantic and Pacific oceans via the Panama Canal, with one of the fastest growing economies in Latin America with a GDP per capita of $15,196 in 2017 and an expected real GDP growth of 5.0% for 2019, according to World Bank data. Both this per capita GDP and growth rate are significantly higher than comparable rates for other Latin American countries. These factors make Panama a favorable market for foreign investment within Latin America, particularly given its country-level investment grade rating (currently at Baa2/BBB+/BBB), low inflation and one of the lowest unemployment rates in the region, and a stable political environment conducive to private enterprise. Moreover, Panama's dollar-based economy, provides us with a stable currency base underlying our revenues and our cash generated over time.

We expect these economic drivers to continue to support our business as we scale. Despite Panama's above-average GDP per capita, Pay-TV and broadband penetration rates in Panama are relatively low compared to other Latin America countries with lower GDP per capita.

***Strong Market Position and Scale Advantages.***

We are the largest Pay-TV and broadband Internet operator as measured by number of subscribers. We have a great track record of growing share in a competitive market. The significant scale of our operations, our singular focus on the Panamanian market, and the backing of the Millicom Group, one of the largest telecommunications companies in the Latin American market, creates significant barriers to entry for new competitors and positions us as the go-to telecommunication services provider for both B2B and B2C customers in Panama. We expect the recent Telefónica Panamá Acquisition to strengthen this scale advantage by adding the mobile capabilities from the largest mobile operator in Panama and allowing us to leverage our market position to capitalize on economies of scale and deliver differentiated product bundles that will protect and expand our customer base.

***Differentiated product offering with exclusive channels and content, generating loyalty to the brand.***

We are a customer-centric company with a differentiated product offering, which includes both local and international content covering sports leagues and local news. Our Cable Onda Sports channel includes in its programming some of the most popular sports leagues in the world and Eco TV, our newest channel, produces news and opinion shows for a business oriented audience that expects high quality analysis. Furthermore, our value-added products including VOD, Next Generation TV (Tivo) and Cable Onda GO (our proprietary app for live and on demand content on mobile devices) help increase our brand recognition. We also take advantage of cross-selling and bundling capabilities among our services and products so we offer packages that bundle two or three services and seek to allow customers to pay a lower combined rate than if they contracted for these services separately with different providers. We believe these bundling capabilities contribute to reduce churn rates and increase revenue while providing a more complete service to our clients. We believe these cross-selling opportunities will be enhanced by our acquisition of Telefónica Panamá.

***Pay-TV, Internet and fixed and mobile telephony market leadership supported by our large customer base, customer satisfaction, network expansion, low churn and high market share.***

We believe our leading market share by product in Panama gives us a competitive advantage over the other market players and makes us the leading top-of-mind brand, according to Ipsos, a global market research and a consulting firm. We are the largest Pay-TV and fixed Internet player in Panama, with almost triple the number of subscribers of the second largest market players in each of these businesses. We are also the largest fixed telephony provider in the country. Our leadership is also evidenced in the number of subscribers, which has grown at a CAGR of more than 15.0% from 2013 to 2018 and an RGU CAGR of 16.7%. With the acquisition of Telefónica Panamá we believe we will become the leading mobile telephony provider in Panama by number of subscribers, serving 1.7 million subscribers as of June 30, 2019, which represents approximately 35.9% market share of mobile subscribers in the country based on the GSMA Intelligence Report. We believe we will be well positioned to focus on mobile phone service, national and international long-distance calling services and the sale of cell phones necessary for the provision of cellular telephone services.

Furthermore, we believe our superior customer service, including through our state-of-the-art field service operations and attention platforms (18 branches, modern call center and digital channels) equip us to offer our clients best-in-class support and assistance, which have helped us to record some of the lowest churn rates in Panama and enhance customer satisfaction.

***Our management team has low turnover and unparalleled cumulative experience in the local market.***

We are led by a highly experienced management team with deep industry and operational expertise. The team's experience, expertise and knowledge about our Company has allowed us to diversify our services portfolio, enhance our differentiated product offerings to customers and foster strong relationships with regulators, enabling us to adapt to changing market conditions while improving our business performance. With the exception of our Chief Executive Officer and our VP of Finance, who joined following our acquisition by Millicom, most members of our executive team have been working for Cable Onda for more than 12 years, have over 50 years of collective industry and local experience and a track record of working together as a cohesive team. In addition, 20.0% of our shares are still held by the original sellers, who have become Millicom's local partners in Panama and who not only will continue to contribute historical knowledge but also include the individuals who, along with the majority of our management team, have built Cable Onda into a leading Panamanian company capable of competing against some of the largest telecommunication service providers.

***Nationwide state-of-the-art HFC fiber network with consistent capital expenditures, complemented with DTH / MMDS.***

We believe we have one of the strongest networks in the country, covering all major urban areas in Panama (Panama City, Colon, San Miguelito, Chorrera, David, Santiago and Chitre). As of June 30, 2019, we covered 817,768 homes and businesses passed, 100% of 2-way Homes Passed (meaning that our HFC network provides both TV and Internet services), and had 10,000 km of HFC network and 5,000 km of fiber network in the country. We have begun DOCSIS 3.1 deployment on our fiber-rich HFC network, which is 100% digitized and of which 95.0% has 1 GHz capacity.

Unlike other Panamanian fixed network providers, our network has 2,910 standalone sources of power on our HFC network, securing our operations against power outages. We also complement our HFC network with DTH Satellite TV service, as well as sufficient spectrum to offer MMDS TV, fixed wireless Internet and telephony.

***Robust B2B offering, including three data centers and other innovative service offerings for some of Panama's most prominent companies.***

Our B2B business offers one of the broadest and most complete set of communications solutions and value-added services to some of Panama's most prominent companies as well as businesses of all sizes. We offer communication, cloud, data center, system integration solutions and cybersecurity services to business and government clients. We have an international data cluster composed of three state-of-the-art data centers, two of which are certified Tier III facilities by the Uptime Institute and all of which have ISO 27001 certification. We have worked to offer simpler, more adaptive infrastructure that can respond to disruptive change and integrate legacy and new architectures into a single, manageable ecosystem, which has led to a sticky client base with high percentage of annual contract renewals.

Our personalized services which offer complete management of complex IT projects, tailored to each client's specific needs along with our technical and consulting team with recognized experience and relevant certifications have helped us become the main service integrator for complex projects, including airports and digitalization of public services. Our B2B business comprises 111 governmental, 1,260 corporate customers and more than 33,100 SME subscribers.

***Parent with significant emerging markets expertise and affiliates offering complementary products.***

We benefit greatly from the knowledge and resources of our ultimate parent company, Millicom, which is a global telecommunications group with various combinations of mobile and fixed telephony, cable and fixed broadband Internet businesses. Millicom has been offering mobile services in emerging markets for over 26 years, and currently operates in 10 countries in Central America, South America and Africa, namely Guatemala, Honduras, El Salvador, Costa Rica, Nicaragua, Colombia, Bolivia, Paraguay, Panama and Tanzania. We believe that our ability to leverage best practices, resources, and products and services developed in Millicom's other operations around the world will be a major contributor to our continued success. We believe that our ability to leverage Millicom's experience and agreements with suppliers of equipment, programming and other resources that are critical to our business will help reduce our cost structure, allowing us to pass along savings and high-quality, innovative services to our customers. For example, we expect to benefit from agreements that Millicom has in place with providers of digital content such as well-known cable television channels and providers/suppliers of certain infrastructure necessary for our services. While Millicom will help guide our strategic direction and capital investments, we expect to have sufficient flexibility to use our unique culture and adapt our services to our specific market. Since our acquisition by Millicom, our local management team has benefitted and will continue to benefit from secondments to other Millicom operations across the world, building their global knowledge and expertise.

***Business Strategy***

We believe the following components of our business strategy provide us the foundation to maintain our market-leading position in Panama and enhance our profitability:

***Realize cost synergies and growth opportunities from the Telefónica Panamá Acquisition.***

We intend to integrate our business with Telefónica Panamá to allow us to realize certain cost synergies through operations and maintenance savings associated with Telefónica Panamá's leveraging of our wireless network and fixed infrastructure in Panama, together with other expense savings relating to the integration of certain back-office functions, including sales strategy and technology efficiencies. Additionally, we believe our combination with Telefónica Panamá will provide the opportunity for meaningful revenue growth across our combined entity. We believe there is potential upside from incremental sales growth resulting from cross-selling opportunities through our respective sales channels, as well as increased opportunities for new service bundles that include mobile services provided by Telefónica Panamá. We expect these integrated bundles to reduce churn as they shift customers from a prepaid to postpaid base, which is more common in mobile services. In the B2B channel, we believe there will be strong cross-selling opportunities by leveraging our strong relationship with SMEs and Telefónica Panamá's strong relationship with large enterprises. Over time, we expect integration of Telefónica Panamá to allow us to optimize store footprint in Panama through a reduction of overlapping shops within one kilometer and utilization of the shop-in-shop principle. We also expect integration of Telefónica Panamá's mobile services with our fixed broadband and television products into a unified sales and marketing initiative, potentially under a single, new brand which we believe may generate synergies in different business lines.

***Continue developing and enhancing our High Speed Broadband and Wi-Fi Experience.***

As we continue to enhance the capacity, stability and redundancy of our HFC network, we evolve the user in-house experience through our unique Wi-Fi network design to support better speeds and signal stability around the entire house.

- High quality DOCSIS Wi-Fi Modem: Our new cable modem supports higher speeds, dual wireless frequency network in the home, efficient Wi-Fi signal distribution based on device capabilities and data streaming demands.

- Personalized Wi-Fi Pro extender: Our Wi-Fi range extenders are personalized by our well-trained technicians and strategically installed to provide effective and consistent Wi-Fi around the house.

- Best Broadband Speeds at Affordable Prices: Our starting speeds range from 20Mbps or 60 Mbps all the way to 600Mbps or 1,000Mbps depending on the addressable economic segment and the area's network distribution. We currently hold high penetrations in high income economic areas (such as Costa del Este or Santa María) of approximately 62.0%, mainly with speeds of 160Mbps. In connection with the mobile business, Telefónica Panamá is a local leader in mobile services with more than 88% population coverage throughout the country. Its network has more than 2,400 points-of-presence (POPs) with 80.96% of the traffic based on 4G technology where 45% of those POPs are fiber connected for sustainable evolution towards 5G. Its network will be the first to entirely connect the indigenous province of Kuna Yala with more than 33,000 people before the end of 2019 with mobile technology and self-powered hybrid solar plants.

***Provide new TV Value Proposition in an evolving market consumption.***

Our Pay TV value proposition is currently supported by local differentiation, sports and non-linear channels such as VOD and Cable Onda Go. Additionally, we are planning to launch what we believe is our best product offer yet in TV entertainment:

- **Next Generation TV**: The Next Generation TV is our new product launch which integrates IP Television with the over-the-top content like Netflix or YouTube, without requiring users to leave the Cable Onda setup. This will allow clients to record and access their favorite content at their convenience in any of the next generation boxes. In addition, this platform learns client preference and is able to recommend specific content based upon prior clients' viewing patterns. We are currently working to integrate other OTTs such as Amazon, HBO, among others. We believe our new TV product will transform the user experience at home on discoverability of content, access to a new dimension of video content at the highest quality available in the industry for home entertainment.

- **Local Content**: We continue to develop our portfolio of local content for our subscribers to give access to preferred local programs, news and events that generate high usage of our platform and increase loyalty from our customers.

***Continue to penetrate with our triple play offering.***

We believe we are among the leading providers of "triple play" services (paid television, broadband Internet and telephony services) in Panama. As of June 30, 2019, approximately 50.2% of our customers were using a triple play package. We believe we can leverage our leading position to continue expanding our B2C customer base and increase our revenue generation capacity from subscriptions for multiple services. We offer these triple play packages to our residential and commercial customers through an HFC cable network. Accordingly, we offer packages that bundle two or three services and offer customers a lower combined rate than if they contracted for these services separately with different providers. We believe bundling these services enables us to provide customers additional flexibility to select an appropriate mix of price and services as we seek to further increase our penetration rates and revenues. We offer these triple play packages to our residential and commercial customers through an HFC cable network. Following the Telefónica Panamá Acquisition, we intend to expand our service offerings to add the mobile services, which will also be part of bundled packages after we complete the integration process.

***Continue focusing on customer experience evolution (retention) and tracking.***

We track our customer experience at every point of contact with our company and evaluate our customers' feedback to enhance the customer journey and effectively deliver our services. We are adopting and deploying a net promoter score ("NPS") program, which we believe will strengthen our customer-centric culture. The NPS will allow us to gauge our customers' willingness to recommend our products and services to others and serves as a proxy for customer satisfaction and loyalty. In addition, as value-creation potential shifts from subscriber acquisition to retention, upsell, and cross-sell, we are sharpening our focus on customer base management to increase the sophistication with which we manage our customer base.

***Offer differentiated and affordable products and services.***

We aim to provide a wide range of affordable products and services accessible to consumers at all income levels by offering competitive rates and attractively-priced balance re-load denominations and services targeted to our customers' financial capabilities and usage patterns. Given the competitive nature of our market, we believe it is insufficient to compete solely on the basis of price. As a result, we focus on identifying and understanding the various customer segments in our market and structuring our pricing and promotions to address each customer segment's specific day-to-day needs and habits and to create growth that extends beyond product functionality and price. For the year ended December 31, 2018, our fixed broadband penetration level stood at approximately 43.1%, and we believe there is a significant opportunity in this product offering to foster brand loyalty.

**Recent Developments**

***Acquisition of Telefónica Panamá.***

On August 29, 2019, we acquired 100% of the share capital of Telefónica Panamá (44,687,308 shares) for $593.6 million from Telefónica Centroamérica, which is owned, directly and indirectly by Telefónica. The Telefónica Panamá Acquisition was part of Millicom's broader acquisition of Telefónica Centroamérica, which is a leading telecommunications platform with a presence in five Central American countries (Guatemala, Nicaragua, Costa Rica, El Salvador and Panama) and approximately 12.7 million subscribers.

For the six months ended June 30, 2019, Telefónica Panamá derived 87.9%, or $99.0 million, of its revenues from its mobile telephony services, and 9.3%, or $11.0 million from sales of mobile equipment. Incorporated in September 13, 1995 as BSC de Panamá, S.A. and subsequently renamed as Telefónica Panamá, S.A. on December 29, 2004, Telefónica Panamá, through its Movistar brand, is the mobile market leader by number of subscribers in Panama serving more than 1.7 million subscribers as of June 30, 2019, which represents approximately 35.9% market share of mobile subscribers in the country based on the GSMA Intelligence Report.

Telefónica Panamá offers a comprehensive range of high-quality nationwide mobile communications services to consumers through prepaid, contract-based or postpaid plans. Prepaid customers pay for service in advance through the purchase of wireless airtime and data access and do not enter into service contracts. As of June 30, 2019, Telefónica Panamá had more than 1.4 million prepaid mobile customers, representing 91.0% of total mobile customers. Postpaid customers pay recurring monthly fees for the right to consume up to a pre-determined maximum amount of airtime, SMS and data services. As of June 30, 2019, Telefónica Panamá had nearly 212,000 post-paid mobile customers, representing 13.0% of total mobile customers, and had 1.5 million prepaid subscribers representing 91.0% of the total base. As of June 30, 2019, Telefónica Panamá's total revenue increased from $107.4 million in 2018, to $113.1 million in 2019, an increase of 5.3%.

Telefónica Panamá offers its services through 2G, 3G and 4G networks across Panama. As of June 30, 2019 the company's 4G network covered 80.9% of the connection base, while the 3G network covered 88.7% of the connection base using 65Mhz of paired spectrum in the 700 Mhz (20Mhz), 850 Mhz (25Mhz) and 1,900 Mhz (20 Mhz) bands with licenses expiring in 2036. Telefónica Panamá's extensive 4G network enables Cable Onda to offer new services to B2C customers such as video calls and mobile broadband data with richer mobile content, such as live video streaming and roaming services.

We believe the Telefónica Panamá Acquisition is consistent with our strategy to increase market leadership, enhance our existing mobile services, continue improving and increasing mobile and fixed network coverage and capacity, as well as diversify our sources of cash flow. We expect the integration of Telefónica Panamá, will enable us to become the leading convergent provider in the market with a quadruple play services offering of paid television, broadband Internet, fixed telephony and mobile telephony. We expect to use the net proceeds from this offering to repay the outstanding amount under the Intercompany Bridge Loan Agreement (as defined below), which was used to finance the Telefónica Panamá Acquisition.

We expect to deploy Telefónica Panamá's network deployment plan over the next three years, leveraging its current advantageous positioning in 4G to capture the mobile data growth upside. As of June 30, 2019, Telefónica Panamá's wireless network included a total of 1,011 towers, 18.3% of which are owned by Telefónica Panamá, and 81.7% are leased by Telefónica Panamá. Approximately 79.0% of the total towers are upgraded to 4G.

This acquisition is significant in its purchase price and market expansion. It may represent a substantial increase of more than 50.0% of our consolidated assets, revenue and net income based on 2018 financial information. We have included interim and pro forma financial and other information for Telefónica Panamá in this offering memorandum, however such information is not necessarily indicative of the financial position and results of operations that would have occurred if this transaction had occurred on December 31, 2018.

*Telefónica Panamá Acquisition Financing.*

To finance the Telefónica Panamá Acquisition, Millicom entered into an intercompany agreement on August 27, 2019 (the "Intercompany Bridge Loan Agreement") with Cable Onda, at a 4% interest rate which is due on November 12, 2019. We intend to use the net proceeds of this offering to repay the outstanding amount under the Intercompany Bridge Loan Agreement used to finance the purchase of Telefónica Panamá and related costs and expenses, as well as to repay certain of our and Telefónica Panamá's debt, with the remainder, if any, to be used for general corporate purposes. See "Use of Proceeds."

***Pro Forma Operations of Cable Onda and Telefónica Panamá.***

With the Telefónica Panamá Acquisition, we expect to become a market leader across both fixed and mobile telecommunications across Panama. We believe our combined operations will represent the number one or two market position across our four core products: one in mobile, through Telefónica Panamá, one in broadband, one in Pay-TV and two in fixed voice. Moreover, with our combined extensive network across fixed and mobile lines with 10,000 km of HFC and built-out 3G and 4G coverage, we would be positioned to lead a new phase of telecommunications convergence in Panama.

Assuming the consummation of the acquisition of Telefónica Panamá had occurred on January 1, 2018, our pro forma condensed combined revenues for the six month period ended June 30, 2019 and the year ended December 31, 2018 would be $311.1 million and $607.4 million, respectively, with 37.0% and 36.0% generated from mobile services and 63.0% and 64.0% generated from traditional telecommunication services, respectively. See "Summary Unaudited Pro Forma Condensed Combined Financial Information" and "Unaudited Pro Forma Condensed Combined Financial Information" and the related notes thereto. See "Presentation of Financial and Other Information."

Below is a presentation of revenue and EBITDA for Cable Onda, Telefónica Panamá and the pro forma condensed combined for the six months ended June 30, 2019 and the year ended December 31, 2018.

| | **Cable Onda** | | **Telefónica Panamá** | | **Pro Forma Condensed Combined** | |
|---|---|---|---|---|---|---|
| **(in thousands of $)** | **For the Six Months Ended June 30, 2019** | **For the Year Ended December 31, 2018** | **For the Six Months Ended June 30, 2019** | **For the Year Ended December 31, 2018** | **For the Six Months Ended June 30, 2019** | **For the Year Ended December 31, 2018** |
| Revenue..................... | 198,071 | 388,426 | 113,095 | 219,367 | 311,054 | 607,355 |
| EBITDA(*)................. | 88,325 | 108,834 | 43,923 | 85,582 | 134,253 | 197,990 |
| EBITDA margin......... | 44.6 % | 28.0% | 38.8% | 39.0% | 43.2% | 33.0% |
| Adjusted EBITDA | 88,325 | 171,130 | 43,923 | 85,582 | 134,253 | 260,365 |
| Adjusted EBITDA margin | 44.6% | 44.1% | 38.8% | 39.0% | 43.2% | 42.9% |

* A reconciliation of EBITDA to Net income is included below under the captions "—Summary Historical Financial Data of Cable Onda" and "—Summary Historical Financial Data of Telefónica Panamá."

We expect to realize significant synergies over time as we integrate Telefónica Panamá into our operations. We intend to capitalize on cross-selling and up-selling opportunities through expanded product bundling designed to drive our overall ARPU across our new B2C and B2B customer mix.

Revenue breakdown for Cable Onda by core segments for the six months ended June 30, 2019 and the year ended December 31, 2018 is included in the chart below:

| Revenue (in thousands of $) | For the Six Months Ended June 30, 2019 | % | For the Year Ended December 31, 2018 | % |
|---|---|---|---|---|
| TV subscriptions | 75,711 | 38.2% | 151,616 | 39.7% |
| Data transmission, Internet and data center | 90,010 | 45.4% | 172,887 | 44.2% |
| Fixed-line service | 23,555 | 11.9% | 49,057 | 12.9% |
| Projects and solutions | 5,290 | 2.7% | 9,041 | 1.8% |
| Other services and revenue | 3,505 | 1.8% | 5,825 | 1.5% |
| Total | 198,071 | 100% | 388,426 | 100% |

Revenue breakdown by core segments for Telefónica Panamá for the six months ended June 30, 2019 and the year ended December 31, 2018 is included in the chart below:

| Revenue (in thousands of $) | For the Six Months Ended June 30, 2019 | % | For the Year Ended December 31, 2018 | % |
|---|---|---|---|---|
| Mobile service | 99,456 | 87.9% | 205,655 | 93.8% |
| Mobile equipment | 10,568 | 9.1% | 13,505 | 6.2% |
| Other services and revenue | 3,071 | 2.7% | 207 | — |
| Total | 113,095 | 100% | 219,367 | 100% |

***Waiver and Amendments to the 2025 Notes.***

We recently requested certain amendments to the terms of our 2025 Notes to increase the maximum permitted leverage ratio from 3.0x to 4.0x and to conform the definitions of "EBITDA" and "Indebtedness" to Millicom's general covenant package definitions, which include certain adjustments related to the impact of IFRS 16 *Leases* ("IFRS 16") See "Risk Factors—Certain risk factors relating to our business—Changes in accounting standards could adversely affect our financial results." We also requested that the holders of the 2025 Notes (i) temporarily waive the covenants under the 2025 Notes until the amendments are formally approved by the SMV and (ii) fully release our shares from the collateral trust securing the 2025 Notes.

The amendments to the 2025 Notes required approval from at least 51.0% of the existing holders of the 2025 Notes, while the release of the shares from the collateral trust require approval from at least 75.0% of the holders of the 2025 Notes (collectively, the "Required Holders"). On June 5, 2019 the Required Holders agreed to waive the covenants and to the proposed amendments to the terms of the 2025 Notes, including the release of the shares from the collateral trust. These proposed amendments were approved by the SMV through Resolution SMV No. 236-19 of June 17, 2019. See "Management's Discussion and Analysis of Operations of Cable Onda—Bond financing" for additional details regarding the (i) terms of 2025 Notes and (ii) waiver and proposed amendments to the terms of the 2025 Notes.

***Preliminary Results for the Third Quarter of 2019***

Preliminary estimates of our operating metrics for the quarter ended September 30, 2019 are presented below. We have not yet finalized our operating results for this period, and our consolidated financial statements as of and for the nine months ended September 30, 2019 are not expected to be available until after this offering is completed. Consequently, our actual operating results for the nine months ended September 30, 2019 will not be available to you prior to investing in this offering. These preliminary results represent our estimates which are based only on currently available information and do not present all necessary information for an understanding of our financial condition as of September 30, 2019 or our results of operations for the nine months ended September 30, 2019. Accordingly, these preliminary results may differ materially from our actual operating results as a result of our recent acquisition of Telefónica Panamá and other developments that occur after the date of this offering memorandum. Therefore, you should not place undue reliance on these preliminary estimates of our operating results. See “Forward-Looking Statements.”

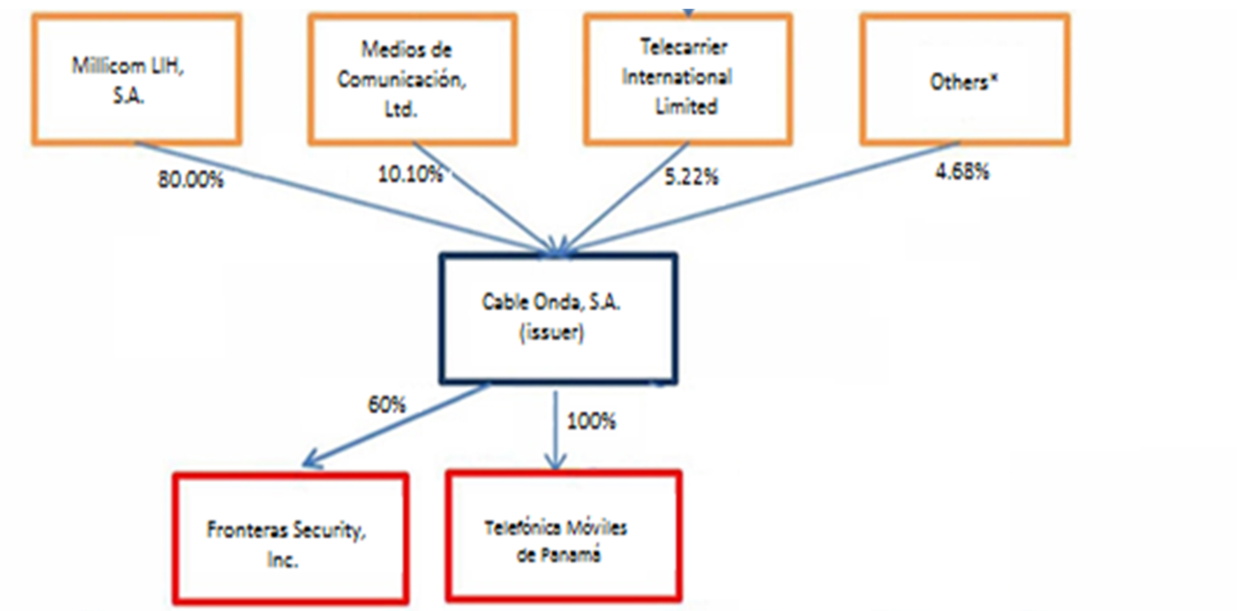
Our actual operating results remain subject to the completion of our quarter-end closing process, which includes review by management and our board of directors. As we complete the quarter-end financial close process, carry out procedures and finalize our financial statements for the nine-months ended September 30, 2019, we will be required to make significant judgments to the preliminary estimates of our operating results. As a result, our actual operating results could be outside of the ranges set forth below and such differences could be material.

The preliminary estimates of our financial results included below have been prepared by, and are the responsibility of, our management. Our independent registered public accountants have not audited, reviewed or performed any procedures with respect to such preliminary estimates of our operating results. Accordingly, Ernst & Young expresses no opinion or any other form of assurance with respect thereto. The information presented herein should not be considered a substitute for the financial information to be presented in our quarterly financial statements for the nine months ended September 30, 2019 once it becomes available. We have no intention or obligation to update the preliminary estimates of our operating results set forth below.

For the nine months ended September 30, 2019, we currently estimate revenue of approximately \$313.0 million to \$315.0 million and EBITDA of approximately \$149.0 million to \$151.0 million on a consolidated basis.

***Corporate Structure***

The chart below sets forth a summary of our corporate structure after the completion of the Telefónica Panamá Acquisition. For a description of Millicom International Cellular S.A., see “Certain Relationships and Related Party Transactions—Millicom International Cellular S.A.”




* Others: Tenedora Activa, S.A. (2.89%), IGP Trading Corp. (1.59%) and Nicolás González Revilla Paredes (0.20%)

***Corporate Headquarters***

Our principal executive offices are located at Urbanización Costa del Este, Avenida de la Rotonda, MGT Building, 4th Floor, Panama City, Panama. Our website is https://www.cableonda.com/. The information that is contained in, or that is accessible through, our website is not part of this offering memorandum.

### *The Offering*

The information that follows is a summary of the principal terms and conditions of and risk factors related to the offering. This summary is not intended to be complete. Potential investors interested in the Notes should read this section together with all of the information contained in this offering memorandum before making their investment decisions and should also request clarification if they do not understand any term or condition, including the risk factors relating to this offering. For a more detailed description of the Notes, see “Description of Notes.”

| | |
|---|---|
| Issuer............................................. | Cable Onda, S.A., a corporation organized according to the laws or the Republic of Panama since September 7, 1990, as evidenced in the Panamanian Public Registry, File 238626 of the Mercantile Section. |
| Notes Offered................................. | $ aggregate principal amount of % Senior Notes due 20 payable in U.S. dollars (the “Notes”), registered with the SMV and the PSE. |
| Issue Price ...................................... | % of the principal amount, plus accrued interest, if any, from , 2019. |
| Issue Date....................................... | , 2019. |
| Maturity Date ................................. | , 20 . |
| Interest Payment Dates.................... | and , beginning , 2020. |
| Interest............................................ | The Notes will bear interest from , 2019 at a rate to be notified to the SMV and the PSE prior to the Issue Date through a pricing term sheet, payable beginning on , 2020 and thereafter semiannually in arrears on each interest payment date. |
| Additional Amounts ........................ | Any and all payments in respect of the Notes shall be made free and clear of, and without withholding or deduction for, any present or future taxes, levies, imposts or charges whatsoever imposed by Panama, Luxembourg, or any political subdivision or any authority thereof or therein having power to tax or any other jurisdiction in which we are doing business or from or through which payment is made or deemed made by or on our behalf or any political subdivision thereof or therein, unless such withholding or deduction is required by law. In that event, we shall pay, subject to certain customary exceptions, such additional amounts as may be necessary in order that the net amounts paid to the holders of the Notes after such deduction or withholding shall equal the respective amounts of principal (and premium, if any) and interest specified in the Notes. See “Description of Notes—Additional Amounts.” |
| Indenture ........................................ | The Notes will be issued under an Indenture, to be dated as of , 2019, by and among us, Citibank, N.A., as trustee (the “Trustee”), Note registrar, transfer agent and principal paying agent, and Banque Internationale à Luxembourg SA, as Luxembourg paying agent. |
| Use of Proceeds.............................. | We intend to use the net proceeds of this offering to repay the outstanding amount under the Intercompany Bridge Loan Agreement used to finance the purchase of Telefónica Panamá and related costs and expenses, as well as to repay certain of our and Telefónica Panamá’s debt, with the remainder, if any, to be used for general corporate purposes. See “Use of Proceeds” for further details. |
| Ranking .......................................... | The Notes will be our unsecured unsubordinated obligations and will rank equal in right of payment with all of our existing and future unsecured |

and unsubordinated obligations, other than all obligations granted preference under applicable law. The Notes will be effectively subordinated to all of our secured indebtedness with respect to the value of our assets securing that indebtedness. The Notes will be structurally subordinated to all of the existing and future obligations of our subsidiaries.

As of June 30, 2019, we had consolidated total indebtedness of $342.2 million, none of which was secured by collateral and Telefónica Panamá had total consolidated indebtedness of $80.2 million. On a pro forma basis after giving effect to the Telefónica Panamá Acquisition, the offer and sale of the Notes, and the application of the net proceeds from this offering as described under "Use of Proceeds," as of June 30, 2019, we would have had consolidated total indebtedness of $ million.

Optional Redemption ......................

We will not be permitted to redeem the Notes before their stated maturity, except as set forth below and under "—Repurchase or Redemption Prior to Settlement" and "—Tax Redemption."

The Notes will be redeemable, at any time and from time to time, prior to , 20 in whole or in part, at our option at a redemption price equal to the greater of (i) 100% of the principal amount of the Notes to be redeemed and (ii) the sum of the present values of the Remaining Scheduled Payments (as defined in "Description of Notes") of principal and interest on the Notes to be redeemed (exclusive of interest accrued to the redemption date) discounted to that redemption date on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate (as defined in "Description of Notes") plus 50 basis points; plus accrued and unpaid interest on the principal amount of the Notes being redeemed to, but not including, the date of redemption and any additional amounts payable in respect of such interest. The Notes will be redeemable at any time and from time to time on or after , 20 in whole or in part, at a redemption price equal to the applicable percentage of the principal amount set forth below plus accrued and unpaid interest to the redemption date:

| 12-month period commencing on | Percentage |
|---|---|
| , 20 | % |
| , 20 | % |
| , 20 and thereafter | 100.000% |

Notwithstanding the foregoing, payments of interest on the Notes will be payable to the holders of those Notes registered as such at the close of business on the relevant record dates according to the terms and provisions of the Indenture.

At any time and from time to time prior to , 20 we may redeem the Notes to the extent of the net cash proceeds received from certain equity offerings at a redemption price equal to % of the principal amount plus accrued and unpaid interest to the redemption date, in an aggregate principal amount for all such redemptions not to exceed 40.0% of the original aggregate principal amount of the Notes.

In connection with any tender offer or other offer to purchase all of the Notes, if holders of not less than 90.0% of the aggregate principal amount of the then outstanding Notes validly tender and do not validly withdraw such Notes in such tender offer and we, or any third party making such tender offer in lieu of us, purchases all of the Notes validly tendered and not validly withdrawn by such holders, we or such third party will have the right to redeem all Notes that remain outstanding following such purchase at a price equal to the price paid to each other holder in such tender offer, plus, to the extent not included in the tender offer payment, accrued and unpaid interest, if any, thereon, to, but excluding, the date of such redemption.

| | |
|---|---|
| Change of Control .......................... | Upon the occurrence of certain events relating to a Change of Control Triggering Event (as defined under "Description of Notes—Change of Control"), we shall be required under the Indenture and the Notes to offer to the existing holders of the Notes the right to require us to repurchase all or a portion of the Notes on the terms set forth in the Indenture. See "Description of Notes—Change of Control." |
| Tax Redemption ............................. | We may, at our option, redeem the Notes, in whole but not in part, at 100% of their principal amount plus, accrued and unpaid interest and additional amounts, if any, upon the occurrence of specified events relating to applicable tax laws. See "Description of Notes—Tax Redemptions." |
| Repurchase or Redemption Prior to Settlement ...................................... | The Notes will be offered for sale by the Issuer and purchased by a representative of the Initial Purchasers (and any other purchasers pursuant to the PSE bidding process described herein) on the PSE. The settlement will take place ( ) Business Days after the local trading date. However, consummation of the sale and purchase of the Notes on the settlement date as contemplated in the purchase agreement will be conditioned upon the Initial Purchasers' satisfaction on the settlement date that all Conditions have been met or waived on or prior to the settlement date. In addition, the purchase agreement permits the Initial Purchasers to terminate their respective obligations to purchase the Notes upon certain Termination Events. If the Initial Purchasers were to determine on or prior to the settlement date, in accordance with the terms of the purchase agreement, that any of such Conditions has not been satisfactorily met or waived, a Termination Event has occurred or the Issuer and the Initial Purchasers mutually agree, the Initial Purchasers have the right to require the Issuer to repurchase the Notes on the settlement date by delivering a notice to the Issuer, and in that event, the Issuer shall repurchase on the settlement date, the Notes sold on the PSE pursuant to the PSE rules on the settlement date and in addition, in the case of a repurchase in whole, the Issuer shall repurchase or redeem (at its option) on the settlement date all Notes sold to other purchasers on the PSE. The repurchase price (and, if redemption of any Notes is required, the redemption price) shall be equal to the price payable to the Issuer for the Notes (including any premium, discount and/or prepaid interest), and no make-whole premium or any other amounts shall be payable in connection therewith. The Issuer's obligation to pay the repurchase price for the Notes acquired by the Initial Purchasers and the Issuer's obligation to pay the repurchase or redemption price for the Notes acquired by other purchasers (in the case of any redemption, to the greatest extent possible) will be set off against the Initial Purchasers' respective obligations (and the other purchasers' obligation, as applicable) to pay the purchase price for such Notes. See "Plan of Distribution." |
| Certain Covenants .......................... | The Indenture will contain restrictive covenants that, among other things |

and subject to certain exceptions, limit our ability and the ability of our restricted subsidiaries to:

- incur, assume or guarantee additional indebtedness;
- pay dividends or distributions on, or redeem or repurchase, our capital stock or subordinated debt;
- make certain investments and other restricted payments;
- make dividend or other payments affecting our subsidiaries;
- incur liens;
- guarantee our subordinated debt;
- dispose of assets;
- enter into certain transactions with affiliates;
- engage in lines of business other than our core business and related businesses; and
- consolidate, merge or transfer all or substantially all of our assets and the assets of our restricted subsidiaries.

These covenants are subject to important exceptions and qualifications as described under "Description of Notes—Certain Covenants of the Company."

If on any date the Notes have an investment grade rating from both Rating Agencies (as defined herein) and no Event of Default (as defined herein) has occurred and is continuing and notwithstanding that the Notes may later cease to have such investment grade ratings, the Company and its restricted subsidiaries will be released from their obligations to comply with all or portions of certain covenants including, but not limited to, the covenants that restrict their ability to incur indebtedness, pay dividends or make investments, dispose of assets and consolidate, merge or transfer all or substantially all of the Company's assets and the assets of its restricted subsidiaries. See "Description of Notes—Certain Covenants of the Company—Release from Certain Covenants."

Events of Default ............................ The Notes and the Indenture will contain certain events of default, consisting of, among others, the following:

- failure to pay principal (or premium, if any) when due;
- failure to pay interest and other amounts within 15 days of the due date therefor;
- default in the payment of principal and interest on Notes required to be purchased pursuant to an offer to purchase when due and payable;
- breach of the covenants in the Indenture limiting the incurrence of debt and mergers, consolidations and sale of assets;

- breach of the other covenants or agreements in the Indenture or the Notes that continues for 60 days after notice;

- acceleration of our or our material subsidiaries' indebtedness or a failure to pay indebtedness when due at final maturity that, individually or in aggregate, equals or exceeds $25.0 million;

- certain judgments against us or our material subsidiaries that equal or exceed $25.0 million in the aggregate; and

- certain events of bankruptcy, intervention, administration, insolvency reorganization or liquidation involving us or our material subsidiaries.

For a full description of the Events of Default, see "Description of Notes—Events of Default."

| | |
|---|---|
| Book-Entry; Form and Denominations | The Notes will be issued in the form of one or more global Notes in fully registered form without interest coupons, in minimum denominations of $200,000 and integral multiples of $1,000 in excess thereof. Payments on the Notes will be settled in same-day funds to the extent received from us.<br><br>The Notes will be delivered in book-entry form through the facilities of the DTC for the accounts of its participants, including Euroclear Bank S.A/N.V., as the operator of the Euroclear System ("Euroclear"), Clearstream Banking, *société anonyme*, Luxembourg ("Clearstream"). Beneficial interests in the Notes may be held in Panama through LatinClear, a participant in Euroclear and Clearstream.<br><br>For a description of form and settlement, see "Description of Notes—Settlement, Clearing and Registration of the Notes." |
| Listing ............................................ | The Notes will be registered with the SMV and will be listed on the Bolsa de Valores de Panama (PSE) – Panamanian Stock Exchange. Application will be made to admit the Notes to listing on the Official List of the Luxembourg Stock Exchange and to trading on the Euro MTF Market. |
| Expected Ratings............................ | |
| Panamanian Broker Dealer ............ | BG Investment Co. Inc. |
| Transfer Restrictions ...................... | The Notes will not be registered under the Securities Act. The Notes are being offered (a) in the United States in reliance upon an exemption from the registration requirements of the Securities Act only to "qualified institutional buyers" (as defined in Rule 144A under the Securities Act ("Rule 144A")), or (b) outside the United States in compliance with Regulation S under the Securities Act to persons who are not U.S. persons (as defined in Regulation S). See "Transfer Restrictions." |
| Governing Law .............................. | The Indenture and the Notes will be governed by, and construed in accordance with, the laws of the State of New York. |
| Risk Factors ................................... | You should carefully consider all of the information contained in this offering memorandum prior to investing in the Notes. In particular, we urge you to carefully consider the information set forth under "Risk |

Factors” beginning on page 26.

### *Summary Historical Financial Data of Cable Onda*

The following table presents our summary historical financial data. The income statement and cash flow data for the years ended December 31, 2018 and 2017 and the statement of financial position data as of December 31, 2018 and 2017 set forth below have been derived from our audited financial statements included in this offering memorandum. The income statement data for the six-month periods ended June 30, 2019 and 2018 and the statement of financial position data as of June 30, 2019 and 2018 set forth below have been derived from our unaudited financial statements included in this offering memorandum.

This data is qualified in its entirety by reference to, and should be read in conjunction with, our Financial Statements and accompanying Notes, "Capitalization," "Selected Historical Financial Data of Cable Onda" and "Management's Discussion and Analysis of Financial Condition and Results of Operations of Cable Onda" included in this offering memorandum. The historical results are not necessarily indicative of our future results of operations or financial condition.

| | **For the Six Months Ended June 30,** | | **For the Years Ended December 31,** | |
|---|---|---|---|---|
| | **2019** | **2018** | **2018** | **2017** |
| **Income Statement Data** | **(in thousands of $)** | | | |
| **Revenue** | **198,071** | **195,136** | **388,426** | **374,110** |
| TV subscriptions | 75,711 | 77,389 | 151,616 | 149,734 |
| Data transmission, Internet and data center | 90,010 | 86,323 | 172,887 | 160,986 |
| Fixed-line services | 23,555 | 25,080 | 49,057 | 49,862 |
| Projects and solutions | 5,290 | 3,509 | 9,041 | 7,156 |
| Other services and revenue | 3,505 | 2,835 | 5,825 | 6,372 |
| **Costs and expenses** | **154,034** | **150,672** | **361,090** | **282,172** |
| Programming and operating costs | 90,693 | 79,480 | 167,363 | 145,802 |
| General, sales and administrative expenses | 63,342 | 71,192 | 193,727 | 136,370 |
| **Operation income** | **44,037** | **44,464** | **27,336** | **91,938** |
| Financial expense | 8,720 | 6,579 | 13,607 | 12,692 |
| **Income before income tax** | **35,317** | **37,885** | **13,729** | **79,246** |
| Income tax | (9,610) | (7,302) | (9,553) | (20,647) |
| **Net income** | **25,707** | **30,583** | **4,176** | **58,599** |
| Attributable to: | | | | |
| Controlling interest | 25,707 | 30,610 | 4,379 | 58,743 |
| Non-controlling interest | (1) | (27) | (203) | (144) |

| | **As of June 30,** | | **As of December 31,** | |
|---|---|---|---|---|
| | **2019** | **2018** | **2018** | **2017** |
| **Statement of Financial Position Data** | **(in thousands of $)** | | | |
| Cash and cash equivalents | 20,142 | 33,698 | 6,486 | 6,433 |
| Total assets | 532,208 | 510,502 | 487,778 | 449,072 |
| Current liabilities | 130,114 | 65,150 | 123,377 | 64,190 |
| Long-term liabilities | 278,556 | 301,713 | 266,569 | 269,245 |
| Total liabilities | 408,670 | 366,863 | 389,946 | 333,435 |
| Total shareholders' equity | 123,538 | 143,639 | 97,832 | 115,637 |

| | **For the Six Months Ended June 30,** | | **For the Years Ended December 31,** | |
|---|---|---|---|---|
| | **2019** | **2018** | **2018** | **2017** |
| **Cash Flow Data** | **(in thousands of $)** | | | |
| **Net cash provided by (used in)** | | | | |

| Cash Flow Data | For the Six Months Ended June 30, 2019 | For the Six Months Ended June 30, 2018 | For the Years Ended December 31, 2018 | For the Years Ended December 31, 2017 |
|---|---|---|---|---|
| | (in thousands of $) | | | |
| Operating activities | 53,577 | 63,974 | 109,773 | 130,206 |
| Investing activities | (38,339) | (64,932) | (96,153) | (88,364) |
| Financing activities | (1,581) | 8,820 | (13,567) | (44,289) |

| Other Financial Data | For the Six Months Ended June 30, 2019 | For the Six Months Ended June 30, 2018 | For the Years Ended December 31, 2018 | For the Years Ended December 31, 2017 |
|---|---|---|---|---|
| | (in thousands of $) | | | |
| Adjusted EBITDA (1) | 92,785 | 82,470 | 171,130 | 159,721 |
| Adjusted EBITDA Margin | 47% | 42% | 44% | 43% |
| Capital expenditures | 37,988 | 19,404 | 95,187 | 85,223 |
| Capital expenditures as a percentage of revenue | 19% | 10% | 24% | 23% |

(1) We define Adjusted EBITDA for any period as net income for such period, plus excluding depreciation and amortization, interest expense, income tax, certain non-recurring items related to Millicom's acquisition of Cable Onda, and Other, which represents adjustments derived from the adoption of IFRS 15 and other non-recurring items. The following table presents a reconciliation of Adjusted EBITDA to Net income:

| | For the Six Months Ended June 30, 2019 | For the Six Months Ended June 30, 2018 | For the Years Ended December 31, 2018 | For the Years Ended December 31, 2017 |
|---|---|---|---|---|
| | (in thousands of $) | | | |
| **Net income** | 25,707 | 30,583 | 4,176 | 58,599 |
| Depreciation and amortization | 40,534 | 35,708 | 81,498 | 67,783 |
| Interest expense, net | 8,720 | 6,579 | 13,607 | 12,692 |
| Income tax | 9,610 | 7,302 | 9,553 | 20,647 |
| **EBITDA** | **88,325** | **82,470** | **108,834** | **159,721** |
| Costs incurred by Cable Onda associated with its sale to Millicom(a) | - | - | 53,844 | - |
| Other(b) | - | - | 8,452 | - |
| **Adjusted EBITDA** | 88,325 | 82,470 | 171,130 | 159,721 |

(a) These items represent transaction costs allocated to Cable Onda for the acquisition process led by Millicom, incuding consulting fees, severance payments, special bonuses and other costs.

(b) Other represents adjustments derived from the adoption of IFRS 15 and other non-recurring items.

### *Summary Historical Financial Data of Telefónica Panamá*

The following table presents the summary historical financial data for Telefónica Panamá. The income statement and cash flow data for the years ended December 31, 2018 and 2017 and the statement of financial position data as of December 31, 2018 and 2017 set forth below have been derived from the Telefónica Panamá Audited Financial Statements included in this offering memorandum. The income statement data for the six-month periods ended June 30, 2019 and 2018 and the statement of financial position data as of June 30, 2019 and 2018 set forth below have been derived from Telefónica Panamá's unaudited financial statements included in this offering memorandum

This data is qualified in its entirety by reference to, and should be read in conjunction with, the Telefónica Panamá Financial Statements and accompanying Notes, "Capitalization" and "Management's Discussion and Analysis of Financial Condition and Results of Operations of Telefónica Panamá" included in this offering memorandum. The historical results are not necessarily indicative of our future results of operations or financial condition.

| | For the Six Months Ended June 30, | | For the Years Ended December 31, | |
|---|---|---|---|---|
| | **2019** | **2018** | **2018** | **2017** |
| **Income Statement Data** | (in thousands of $) | | | |
| **Revenue** | **113,095** | **107,392** | **219,367** | **211,642** |
| Revenue from contracts with customers | 112,723 | 107,281 | 219,160 | 210,980 |
| Other services and revenue | 371 | 111 | 207 | 662 |
| **Costs and expenses** | **91,421** | **84,570** | **165,204** | **171,665** |
| Direct costs of operation and acquisition of subscribers | 36,025 | 39,565 | 77,527 | 79,258 |
| Personnel expenses | 8,156 | 7,085 | 12,287 | 14,117 |
| Depreciation and amortization | 22,250 | 16,217 | 31,419 | 38,278 |
| Loss due to impairment of financial assets | 1,021 | 45 | 132 | – |
| Loss due to impairment of contract assets | (47) | -- | (9) | – |
| Other operating income | 107 | (277) | (398) | (584) |
| Other operating expenses | 24,029 | 21,935 | 44,246 | 40,596 |
| **Income from operations** | **21,674** | **22,822** | **54,163** | **39,977** |
| Financial income | 443 | 448 | 820 | 175 |
| Financial expense | (3,164) | (2,052) | (4,244) | (4,644) |
| **Profit before income tax** | **18,953** | **21,218** | **50,739** | **35,508** |
| Income tax | (4,626) | (5,429) | (12,245) | (9,505) |
| **Net income** | **14,327** | **15,789** | **38,494** | **26,003** |

| | As of June 30, | | As of December 31, | |
|---|---|---|---|---|
| | **2019** | **2018** | **2018** | **2017** |
| **Statement of Financial Position Data** | (in thousands of $) | | | |
| Cash and cash equivalents | 12,113 | 13,626 | 15,882 | 12,481 |
| Total assets | 341,262 | 281,569 | 292,048 | 285,284 |
| Current liabilities | 96,148 | 89,349 | 97,847 | 96,793 |
| Long-term liabilities | 115,229 | 57,231 | 78,643 | 69,869 |
| Total liabilities | 211,377 | 146,580 | 176,490 | 166,662 |
| Total shareholders' equity | 129,885 | 134,990 | 115,558 | 118,622 |

| | For the Six Months Ended June 30, | | For the Year Ended December 31, | |
|---|---|---|---|---|
| | **2019** | **2018** | **2018** | **2017** |
| **Cash Flow Data** | (in thousands of $) | | | |
| **Net cash provided by (used in)** | | | | |
| Operating activities | 19,067 | 17,672 | 78,004 | 70,423 |
| Investing activities | (7,584) | (6,892) | (29,391) | (25,804) |

| | For the Six Months Ended June 30, | | For the Year Ended December 31, | |
|---|---|---|---|---|
| | 2019 | 2018 | 2018 | 2017 |
| **Cash Flow Data** | (in thousands of $) | | | |
| Financing activities | (15,253) | (9,635) | (45,211) | (37,771) |

The following table presents a reconciliation of Telefónica Panamá's net income to EBITDA, which is defined as net income before depreciation and amortization, interest expense, and income tax.

| | For the Six Months Ended June 30, | | For the Year Ended December 31, | |
|---|---|---|---|---|
| | 2019 | 2018 | 2018 | 2017 |
| | (in thousands of $) | | | |
| **Net income** | **14,327** | **15,789** | **38,494** | **26,003** |
| Depreciation and amortization | 22,250 | 16,217 | 31,419 | 38,278 |
| Interest expense, net | **2,720** | **1,604** | 3,424 | 4,469 |
| Income tax | 4,626 | 5,429 | 12,245 | 9,505 |
| **EBITDA** | **43,924** | **39,039** | 85,582 | 78,255 |

***Summary Unaudited Pro Forma Condensed Combined Financial Information***

On August 29, 2019, we completed the Telefónica Panamá Acquisition and Telefónica Panamá became our wholly owned subsidiary. The following summary unaudited pro forma condensed combined financial information has been prepared for illustrative purposes only and is not necessarily indicative of what the combined company's financial position or results of operations actually would have been had the Telefónica Panamá Acquisition been completed as of the dates indicated. In addition, the summary unaudited pro forma condensed combined financial information does not purport to project the future financial position or results of operations of the combined company. Future results may vary significantly from the results reflected because of various factors, including those discussed in the section entitled "Risk Factors" beginning on page 26 of this offering memorandum. The following summary unaudited pro forma condensed combined financial information should be read in conjunction with the sections entitled "Selected Historical Financial Data of Cable Onda," "Selected Historical Financial Data of Telefónica Panamá" and "Unaudited Pro Forma Condensed Combined Financial Information" and the related Notes.

The following summary unaudited pro forma condensed combined statement of income data for the six months ended June 30, 2019 and the year ended December 31, 2018 gives effect to the Telefónica Panamá Acquisition as if it was completed on January 1, 2018 and the unaudited pro forma condensed combined balance sheet data as of June 30, 2019 and December 31, 2018, gives effect to the Telefónica Panamá Acquisition as if it occurred on June 30, 2019 and December 31, 2018, respectively.

| | **For the Six Months Ended June 30,** | **For the Year Ended December 31,** |
|---|---|---|
| | **2019** | **2018** |
| **Pro Forma Income Statement Data** | **(in thousands of $)** | |
| **Revenue** | **311,054** | **607,355** |
| TV subscriptions | 75,711 | 151,616 |
| Data transmission, Internet and data center | 90,010 | 172,887 |
| Fixed-line services | 23,555 | 49,057 |
| Projects and solutions | 5,290 | 9,041 |
| Mobile service | 102,043 | 205,217 |
| Mobile equipment | 10,568 | 13,505 |
| Other services and revenue | 3,877 | 6,032 |
| **Costs and expenses** | **243,339** | **522,282** |
| Programming and operating costs | 32,506 | 56,389 |
| Direct costs of operation and acquisition of subscribers | 49,924 | 107,003 |
| Personnel expenses | 35,500 | 110,171 |
| Depreciation and amortization | 66,538 | 112,917 |
| General, sales and administrative expenses | 54,696 | 129,500 |
| Loss due to impairment of financial assets | 1,021 | 132 |
| Loss due to impairment of contractual assets | 47 | (9) |
| Other operating income | (107) | (398) |
| Other operating expenses | 3,215 | 6,577 |
| **Income from operations** | **67,715** | **85,073** |
| Financial income | 443 | 820 |
| Financial expense | (29,134) | (52,351) |
| **Profit before income tax** | **39,024** | **33,542** |
| Income tax | 14,737 | 22,692 |
| **Net income** | **24,287** | **10,851** |
| Attributable to: | | |
| Controlling interest | 24,288 | 11,054 |
| Non-controlling interest | (1) | (203) |
| Adjusted EBITDA(1) | 143,473 | 260,365 |

(1) The following table shows a reconciliation of Pro forma Adjusted EBITDA to Pro forma Net income:

| | For the Six Months Ended June 30, 2019 | For the Year Ended December 31, 2018, |
|---|---|---|
| | (in thousands of $) | |
| **Pro Forma** | | |
| Net Income | 28,747 | 10,851 |
| Depreciation and amortization | 66,538 | 112,917 |
| Interest expenses, net | 28,690 | 54,406 |
| Income tax | 14,738 | 22,692 |
| **EBITDA** | 143,473 | 197,900 |
| Costs incurred by Cable Onda associated with its sale to Millicom(1) | — | 53,844 |
| Other(2) | — | 8,452 |
| Adjusted EBITDA | 143,473 | 260,196 |

(1) These items represent transaction costs allocated to Cable Onda for the acquisition process led by Millicom, incuding consulting fees, severance payments, special bonuses and other costs.

(2) Other represents adjustments derived from the adoption of IFRS 15 and other non-recurring items.

In addition, set forth below is summary unaudited pro forma data, which, in addition to reflecting the Telefónica Panamá Acquisition, reflects the anticipated impact of this offering and the use of proceeds therefrom.

| | As of June 30, 2019 |
|---|---|
| | (in thousands of $) |
| **Pro Forma** | |
| Current portion of long-term loans | 70,877 |
| **Current liabilities** | **226,150** |
| Long-term loans payable | 87,480 |
| Bonds payable, net | 783,937 |
| **Non-current liabilities** | **993,786** |
| **Cash** | **38,622** |
| **Total (financial) Debt** | **942,294** |
| **Net (financial) Debt** | **903,672** |
| **Ratio of Net Debt to Adjusted EBITDA(1)** | **3.5** |
| **Ratio of Adjusted EBITDA to Interest Expense** | **3.4** |

(1) The ratio is calculated assuming a fully annualized Adjusted EBITDA for 2018 ($260.4 million).

## Risk Factors

*You should carefully consider the risks and uncertainties described below as well as the other information in this offering memorandum before making an investment in the Notes. The risks described below are not the only ones that may affect our company, our Notes or investments in Panama in general. Our business, financial condition or results of operations could be materially adversely affected by any of these risks. Additional risks not presently known to us or that we currently deem immaterial may also impair our business operations. In general, investing in the securities of issuers in emerging market countries, such as Panama, could involve a higher degree of risk than investing in the securities of issuers in the United States. There are a number of factors, including those described below, which may adversely affect our ability to make payments on the Notes.*

*This offering memorandum also contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of certain risk factors, including the risks faced by us described below and elsewhere in this offering memorandum. See "Cautionary Statement Regarding Forward-Looking Statements."*

***Certain risk factors relating to our business***

***Our level of indebtedness may affect our flexibility in operating and developing our business and our ability to satisfy our obligations.***

As of June 30, 2019, we had consolidated total indebtedness of $342.2 million, none of which was secured by collateral and Telefónica Panamá had total indebtedness of $80.2 million. On a pro forma basis after giving effect to the Telefónica Panamá Acquisition, the offer and sale of the Notes, and the application of the net proceeds from this offering as described under "Use of Proceeds," as of June 30, 2019, we would have had consolidated total indebtedness of $ million.

Our level of indebtedness may have important consequences to investors, including:

- limiting our ability to generate sufficient cash flow to satisfy our obligations with respect to our indebtedness, particularly in the event of a default under one of our other debt instruments;
- limiting cash flow available to fund our working capital, capital expenditures or other general corporate requirements;
- requiring us to dedicate a portion of our cash flow from operations to service and repaying our indebtedness, which may place us at a competitive disadvantage with respect to our competitors with less debt;
- increasing our vulnerability to adverse economic and industry conditions, including increases in interest rates, foreign currency exchange rate fluctuations and market volatility;
- limiting our ability to obtain additional financing to refinance debt or to fund future working capital, capital expenditures, other general corporate requirements and acquisitions and other opportunities on favorable terms or at all;
- limiting our flexibility in planning for, or reacting to, changes in our business and the industry; and
- limiting our ability to make acquisitions, investments or generally take advantage of corporate opportunities.

To the extent that we incur additional debt, the risks outlined above could increase.

If we enter into a new credit facility in the future, we will have additional covenants, including financial and maintenance covenants. In addition, our actual cash requirements in the future may be greater than expected. Our cash flow from operations may not be sufficient to repay all of our outstanding debt as it becomes due, and we may not be able to borrow money, sell assets or otherwise raise funds on acceptable terms, or at all, to refinance our debt.

***We operate only in Panama.***

We are a company operating in Panama, where substantially all of our operations, property and customers are located. We are not geographically diversified, and as a result, our business, financial condition and results of operations depend primarily on macroeconomic and political conditions prevailing in Panama. Political events in Panama may significantly affect our operations. Our operations could also be adversely affected by natural or man-made disasters, as well as government actions, such as controls on imports, exports and prices, tariffs, new forms of taxation, or changes in fiscal regimes and increased government regulation in Panama. A significant decline in the economic growth of any of Panama's major trading partners (*e.g.*, their export partners the U.S., Canada, the Netherlands, Sweden or their import partners the U.S., China, Mexico, South Korea, Japan and Columbia) could adversely affect Panama's economic growth and materially impact our financial condition and results of operation.

***We operate in a highly competitive business environment which could materially and adversely affect our business, financial condition, results of operations and liquidity.***

We operate in a highly competitive, consumer-driven industry and we compete against a variety of broadband, Pay-TV and telephony providers and delivery systems, including broadband communications companies, wireless data and telephony providers, satellite-delivered video signals, Internet-delivered video content and broadcast television signals available to residential and business customers in our service areas. In addition, our Pay-TV services compete with all other sources of leisure, news, information and entertainment, including movies, sporting or other live events, radio broadcasts, home-video services, console games, print media and the Internet.

More than 96.0 % and 95.6% of our income during the 2018 fiscal year and the six months ended June 30, 2019, respectively, came from paid television services, data and Internet services and local and international landline telephone services in Panama. A shift in consumer preferences towards other sources in the telecommunication services in Panama could result in a reduction in our income, which could adversely affect our cash flow and results of operations.

In addition, our ability to generate income depends on our ability to retain and increase our client base. In order to attract new clients, we must incur certain costs, including sales commissions, market expenses, installation costs, and investment on acquisition of new equipment. Although, we should recover these costs and investments in time, through the future income of these clients, if we have high client rotation rates, we could stop recovering a big part of these costs, which could have an adverse impact in the cost effectiveness of our business and our operative results.

Another source of competition for our Pay-TV services is the delivery of video content over the Internet directly to customers, some of which is offered without charging a fee for access to the content. This competition comes from a number of different sources, including companies that deliver movies, television shows and other video programming over broadband Internet connections, such as Netflix, iTunes, YouTube, SKY, among others. It is possible that additional competitors will enter the market and begin providing video content over the Internet directly to customers. Increasingly, content owners, such as HBO, CBS and ESPN, are selling their programming directly to consumers over the Internet without requiring a Pay-television subscription. The availability of these services has and will continue to adversely affect customer demand for our Pay-TV services, including premium and on-demand services. Further, due to consumer electronics innovations, consumers are able to watch such Internet-delivered content on television sets and mobile devices, such as smartphones and tablets. Internet access services are also offered by providers of wireless services, including traditional cellular phone carriers and others focused solely on wireless data services. All wireless carriers have started to offer unlimited data plans, which could, in some cases, become a substitute for the fixed broadband services we provide.

We also face competition for our advertising sales from traditional and non-traditional media outlets, such as radio and television stations, traditional print media and the Internet, including Facebook, Google and others. The effects of competition may also adversely affect our liquidity and ability to service our debt.

***We face significant risks as a result of rapid changes in technology, consumer expectations and behavior.***

The broadband communications industry has undergone significant technological development over time and these changes continue to affect our business, financial condition and results of operations. Such changes have had, and will continue to have, a profound impact on consumer expectations and behavior. Our video business faces technological change risks as a result of the continuing development of new and changing methods for delivery of programming content such as Internet-based delivery of movies, shows and other content which can be viewed on televisions, wireless devices and other developing mobile devices. Consumers' video consumption patterns are also evolving, for example, with more content being downloaded for time-shifted consumption. A proliferation of delivery systems for video content can adversely affect our ability to attract and retain customers and the demand for our services and it can also decrease advertising demand on our delivery systems. Our broadband business faces technological challenges from rapidly evolving wireless Internet solutions. Our telephony service offerings face technological developments in the proliferation of telephony delivery systems including those based on Internet and wireless delivery. If we do not develop or acquire and successfully implement new technologies, we will limit our ability to compete effectively for customers, content and advertising. In addition, we may be required to make material capital and other investments to anticipate and to keep up with technological change. These challenges could adversely affect our business, financial condition and results of operations.

Our competitive risks are heightened by the rapid technological change inherent in our business, evolving consumer preferences and the need to acquire, develop and adopt new technology to differentiate our products and services from those of our competitors, and to meet consumer demand. We may need to anticipate far in advance which technology we should use for the development of new products and services or the enhancement of existing products and services. The failure to accurately anticipate such changes may adversely affect our ability to attract and retain customers, which in turn could adversely affect our business, financial condition and results of operations. Moreover, consolidation and cooperation in our industry may allow our competitors to acquire service capabilities or offer products that are not available to us or offer similar products and services at prices lower than ours.

***Our Pay-TV use content is provided by third parties. We may have difficulty securing such content and as a result, such content may not be accepted or widely used by our customers.***

We make long-term commitments with programmers to have the right to access their content. The success of our Pay-TV services depends on our ability to access an attractive selection of television programming from content providers. The ability to provide movie, sports and other popular programming is a major factor that attracts customers to our Pay-TV services. We may not be able to obtain sufficient high-quality programming from third-party producers for our Pay-TV services on satisfactory terms or at all in order to offer compelling Pay-TV services which could result in reduced demand for, and lower revenue and profitability from, our cable services.

***Our ability to maintain and to expand our telecommunications networks may be affected by disruption of supplies and services from our principal suppliers/vendors.***

We rely on a limited number of leading international and domestic communications equipment manufacturers to provide network and telecommunications equipment and technical support. We have limited influence over our key suppliers, the majority of which are large multinational companies, and cannot assure you that we will be able to obtain required equipment on favorable terms or at all. While we believe there are a number of alternative suppliers, if we are unable to obtain adequate alternative supplies of equipment or technical support in a timely manner or on acceptable commercial terms, or if there are significant increases in the cost of these supplies, including because of new barriers to the import of such products, our ability to maintain and to expand our telecommunications networks and business may be adversely affected.

We also use certain vendors to supply some of the hardware, software and support of our network, some of which have been customized or altered to fit our business needs. Certain of these vendors and suppliers may have leverage over us considering that there are limited suppliers of certain products and services, or that there is a long lead time and/or significant expense required to transition to another provider. In addition, some of these vendors and suppliers do not have a long operating history or may not be able to continue to supply the equipment and services we desire. Some of our hardware, software and operational support vendors and some of our service providers represent our sole source of supply or have, either through contract or as a result of intellectual property rights, a position of some exclusivity. In addition, because of the pace at which technological innovations occur in our industry, we may not be able to obtain access to the latest technology on reasonable terms. Any delays or the termination or disruption in these relationships as a result of contractual disagreements, operational or financial failures on the part of our vendors and suppliers, or other adverse events that prevent such vendors and suppliers from providing the equipment or services we need, with the level of quality we require, in a timely manner and at reasonable prices, could result in significant costs to us and have a negative effect on our ability to provide services and rollout advanced services. Our ability to replace such vendors and suppliers may be limited and, as a result, our business, financial condition, results of operations and liquidity could be materially adversely affected.

***Our licenses and frequency allocations are subject to ongoing supervision, which may result in modification, early termination or revocation.***

In order to provide mobile, Internet and cable television services, companies need a concession and licenses from the Panamanian Government, which generally allow them to operate for a number of years, after which they are subject to review for renewal by ASEP. There is no guarantee that we will be able to successfully renew a license or concession. To the extent that our operations depend on governmental approval and regulatory decisions, our business may be adversely affected by political developments or by governmental actions. The continued existence and terms of the mobile cellular service concession, telecommunications licenses, frequency allocations and cable television licenses we hold are subject to ongoing supervision and, in some cases, to modification or early termination or revocation. We cannot assure you that business arrangements or licenses will be renewed on equivalent or satisfactory economic terms, or at all. Our concession and licenses expire at various times between 2022 and 2041. Modification or termination of any of our key licenses may have an adverse effect on our business, financial condition and results of operations.

***Programming and retransmission costs are increasing and we may not have the ability to pass these increases on to our customers. Disputes with programmers and the inability to retain or obtain popular programming can adversely affect our relationship with customers and lead to customer losses.***

Programming costs are one of our largest categories of expenses. In recent years, the cost of programming in the cable and satellite video industries has increased significantly and is expected to continue to increase, particularly with respect to costs for sports programming and broadcast networks. We may not be able to pass programming cost increases on to our customers due to the increasingly competitive environment. If we are unable to pass these increased programming costs on to our customers, our results of operations would be adversely affected. In addition, programming costs are related directly to the number of customers to whom the programming is provided. Our larger customer base relative to our competitors may have a disproportionately negative impact on our operating margins relative to our competitors with a smaller customer base. Moreover, there can be no assurance that our existing programming contracts will be renewed on favorable or comparable terms, or at all, or that the rights we negotiate will be adequate for us to execute our business strategy.

***We rely on network and information systems for our operations and a disruption or failure of, or defects in, those systems may disrupt our operations, damage our reputation with customers and adversely affect our results of operations.***

Network and information systems are essential to our ability to conduct our business and deliver our services to our customers. While we have in place multiple security systems designed to protect against intentional or unintentional disruption, failure, misappropriation or corruption of our network and information systems, there can be no assurance that our efforts to protect our network and information systems will prevent any of the problems identified above. A problem of this type might be caused by events such as computer hacking, computer viruses, worms and other destructive or disruptive software, "cyber-attacks" and other malicious activity, defects in the hardware and software comprising our network and information systems, as well as natural disasters, power outages, terrorist attacks and similar events. Such events could have an adverse impact on us and our customers, including degradation of service, service disruption, excessive call volume to call centers, theft and damage to our plant, equipment and data. Operational or business delays may result from the disruption of network or information systems and the subsequent remediation activities. Moreover, these events may create negative publicity resulting in reputation or brand damage with customers and our results of operations could suffer.

***If we experience a significant data security breach or fail to detect and appropriately respond to a significant data security breach, our results of operations and reputation could suffer.***

The nature of our business involves the receipt and storage of information about our customers and employees. We have procedures in place to detect and respond to data security incidents. However, because the techniques used to obtain unauthorized access, disable or degrade service, or sabotage systems change frequently and may be difficult to detect for long periods of time, we may be unable to anticipate these techniques or implement adequate preventive measures. In addition, hardware, software or applications we develop or procure from third parties may contain defects in design or manufacture or other problems that could unexpectedly compromise information security. Unauthorized third parties may also attempt to gain access to our systems or facilities and to our proprietary business information. For example, on two separate occasions (July 2015 and February 2016), we identified attempts by certain of our employees to misappropriate customer data by copying the information onto personal storage devices. On both occasions our systems detected the attempted misappropriation and we were able to recover the information without incurring any significant costs. We cannot assure you that there have not been any additional data breaches or instances in which customer data was misappropriated.

If our efforts to protect the security of information about our customers and employees are unsuccessful, a significant data security breach may result in costly government enforcement actions, private litigation and negative publicity resulting in reputation or brand damage with customers, and our financial condition and results of operations could suffer.

Panama passed the Data Protection Law, which will enter into effect on March 26, 2021. Pursuant to this law, any violation of privacy and data protection laws may result in an obligation to compensate a victim for any damage or moral harm suffered. As the law has yet to be implemented, we cannot assure you that any potential future data breach will not result in additional liability for us and our operations. As of the date of this offering memorandum our policies are compliant with the Data Protection Law.

***If we cannot successfully develop and manage our networks and distribution, we may be unable to expand our customer base and may lose market share and revenues.***

Our ability to increase our customer base and maintain our market share depends upon our ability to upgrade and manage our networks and distribution. Risks and uncertainties exist that may delay the introduction of service, interrupt existing service and increase the cost of network construction and maintenance. Such uncertainties include natural disasters, sabotage and theft. We lease most of the sites on which our telecommunications infrastructure is located. Any failure or delay in securing the renewal of these leases on favorable terms could have an adverse effect on our business, financial condition and results of operations. To the extent we fail to maintain and expand our network and distribution capabilities on a timely basis, we may experience difficulty in expanding our customer base.

Our ability to manage our operations successfully is dependent upon our ability to efficiently utilize our operational resources and infrastructure. The failure or breakdown of key components of our infrastructure, including our billing systems, may have a material adverse effect on our business, financial condition and results of operations.

***Natural disasters could damage our physical assets or interrupt our services.***

If we are exposed to natural disasters in Panama, such as earthquakes, tornadoes, tropical storms and hurricanes, our disaster recovery plans may prove to be ineffective, which could have a material adverse impact on us, particularly if such an occurrence were to damage our infrastructure, interrupt traffic or affect computer-based data processing, transmission, storage and retrieval systems or destroy customer, billing or other data. In addition, if a significant number of our employees and senior managers or key personnel were unavailable because of a natural disaster, our ability to conduct our business could be compromised. Natural disasters or similar events could also result in substantial volatility in our results of operations for any fiscal quarter or year. The occurrence of a natural disorder, particularly one that causes damages in excess of our insurance policy limits, could have a material adverse effect on our business.

***Significant unanticipated increases in the use of bandwidth-intensive Internet-based services could increase our costs.***

The rising popularity of bandwidth-intensive Internet-based services poses risks for our broadband and wireless services. Examples of such services include peer-to-peer file sharing services, gaming services and the delivery of video via streaming technology and by download. If heavy usage of bandwidth-intensive broadband and wireless services grows beyond our current expectations, we may need to incur more expenses than currently anticipated to expand the bandwidth capacity of our systems or our customers could have a suboptimal experience when using our broadband or wireless services. In order to provide quality services at attractive prices, we need the continued flexibility to develop and refine business models that respond to changing consumer uses and demands and to manage bandwidth usage efficiently.

***We may not realize the anticipated benefits from our acquisitions, including the Telefónica Panamá Acquisition.***

We cannot assure you that our acquisition of Telefónica Panamá, or any future acquisitions will enhance our financial performance. Our ability to achieve the expected benefits of any acquisitions will depend on, among other things, our ability to effectively translate our strategies into revenue, our ability to retain and assimilate the acquired businesses' employees, our ability to retain customers and suppliers on terms similar to those in place with the acquired businesses, the adequacy of our implementation plans, our ability to maintain our financial and internal controls and systems as we expand our operations, the ability of our management to oversee and operate effectively the combined operations and our ability to achieve desired operating efficiencies and revenue goals. The integration of the businesses that we acquire might also cause us to incur unforeseen costs, which would lower our future earnings and would prevent us from realizing the expected benefits of such acquisitions. Failure to achieve these anticipated benefits could result in decreases in the amount of expected revenues and diversion of management's time and energy and could adversely affect our business, financial condition and operating results. For additional details regarding the risks related to our acquisition of Telefónica Panamá see "—Certain risk factors relating to the acquisition of Telefónica Panamá."

***Our results depend on the contribution of key management and employees and our failure to successfully retain and recruit other qualified personnel could have a material adverse effect on us.***

Our future results of operations depend, in significant part, upon the continued contributions of key senior management and technical personnel and our relationship with Millicom. Our success also depends, in part, on our ability to continue to attract, retain and motivate qualified personnel. Competition for personnel in our markets is intense due to the small number of qualified individuals. Our failure to successfully manage our personnel needs could have a material adverse effect on our business, financial condition and results of operations. Additionally, retention of certain employees may be challenging during the pendency of the acquisition, as certain employees may experience uncertainty about their future roles or compensation structure. If key employees depart because of issues relating to the uncertainty and difficulty of integration or a desire not to remain with the business, our business following the acquisition could be negatively impacted.

***We may be liable for the material that content providers distribute over our networks.***

The law relating to the liability of private network operators for information carried on, stored or disseminated through their networks is still unsettled. As such, we could be exposed to legal claims relating to content disseminated on our networks. Claims could challenge the accuracy of materials on our network or could involve matters such as defamation, invasion of privacy or copyright infringement. If we need to take costly measures to reduce our exposure to these risks or are required to defend ourselves against such claims, our business, reputation, financial condition and results of operations could be materially adversely affected.

***We collect and process sensitive customer data.***

We increasingly collect, store and use customer data that may be protected by data protection laws in Panama. Although we take precautions to protect data in accordance with applicable privacy requirements, we may fail to do so and certain data may be leaked or otherwise used inappropriately.

Panama recently enacted the Data Protection Law, which shall come into effect on March 26, 2021. The Data Protection Law requires companies that manage public networks or that provide communication services available to the public, to guarantee the protection of personal data in accordance with the Data Protection Law and its regulations. Companies must also implement technical and management measures to preserve the security in the operation of the network or in the provision of their services, in order to guarantee the levels of protection for the personal data that are required by the Data Protection Law and its regulations, as well as certifications, protocols, standards and other measures established by the respective authorities. As of the date of this offering memorandum we are unable to predict the exact effect that the Data Protection Law and its regulations or policies may have on our operations. Nevertheless, any violation of data protection laws may result in fines, damage to our reputation and customer churn and could have an adverse effect on our business, financial condition and results of operations. In the event of a security breach of the public communications network, the operator that manages such network or provides the communication service will notify the data subjects that a breach has occurred and will inform them as to the mitigation measures to be undertaken.

***We may incur significant costs from wireless fraud or cybersecurity risks, which could adversely affect us.***

We currently, and may continue to, incur costs and revenue losses associated with security breaches or the unauthorized use of our networks, including administrative and capital costs associated with the unpaid use of our networks as well as with detecting, monitoring and reducing the incidences of fraud. Any such continued or new fraudulent schemes or any security breaches could have an adverse effect on our business, financial condition and results of operations.

***Our brands are subject to reputational risks.***

The brands under which we sell our products and services, including the "Cable Onda," "Telefónica Panamá" and "TeleCarrier" brand, are well-recognized brands across Panama. The name recognition and positive reputation associated with our brands represent a material and valuable asset to us. Despite our best efforts to maintain the integrity of our brands, we cannot guarantee that they will not be damaged by circumstances outside of our control, including by third parties such as hackers, or those who interface with our clients, such as subcontractors' employees or sales forces, with a resulting negative impact on our reputation. A failure on our part to protect our image, reputation and the brands under which we market our products and services may have a material adverse effect on our business and results of operations.

***Macroeconomic developments may adversely affect our business.***

Our performance is subject to global economic conditions and the related impact on consumer spending levels. Continued uncertainty about global economic conditions poses a risk as consumers and businesses may postpone spending in response to tighter credit, unemployment, negative financial news and/or declines in income or asset values, which could have a material negative effect on demand for our products and services. As our business depends on consumer discretionary spending, our results of operations are sensitive to changes in macroeconomic conditions. Our customers may have less money for discretionary purchases as a result of job losses, foreclosures, bankruptcies, increased fuel and energy costs, higher interest rates, higher taxes, reduced access to credit and lower home values. These and other economic factors could adversely affect demand for our products, which in turn could adversely affect our financial condition and results of operations.

***Online piracy of entertainment and media content could result in reduced revenues and increased expenditures which could materially harm our business, financial condition and results of operations.***

Online entertainment and media content piracy is extensive in many parts of the world and is made easier by technological advances. This trend facilitates the creation, transmission and sharing of high quality unauthorized copies of entertainment and media content. The proliferation of unauthorized copies of this content will likely continue, and if it does, could have an adverse effect on our business, financial condition and results of operations because these products could reduce the revenue we receive for our products. Additionally, in order to contain this problem, we may have to implement elaborate and costly security and antipiracy measures, which could result in significant expenses and losses of revenue. There can be no assurance that even the highest levels of security and anti-piracy measures will prevent piracy.

***Though we are a registered issuer in Panama, we are not a public company in the United States and are not subject to the disclosure policies required of a U.S. public company and may not be able to address certain conflicts of interest in an impartial manner. Furthermore, the obligations associated with being a wholly owned subsidiary of a public company in the United States require and will continue to require significant resources and management attention.***

Because we are a foreign private issuer and not registered with the SEC, you may get less information from us. We are exempt from the provisions of Regulation FD aimed at preventing issuers from the making of selective disclosures; the SEC proxy statement and information statement rules do not apply to us; and our officers, directors and principal shareholders are not required to file reports detailing their beneficial ownership of our shares. We are required to make periodic filings with the SMV and the PSE, and such information, including our financial statements, is available on the PSE website. However, the frequency and scope of information made publicly available about us is not necessarily equivalent to that of a reporting company in the United States. This lack of information about us makes it more difficult to make investment decisions about us.

Our parent, Millicom, has been a foreign private issuer in the United States since January 9, 2019, when its shares were listed on the Nasdaq Stock Market. As such, Millicom is subject to certain reporting requirements under the Securities Exchange Act, the Sarbanes-Oxley Act of 2002 (the "Sarbanes-Oxley Act"), the listing requirements of the Nasdaq Stock Market and other applicable securities rules and regulations. The Exchange Act requires that Millicom files annual and current reports with respect to the business, financial condition and results of operations. The Sarbanes-Oxley Act requires, among other things, that Millicom, and its subsidiaries, such as Cable Onda, establish and maintain effective internal controls and procedures for financial reporting. We have made, and will continue to make, changes to our internal controls and procedures for financial reporting and accounting systems in order to meet our reporting obligations as a wholly owned subsidiary of a U.S. foreign private issuer. However, the measures we take may not be sufficient to satisfy these obligations. In addition, compliance with these rules and regulations will increase our legal and financial compliance costs and will make some activities more time-consuming and costly. These additional obligations could have a material adverse impact on our business, financial condition, results of operations and cash flow.

***We may be materially adversely affected by regulatory, legal and economic changes relating to our physical plant.***

Our systems depend on physical facilities, including transmission equipment and miles of fiber and coaxial cable. Significant portions of those physical facilities occupy public rights-of-way and are subject to local ordinances and governmental regulations. Other portions occupy private property under express or implied easements, and many miles of the cable are attached to utility poles governed by pole attachment agreements. No assurances can be given that we will be able to maintain and use our facilities in their current locations and at their current costs. Changes in governmental regulations or changes in these relationships could have a material adverse effect on our business and our results of operations. In addition, changes in the regulatory and legislative environments may result in changes to the competitive landscape.

***Changes in accounting standards could adversely affect our financial results.***

The IASB, or other regulatory authorities, periodically introduce modifications to financial accounting and reporting standards or issue new financial accounting and reporting standards under which we prepare our consolidated financial statements. These changes can materially affect the way we present our financial condition and results of operations. Effective on January 1, 2019, we and Telefónica Panamá adopted the new accounting standard IFRS 16 which primarily affects the accounting for operating leases, bringing those onto our statement of financial position as of January 1, 2019 at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of January 1, 2019.

Our initial application of IFRS 16 resulted in the recognition of additional fixed assets of $36.6 million, long term liabilities of $31.2 million and short term liabilities of $5.4 million. We 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. We also applied IFRS 15 and IFRS 9 for the first time on January 1, 2018. The changes resulting from the adoption of these new accounting standards is described in our financial statements included in this offering memorandum. Implementation of IFRS 15 had an impact on our operating profitability in 2018. Most of the impact was related to the change in how to recognize installation revenue. This revenue is now deferred over the useful life of a customer, which averages seven years. The application of this standard gave rise to a reduction in revenues of $3.5 million for the six months ended June 30, 2019. We cannot assure you that these or future changes in accounting standard will not adversely or materially affect our results of operations.

Telefónica Panamá's initial application of IFRS 16 resulted in the recognition of additional fixed assets of $52.9 million, long term liabilities of $39.2 million, and short term liabilities of $13.7 million. Telefónica Panamá 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. Telefónica Panamá applied IFRS 15 and IFRS 9 for the first time on January 1, 2018. Implementation of IFRS 15 had an impact on Telefónica Panamá's operating profitability in 2018. Most of the impact was related to the registration of contractual assets, which under IFRS 15 lead to an acceleration in the recognition of revenue from the sale of equipment, and the activation and deferral of incremental costs related to obtaining contracts, which under IFRS 15 represent a deferral in the registration of customer acquisition expenses. This revenue is now deferred over the useful life of a customer, which averages seventeen months. For the period ended June 30, 2019, Telefónica Panamá's revenues increased $5.7 million, as compared to the corresponding period in the prior year, mostly due to the effects of the implementation of IFRS 15 in 2018.

***Any deterioration of labor relations with our employees or increase in labor costs could adversely affect our business and financial performance.***

Our operations are labor intensive. As of June 30, 2019, we employed approximately 2,204 employees. Following the Telefónica Panamá Acquisition, as of the date of this offering memorandum, we currently employ an additional 292 direct employees and 441 outsourced employees for a total of 2,937 employees. Any significant increase in labor costs, deterioration of employee relations, slowdowns or work stoppages at any of our locations, whether due to union activities, employee turnover or otherwise, could have a material adverse effect on our business, financial condition or results of operations. A strike, work slowdown or other labor unrest could, in some cases, impair our ability to supply our products to customers, which could result in reduced net sales.

As of June 30, 2019, approximately 92.0% of our workforce was covered by a collective bargaining agreement. Salary increases are reviewed annually for employees covered by the collective bargaining agreements. Cable Onda is legally required to negotiate collective bargaining agreements with its union every four years. We prepare in advance for these negotiations and reach agreements with the union on how benefits can be updated or replaced. We cannot predict or control the outcome of these negotiations but if no agreement is reached it could lead to work stoppages or labor strikes. See "Business of Cable Onda—Employees."

***We are subject to risks related to litigation and administrative proceedings that could adversely affect our business and financial performance in the event of an unfavorable ruling.***

The nature of our business exposes us to litigation relating to product liability claims, labor, health and safety matters, environmental matters, regulatory, tax and administrative proceedings, governmental investigations, tort claims and contract disputes, among others. These actions could also expose us to adverse publicity, which might adversely affect our brands and reputation and customer preference for our products and therefore, our results of operations. While we contest these matters vigorously and make insurance claims when appropriate, litigation is inherently costly and unpredictable, making it difficult to accurately estimate the outcome among other matters. Moreover, the process of litigating requires substantial time, which may distract our management. We are involved, on an ongoing basis, and have in the past been subject to proceedings or investigations of actual or potential litigation. Although we establish provisions in accordance with IFRS, the amounts we reserve may vary significantly from any amounts we actually pay due to the uncertainties inherent in the estimation process. We cannot assure you that these or other legal proceedings will not materially affect our ability to conduct our business, financial condition and results of operations in the event of an unfavorable ruling.

***Our insurance policies may not fully cover damage or we may not be able to obtain insurance against certain risks.***

We maintain insurance policies intended to mitigate losses due to customary risks, such as all-risk (fire), general civil liability, fidelity insurance, electronic equipment, automobile (third party damages and property damage), collective health and life insurance. Our level of insurance may not be sufficient to fully cover all losses that may arise in the course of our business or insurance covering our various risks may not continue to be available in the future. In addition, we may not be able to obtain insurance on comparable terms in the future. We may be materially and adversely affected if we incur losses that are not fully covered by our insurance policies.

***Our business depends on intellectual property rights and on not infringing on the intellectual property rights of others.***

We rely on copyrights and trademarks owned by us, as well as licenses and other agreements with our vendors and other parties, to use technologies, conduct our operations and sell our products and services. Our intellectual property rights may be challenged and invalidated by third parties and may not be strong enough to provide meaningful commercial competitive advantage. Third parties have in the past, and may in the future, assert claims or initiate litigation related to exclusive patent, copyright, trademark and other intellectual property rights to technologies and related standards that are relevant to us. Because of the existence of a large number of patents in the networking field, the secrecy of some pending patents and the rapid rate of issuance of new patents, we believe it is not possible to determine in advance whether a product or any of its components infringes or will infringe on the patent rights of others. Asserted claims and/or initiated litigation can include claims against us or our manufacturers, suppliers or customers, alleging infringement of their proprietary rights with respect to our existing or future products and/or services or components of those products and/or services.

Regardless of the merit of these claims, they can be time-consuming, result in costly litigation and diversion of technical and management personnel, or require us to modify our business, develop a non-infringing technology, be enjoined from use of certain intellectual property, use alternate technology or enter into license agreements. There can be no assurance that licenses will be available on acceptable terms and conditions, if at all, or that our indemnification by our suppliers will be adequate to cover our costs if a claim were brought directly against us or our customers. Furthermore, because of the potential for high court awards that are not necessarily predictable, it is not unusual to find even arguably unmeritorious claims settled for significant amounts. If any infringement or other intellectual property claim made against us by any third-party is successful, if we are required to indemnify a customer with respect to a claim against the customer, or if we fail to modify our business, develop non-infringing technology, use alternate technology or license the proprietary rights on commercially reasonable terms and conditions, our business, financial condition and results of operations could be materially adversely affected.

***Failure to comply with applicable laws and regulations, including in respect of corruption, money-laundering and other illegal or improper activities could have a material adverse effect on our business.***

We are subject to a variety of domestic and international laws and regulations, including applicable anti-bribery, anti-money laundering and anti-corruption laws and regulations and sanctions related to doing business with certain persons and countries. Such laws and regulations vary by jurisdiction and may not be equally stringent. We have policies and procedures specifically designed to promote and achieve compliance by us and our respective directors, officers, employees and agents with anti-bribery, anti-money laundering and anti-corruption laws.

Although we have implemented policies and procedures to prevent inappropriate practices or violations of law in all relevant jurisdictions, there can be no assurance that these policies, procedures and practices completely eliminate such risks. Any failure by our equity holders, employees, officers and affiliates, customers, suppliers or sub-concessionaires to comply with any of these requirements could have an adverse effect on our business, reputation, result of operations or financial condition.

We have identified certain risks related to two U.S. government restrictions related to Huawei Technologies Co. Ltd. ("Huawei") that may adversely impact Telefónica Panamá's sales and results of operations and as a result may impact the sales and results of operations of our combined business. In the short term, the "outbound" restriction (*i.e.*, Huawei cannot buy US materials), and in the longer term, if sustained, the "inbound" restriction may negatively impact Telefónica Panamá, (*i.e.*, it would not be able to buy from Huawei anymore). The outbound restriction was implemented in August 2019. The latter restriction is not yet in effect, but the prerequisite has been created by the Executive Order 13873. As of the date of this offering memorandum, we are unable to predict the scope and duration of the export restrictions imposed on Huawei and the corresponding future effects on our combined business. However, the impact may be material, because Huawei is the most competitive vendor around for many purchases. As a result, our combined business may be paying more for certain investments because the most competitive supplier is being banned, and the remaining suppliers may increase prices. Even if such restrictions are lifted, any financial penalties or continuing export restrictions imposed on Huawei could have a continuing negative impact on our combined financial condition and results of operations.

***Certain risk factors relating to the acquisition of Telefónica Panamá***

***The integration of Cable Onda and Telefónica Panamá will present challenges that may reduce the potential benefits of the transaction.***

We may face challenges in consolidating functions and integrating ours and Telefónica Panamá's organizations, procedures and operations in a timely and efficient manner. The integration of our businesses may be complex and time-consuming due the size and complexity of each company. The principal challenges will include the following, among others:

- integrating Cable Onda's and Telefónica Panamá's existing businesses;
- preserving significant business relationships;
- integrating information systems and internal controls over accounting and financial reporting;
- consolidating corporate and administrative functions;
- conforming standards, controls, procedures and policies, business cultures and compensation structures between Cable Onda and Telefónica Panamá; and
- retaining key employees.

Our management will have to dedicate substantial effort to integrating our businesses during the integration process. These efforts may divert management's focus and resources from the core business, corporate initiatives or strategic opportunities. If we are unable to integrate ours and Telefónica Panamá's organizations, procedures and operations in a timely and efficient manner, or at all, the anticipated benefits, operating efficiencies and cost savings of the transaction may not be realized fully, or at all, or may take longer to realize than expected. An inability to realize the full extent of the anticipated benefits of the transaction, as well as any delays encountered in the integration process, may also have an adverse effect upon our revenues, level of expenses and operating results after the completion of the acquisition.

In addition, the acquisition of Telefónica Panamá may expose us to risks of unknown obligations or contingencies of Telefónica Panamá or its assets incurred prior to our acquisition. The due diligence we performed to evaluate the legal and financial condition of Telefónica Panamá, as well as any contractual guarantees or indemnities we received from the sellers, may be insufficient to protect or indemnify us for any contingencies that may surface. Any significant contingent liabilities arising from the acquisition may harm or be disruptive to our other businesses and our business, financial condition and results of operations could be materially adversely affected.

***Telefónica Panamá's operations depend on interconnection agreements, transmission and leased lines.***

Telefónica Panamá depends upon access to networks that are primarily controlled by incumbent operators (many of which are current or former government-owned public telecommunications operators or competing fixed and/or wireless telephone operators). Telefónica Panamá's operations also depend upon interconnection agreements with other providers, which give customers access to other networks from its network. Telefónica Panamá's results are affected by revenues and costs of interconnection agreements. Telefónica Panamá may not be able to maintain interconnection or leased line agreements on appropriate terms to maintain or grow this business, which may have an adverse effect on our business, financial condition and results of operations.

In addition, as of June 30, 2019, Telefónica Panamá's wireless network included a total of 1,011 towers, 18.3% of which are owned by Telefónica Panamá, and 81.7% are leased by Telefónica Panamá from third parties. Telefónica Panamá' ability to provide mobile services to its costumers depends on maintaining access to the cell towers that support its wireless network. However, while we believe such third parties possess required licenses and/or permits for the operation of the leased towers, we do not have control or oversight over the licenses or permits for these towers.

Telefónica Panamá may not be able to maintain interconnection or leased line agreements on appropriate terms to maintain and grow this business, or the third parties from which it leases towers may fail to renew or maintain required licenses or permits, which may have an adverse effect on our business, financial condition and results of operations.

***Many of Telefónica Panamá's customers receive services on a prepaid basis and therefore pose higher risk of customer churn.***

Prepaid customers, those customers that pay for service in advance through the purchase of wireless airtime, represented approximately 87.5% of Telefónica Panamá's subscribers at June 30, 2019. Prepaid customers do not sign fixed term service contracts, which make this customer base more susceptible to switching wireless service providers. Termination of services by subscribers is referred to as churn. In addition, many of Telefónica Panamá's subscribers are first time users of wireless telecommunications services, who have a tendency to migrate between service providers more frequently than established users. To the extent that competitors offer incentives to subscribers to switch wireless service providers, through subsidizing or giving away handsets or other promotions, the risk of churn will increase.

***High levels of penetration of mobile phone services in our market could inhibit future growth.***

The level of mobile phone service penetration in Panama is nearly 100%. Although there are opportunities for further growth, high penetration rates in our market could lead to a slowdown in growth. A failure to attract new customers and increase the ARPU of existing customers through the successful development of innovative value-added products and services and implementation of state-of-the-art technology could have an adverse effect on our business, financial condition and results of operations.

***The mobile telephony industry is characterized by rapid technological change, which could render our products, technology and services obsolete.***

The wireless telecommunications industry has been, and we believe will continue to be, characterized by significant technological change, including the rapid development and introduction of new technologies, products, and services, such as high-speed data technologies (Universal Mobile Telecommunications Service ("UMTS"), High Speed Packet Access ("HSPA"), 4G/LTE and 5G), social networking services, streaming audio, streaming video, mobile gaming, advertising services, video conferencing and other applications, voice-over Internet protocol ("VoIP"), location-based services using global positioning satellites ("GPS"), mapping technology and a wide range of mobile financial services and "Internet of things" services.

In addition, telecommunications infrastructure, including core elements, backbone transmission infrastructure and ancillary technologies such as platforms for providing value-added services, become obsolete in our rapidly evolving industry and must be replaced. Telefónica Panamá's networks are based on the 3PP family of standards, and we have Global System for Mobile Communications, or "GSM," UMTS/HSPA and LTE networks. The GSM standard was the most appropriate technology to start the mobile migration in our market because it had the greatest availability of handsets with strong functionality and has relatively low repair and maintenance costs. However, in recent years, there has been a significant migration of customers to UMTS/HSPA and LTE associated with the increase in data usage. As new technologies other than GSM and HSPA are being developed and implemented, such as fourth generation systems, including Wireless Fiber to the x ("WTTx") and LTE, equipment may need to be replaced or upgraded or a wireless telephone network may need to be rebuilt in whole or in part, at substantial cost to us, to remain competitive. Both wired and wireless fixed networks used to provide broadband Internet and cable television services need to be adapted to accommodate updated technologies such as quad-play services in order to satisfy the demands of customers, and increased demand for bandwidth-intensive multimedia services has required us to upgrade our GSM/GPRS/EDGE initial systems to third- and fourth-generation technologies that provide increased bandwidth and speed. Such upgrades have required, and will continue to require, significant capital expenditures. We cannot assure you that technological developments, foreseen and unforeseen, will not render our services unpopular with customers or our technology and services obsolete. To the extent our equipment or systems become obsolete, we may be required to recognize an impairment charge to such assets as well as increased costs, which may have a material adverse effect on our business, financial condition and results of operations.

***The current concerns about the actual or perceived health risks relating to electromagnetic and radio frequency emissions, as well as the attendant publicity or possible resultant litigation, may have a negative effect on our financial condition or the results of our operations.***

Media and other reports have suggested that electromagnetic and radio frequency emissions from mobile telephone handsets and base stations may cause health problems, including cancer. There is also some concern that these emissions may interfere with the operation of certain electronic equipment, including automobile braking and steering systems. The actual or perceived risks relating to mobile communications devices and base stations, or press reports about these risks, could adversely affect us, including by reducing our subscriber growth rate, subscriber base or average use per subscriber. Actual or perceived risks of mobile handsets or base stations could make it difficult to find attractive sites for mobile base stations or cell towers and reduce our growth rates, customer base and average usage per customer.

If a link between electromagnetic or radio frequency emissions and adverse health concerns is demonstrated, government authorities may increase regulation of mobile handsets and base stations as a result of these health concerns. Mobile telephone operators and handset manufacturers, including us, could be held liable for all or part of the costs or damages associated with these concerns. Any such developments could have an adverse effect on our business, financial conditions and results of operations.

***Certain risk factors relating to Panama***

***Our performance is heavily dependent on economic conditions in Panama, which may affect our business and our ability to meet our obligations under the Notes.***

Our financial condition and results of operations, and our ability to meet our obligations under the Notes, are substantially dependent on economic conditions prevailing from time to time in Panama. The Panamanian economy is small and, although reasonably diversified, depends to a significant extent on the service sector, including businesses linked to the Canal's operations, a large free-trade zone and an international banking center. Panama's real GDP growth was 5.5%, 5.3% and 4.9% in 2018, 2017 and 2016, respectively. If the growth of the Panamanian economy slows or declines, such developments may adversely affect our business. Due to the small size and limited focus of the Panamanian economy, adverse developments in Panama, even developments affecting a single activity, could have a more pronounced effect than would be the case if the developments occurred within the context of a larger, more diversified economy.

***Any investment in the Notes is subject to emerging market risks that may affect our business and our ability to make payments under the Notes.***

Furthermore, investing in an emerging market country such as Panama carries significant economic risks. These risks include many different factors that may affect Panama's economic results, including the following:

- interest rates in the United States and other financial markets outside Panama;
- changes in economic or tax policies;
- the imposition of trade barriers;
- the ability of the Canal to remain a competitive route for inter-oceanic transportation;
- the ability of Panama to effect key economic reforms;
- inflation;
- economic growth in Panama and Latin America;
- risks arising from revenue concentration among major industry sectors;
- the impact of hostilities or political unrest in other countries that may affect international trade, commodity prices and the global economy; and
- the decisions of international financial institutions regarding the terms of financial arrangements made available to companies in Panama.

The occurrence of any of these events may have an adverse effect on our business and our ability to make payments under the Notes.

***Panama's economy remains vulnerable to external shocks, including those that could be caused by future significant economic difficulties of major regional trading partners or by more general "contagion" effects, which could have a material adverse effect on Panama's economic growth.***

A significant decline in the economic growth of any of Panama's major trading partners could adversely affect Panama's economic growth. In addition, because international investors' reactions to the events occurring in one emerging market country sometimes result in a "contagion" effect, in which an entire region or class of investment is disfavored by international investors, Panama could be adversely affected by negative political, economic or financial developments in other emerging market countries. For example, Panama's economic growth slowed in fiscal year 2009, with GDP growth of 1.2% for 2009 as compared to GDP growth of 9.8% for 2008, due in part to the impact of the global economic crisis that began in mid-2007 on the Panamanian economy. This was mainly due to the United States, Panama's main trading partner and the main source of customers of the Canal, experiencing a period of sluggish economic growth, accompanied by recessions in Europe and a reduction of economic growth in China.

While GDP growth was 5.5%, 5.3% and 4.9% in 2018, 2017 and 2016, respectively, there can be no assurance that any economic crisis or similar events will not negatively affect investor confidence in emerging markets or the economies of the principal countries in Latin America, including Panama. In addition, there can be no assurance that these events will not adversely affect Panama's economy. Any adverse effect on the Panamanian economy could adversely affect our business, our ability to meet our payment obligations under the Notes and the market value of the Notes.

***Our ability to make required payments on the Notes may be adversely affected by the Panamanian monetary system.***

Since shortly after its independence from Colombia in 1904, Panama has used the U.S. dollar as legal tender and sole paper currency, using the Balboa, Panama's national currency, only as coinage and as a unit of account with an exchange rate set at parity with the U.S. dollar. Inflation in Panama was 0.8%, 0.9% and 0.7% in 2018, 2017 and 2016, respectively. Although the absence of a printed national currency and the general absence of domestic budgetary financing through the banking system (other than from 1987 to 1989) reduce the risk of accelerated inflation, they do impose constraints on fiscal and monetary policy, particularly for responding to external shocks, that other countries that can finance their deficits by increasing or contracting monetary supply do not confront. Given the dependence on the U.S. dollar, there can be no assurance that appreciation or depreciation of the U.S. dollar against other currencies or the existence of sustained higher levels of inflation in the U.S. economy (and the resultant effect on the value of the U.S. dollar) or increases or decreases in interest rates generally in the United States will not adversely affect the Panamanian economy. In addition, there are currently no exchange controls or other restrictions imposed by Panamanian law on payments in U.S. dollars by us, and capital moves freely in and out of the country, without local currency risk.

***Any additional taxes resulting from changes to tax regulations or the interpretation thereof in Panama could adversely affect our business.***

Changes in legislation, regulation and jurisprudence can affect tax burdens by increasing tax rates and fees, creating new taxes, limiting eligible expenses and deductions and eliminating incentives and non-taxed income. Additional tax regulations could be implemented that require us to make additional tax payments, negatively affecting our results of operations and cash flow. In addition, national or local taxing authorities may not interpret tax regulations in the same way that we do. Differing interpretations could result in future tax litigation and associated costs.

***Our business and results of operations may be materially affected by changes in Panamanian telecommunications regulations.***

The telecommunications services we offer are subject to extensive regulation under Law 31 of 1996, as further regulated by Executive Decree 73 of 1996. Our radio and television services are subject to extensive regulation under Law 24 of 1999, as regulated by Executive Decree 189 of 1999. Our telecommunications, radio and television services must also comply with the various regulations promulgated by our primary regulator, ASEP. Any change in such regulation could result in increased costs or could otherwise affect our ability to sell or commercialize certain services to our clients. For example, in 2017 ASEP adopted Resolution AN-11370-Telco, which established new guidelines and quality standards related to the providing of Internet services that will apply to all Internet public service providers in Panama (including us). In the event that we fail to comply with these standards, we could face penalties by ASEP as well as be forced to credit our clients a prorated amount equivalent to certain outage periods. We must also obtain and maintain certain licenses which require ongoing compliance with certain conditions and may be subject to cancellation for non-compliance with telecommunication rules or other reasons.

Law 36 of June 5, 2018 "regulates economic concentrations of the mobile telecommunication market" and sets forth specific guidelines pertaining to the reversion of the spectrum granted to entities that cease to exist as a result of an economic concentration. The aim of this law is to guarantee compliance with the principle of equal treatment on the equitable and fair distribution of scarce resources (*i.e.*, radioelectric spectrum). This law was recently implemented by ASEP Resolution AN-13200-Telco of March 20, 2019 and may negatively impact our competitiveness if we decide to acquire another mobile operator or one of our competitors decides to take advantage of more flexible conditions to obtain additional spectrum.

***Different disclosure principles in Panama and the United States may provide you with different or less information about us than you expect.***

Securities disclosure requirements in Panama differ from those applicable in the United States. Publicly available information about Panamanian issuers of securities is less readily available and less detailed in certain respects than the information that is regularly published by or about listed companies in the United States and in other major world markets. Accordingly, the information about us available to you may not be the same as the information available to security holders of a U.S. company. There may be less publicly available information about us than is regularly published about companies in the United States and certain other jurisdictions. We are not subject to the periodic reporting requirements of the Exchange Act and, therefore, are not required to comply with the information disclosure requirements that it imposes. As a result, we may not disclose information consistent with the requirements of the Exchange Act, which may have a limiting effect on investors' access to information concerning our results of operations and financial condition.

***The ability of investors to enforce civil liabilities under U.S. securities laws may be limited.***

We are organized under the laws of Panama. Substantially all of our assets and the assets of our officers and directors are located in Panama or outside the United States. As a consequence, it may not be possible for investors in our securities to enforce judgments of U.S. courts against us predicated upon the civil liability provisions of the U.S. federal securities laws, or otherwise obtained, in U.S. courts. Because substantially all of our assets are located outside the United States, any judgment obtained in the United States against us may not be fully collectible in the United States. There is uncertainty as to the enforceability against us in Panama, whether in original actions or in actions to enforce judgments of U.S. courts, of liabilities based solely on the U.S. federal securities laws.

***Our ability to make required payments on the Notes may be adversely affected by governmental policies and future political changes in Panama.***

The Panamanian Government has exercised, and continues to exercise, significant influence over the Panamanian economy. The Panamanian Government has had a significant impact on the economy through various statutory and other governmental initiatives, including enforcement of a rigid labor code, regulatory policy and oversight and taxation. Accordingly, the Panamanian Government's actions regarding the economy could have significant adverse effects on private sector entities in general and on us in particular. It is not possible to determine what effect such plans or actions or the implementation thereof could have on the Panamanian economy or on our financial condition or results of operations. In addition, we cannot assure you that the Panamanian Government will not interfere or intervene in certain sectors of the economy, including the telecommunications sector. Any interference or intervention could have a material adverse effect on or business and our ability to meet our obligations under the Notes.

A general election was held in Panama on May 5, 2019 in which Laurentino Cortizo was elected president of Panama. The new government took office on July 1, 2019. We have no control over government policies and cannot predict how changes in policies or government intervention will affect the Panamanian economy or, directly and indirectly, our business, results of operations and financial condition.

***The remedies available to holders of the Notes may be limited in bankruptcy under Panamanian law.***

If we seek the protection of bankruptcy or insolvency provisions under Panamanian law, or if one of our creditors begins a reorganization or foreclosure proceeding against us, our ability to make payments in respect of the Notes is likely to be significantly impaired. In addition, we cannot predict for how long payments on the Notes could be delayed following the commencement of a bankruptcy or liquidation case against us.

In addition, the bankruptcy, insolvency, administrative and other laws of Panama may be materially different from, or in conflict with, each other, including in the areas of rights of creditors, priority of government entities and other third party and related party creditors' ability to obtain post-bankruptcy filing loans, interest payments and the duration of proceedings. The laws of Panama may not be as favorable to your interests as the laws of those jurisdictions with which you are familiar. The application of these laws, or any conflict among them, could call into question what and how Panamanian law should apply. Such issues may adversely affect your ability to enforce your rights under the Notes in Panama or limit any amounts that you may receive.

The recently enacted Law 12 of 2016 (as amended from time to time, the "Panamanian Insolvency Law") provides the framework, for both reorganization and liquidation proceedings.

With respect to reorganization proceedings, under the Panamanian Insolvency Law, upon the filing of the petition to commence such proceedings the debtor may not transfer, convey or dispose of assets, or enter into settlement agreements or other arrangements or reworkings with respect to its outstanding obligations or ongoing litigation. Any acts performed in breach of such limitations shall be null and void and the breaching party or parties shall be jointly liable for damages resulting therefrom.

The noteholders' ability to enforce their rights under the Notes may be limited if we become subject to any of the insolvency proceedings set forth in the Panamanian Insolvency Law, which establishes the events under which a petition for the reorganization or liquidation of a company can be filed before a circuit court. If a petition for the reorganization of the Issuer is filed before a court, such filing would restrict the Issuer from engaging in the following (except if the same are part of its ordinary course of business or if the court expressly allows for it following petition by the debtor): (i) constituting or enforcing any guarantees over the Issuer´s assets; (ii) effecting compensations, payments, settlements, waivers, confirmations, unilateral terminations or mutual agreement terminations of on-going judicial proceedings; (iii) carrying out conciliations, agreements or transactions of any of its obligations; and (iv) carrying out any transfer of its assets or business. Furthermore, if following such a petition a court were to order the reorganization of the Issuer, it would be afforded certain financial protections contemplated in the Panamanian Insolvency Law, which may include: (i) a prohibition for the initiation of any enforcement proceedings against the Issuer (enforceable by means of an unappealable judgment); (ii) prohibition for early termination of any contract to which the Issuer may be a party based on the occurrence of an insolvency event (enforceable by means of an unappealable judgment); (iii) suspension of payment of interests in respect of all obligations payable by the Issuer, which may include the Notes, until such time that the general creditors assembly approves the reorganization agreement; and (iv) prohibition for the initiation of a liquidation proceeding against the Issuer; among others.

In addition, upon the issuance by the bankruptcy court of the resolution that formally orders the commencement of reorganization proceedings, bankruptcy protection (*protección financiera concursal*) is activated. Pursuant to such protection, *inter alia*, creditors may not file any action against us or foreclose on our assets. All contracts entered into by the debtor shall remain valid during the term when the bankruptcy protection remains in force and payment of interest on unsecured debt obligations is suspended.

Upon the issuance of the court decision declaring the commencement of liquidation proceedings, the debtor ceases to have the right to manage its assets, as such right and power is conferred upon an appointed liquidator that represents the interests of the mass of creditors. At the same time, such decision suspends all creditor's rights to individually foreclose on debtors, except for secured creditors who may continue to pursue actions seeking the execution of their collateral. Further, interest shall cease to accrue on unsecured credits and secured creditors may only enforce payment of accrued interests up to the value of their collateral. From the moment of the declaration of Liquidation and except in the case of loans secured by a pledge or mortgage, interest would cease to accumulate against the Issuer. Secured creditors would be able to continue their enforcement actions regarding the assets encumbered with mortgage, antichresis or pledges. Nevertheless, secured creditors would not be able to demand the current interests of their credits in excess of the proceeds of the sale of the encumbered assets.

In the event of a court order instructing for liquidation, the following would apply to the Issuer and its assets:

As from the effectiveness of the liquidation order: (a) the Issuer would be deprived of its powers to administer or dispose of its assets (other than assets that, under the law are not subject to embargo or attachment) and, as from that moment, such powers would pass on to the creditors, represented by the court-appointed liquidator; (b) all of the

Issuer´s obligations would become due and payable and no further interest shall accrue on such obligations; and (c) the statute of limitations applicable to liabilities payable by the Issuer would be suspended.

- Certain ongoing contracts (*contratos de tracto sucesivo*) such as lease agreements could be resolved subject to the prior delivery of any statutory or agreed upon notice.

- Any payment or contract entered into by the Issuer following the issuance of the liquidation order would be null and void and any payment to the Issuer would have to be made directly to the liquidator.

- The following acts could be voidable for the benefit of the liquidation estate: (a) Any action or agreement of the Issuer that lacks consideration (*título gratuito*) and those agreements that are entered into with an excess of consideration (*título oneroso*); (b) The constitution of a pledge, mortgage, or any other action entered into to secure obligations previously contracted or to grant a preference over other obligations; (c) Payment (either with cash, assignment, transfer) of debts that are not considered past-due or the payment of debts already overdue; and (d) Modifications to the articles of incorporation (*pacto social*) or the bylaws (*estatutos*) of the Issuer.

- Any action or agreement of the Issuer that lacks consideration (*título gratuito*) in favor of a shareholder, administrator, director, manager, dignitary, legal representative, liquidator or attorney in fact could be voidable if executed within the four-year period counted as from the date of insolvency set forth by the court in the liquidation order.

- Any actions or agreements where there is a simulation of fraud, or a misrepresentation by the parties; and any disposal of assets with or without consideration if done with the intention of subtracting the asset or its value from reach of the creditors, could be declared null and void by the court irrespective of their date of execution.

Nevertheless, pursuant to Article 51 of Law 31 of 1996, which regulates telecommunications, providers of services requiring Type A licenses (such as Telefónica Panamá) may be subject to temporary intervention by ASEP, when the Panamanian Government considers the intervention to be either in the public interest or necessary in order to ensure the continued provision of any public services. Such intervention may continue until any failure or petition relating thereto is resolved. Moreover, in the event that ASEP takes control or intervenes in the operations of a concessionary, we note that Panama ´s Insolvency Law contains specific provisions which require any insolvency or liquidation proceedings that either (i) not be commenced or (ii)if already ongoing, be suspended. As such, we cannot assure you that any bankruptcy or insolvency of Telefónica Panamá may not be subject to prolonged delays as a result of intervention by ASEP. Additionally, Article 4 of Executive Decree 143 of September 29, 2016, which reorganizes and regulates ASEP, provides that no third party could take control of the administration of public service concessionaries or licensees or file a precautionary measure against their assets (including radio and television and telecommunications), except against particular assets of the companies that contractually guarantee the obligations of their owners. See "Panama's Telecom Industry—Regulation—Radio and Television Regulation."

***Certain risk factors relating to our controlling shareholder group***

***Our indirect controlling shareholder, Millicom, has significant influence over our business and we depend on Millicom for key operational functions.***

We are an indirect majority-owned subsidiary of Millicom. As a result, Millicom may exercise control over our decisions to enter into any corporate transaction or capital restructuring and has the ability to approve or prevent any transaction that requires the approval of our shareholders, regardless of the interests of holders of the Notes. The interests of Millicom and the actions it is able to undertake as our majority shareholder may differ or adversely affect your interests as holders of the Notes. Millicom may have an interest in pursuing acquisitions, divestitures, financings, including cash pooling arrangements, or other transactions that, in its judgment, could enhance its equity investment, even though such transactions might involve risks or be adverse to holders of the Notes. Millicom may be able to strongly influence or effectively control our decisions as long as they own a significant portion of our equity, even if such amount is less than 51.0%.

***We are party to a number of arrangements with affiliates, and, if we are unable to continue such arrangements on the same terms or at all, our business may be adversely affected.***

Millicom and other affiliates of Millicom provide us with financing and increased bargaining power with our suppliers, as well as certain technical and management services, such as business strategies, marketing and publicity services, and advisory services related to the construction, installation, operation, management and maintenance of our networks.

In addition Telefónica Panamá has executed certain transition service agreements for the provision of services including interconnection services. See "Certain Relationships and Related Party Transactions." While we expect such services to be replaced by services provided by Millicom or its affiliates, we cannot assure you that such services will be replaced on equally favorable terms to Telefónica Panamá.

If Millicom or any of these affiliates are unable to continue providing such services on a timely basis and at a level that meets our needs, we may not be able to replace such services on the same terms or at all, and our operations may be disrupted and our business, financial condition and results of operations could be adversely affected.

## Certain risk factors relating to the Notes

***The restrictive covenants in the Indenture could adversely restrict our financial and operating flexibility and subject us to other risks.***

The Indenture and the agreements governing certain of our other outstanding debt and our parent's debt contain various covenants that limit our flexibility in operating our business. For example, these agreements, subject to exceptions, restrict our ability and the ability of certain of our subsidiaries to, among other things:

- incur additional indebtedness and guarantee indebtedness;
- pay dividends or make other distributions;
- create certain liens;
- make certain asset dispositions;
- make certain loans or investments;
- issue certain guarantees;
- enter into transactions with affiliates; and
- merge, consolidate, or sell, lease or transfer all or substantially all of our assets.

If we fail to comply with these covenants, we would be in default under the Indenture, and the principal and accrued interest on our outstanding indebtedness may become due and payable. We cannot assure you that the operating and financial restrictions and covenants in the Indenture will not adversely affect our ability to finance our future operations or capital needs, or engage in other business activities that may be in our interest, or react to adverse market developments.

***We may not have the ability to raise the funds necessary to finance the Change of Control offer to purchase required by the Indenture.***

If we undergo a Change of Control Triggering Event (as defined in the Indenture), we may need to refinance large amounts of our debt, including the Notes. Under the Indenture, if a Change of Control Triggering Event occurs, we will be required to offer to buy back the Notes for a price equal to 101% of the principal amount of the Notes, plus any accrued and unpaid interest. We may not have sufficient funds available to us to make any required repurchases of the Notes upon a Change of Control Triggering Event. If we fail to repurchase the Notes in those circumstances, we will be in default under the Indenture, which may, in turn, trigger cross-default provisions under any other future debt we may have outstanding at such time.

***Changes in tax laws could lead us to redeem the Notes.***

We may redeem the Notes prior to maturity if a change in Panamanian or other tax laws results in our becoming liable to compensate holders of Notes for certain withholding and other taxes. See "Description of Notes—Tax Redemptions." There can be no assurance that, during the life of the Notes, there will not be a change in any applicable withholding tax rate. Any such change may give us the ability to redeem the Notes prior to maturity at a redemption price equal to (i) 100% of the principal amount of the Notes, (ii) accrued and unpaid interest on the principal amount of the Notes, but not including, the redemption date, plus (iii) additional amounts, if any, payable in respect of the Notes. See "Description of Notes—Tax Redemptions."

***We cannot assure you that the credit ratings for the Notes will not be lowered, suspended or withdrawn by the rating agencies.***

The credit ratings of the Notes may change after issuance. Such ratings are limited in scope, and do not address all material risks relating to an investment in the Notes, but rather reflect only the views of the rating agencies at the time the ratings are issued. An explanation of the significance of such ratings may be obtained from the rating agencies.

We cannot assure you that such credit ratings will remain in effect for any given period of time or that such ratings will not be lowered, suspended or withdrawn entirely by the rating agencies, if, in the judgment of such rating agencies, circumstances so warrant. Any lowering, suspension or withdrawal of such ratings may have an adverse effect on the market price and marketability of the Notes. Negative developments in our business, results of operations and financial condition or other factors could cause the ratings agencies to lower the credit ratings, or ratings outlook, of our short- and long-term debt and, consequently, impair our ability to raise new financing or refinance our current borrowings and increase our costs of issuing any new debt instruments. Any of these factors could adversely affect us.

***Credit ratings may not reflect all risks, are not recommendations to buy or hold securities and may be subject to revision, suspension or withdrawal at any time.***

Credit ratings obtained from one or more credit rating agencies may not reflect the potential impact of all risks related to the structure, market, additional factors discussed above and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell, or hold securities and may be revised or withdrawn by the rating agency at any time.

***An active trading market may not develop for the Notes, which may hinder your ability to liquidate your investment.***

We cannot assure you as to the liquidity of any market that may develop for the Notes, the ability of holders of the Notes to sell them or the price at which the holders of the Notes may be able to sell them. The liquidity for any market for the Notes will depend on the number of holders of the Notes, prevailing interest rates, the market for similar securities and other factors, including general economic conditions and our own financial condition, performance and prospects, as well as recommendations by securities analysts. Historically, the market for non-investment grade debt, such as the Notes, has been subject to disruptions that have caused substantial price volatility. We cannot assure you that if a market for the Notes were to develop, such a market would not be subject to similar disruptions. We have been informed by the Initial Purchasers that they intend to make a market for the Notes after the offering is completed. However, the Initial Purchasers are not obligated to do so and may cease their market-making activity at any time without notice. In addition, such market-making activity will be subject to limitations imposed by the Securities Act and other applicable laws and regulations. As a result, we cannot assure you that an active trading market for the Notes will develop or, if one does develop, that it will be maintained. If an active trading market does not develop or cannot be maintained, this could have an adverse effect on the liquidity and the trading price of the Notes. Market fluctuations, as well as economic conditions, have adversely affected the market price of many securities. We cannot assure you that these conditions will not adversely affect the market price of the Notes. If a market for the Notes does develop, we also cannot assure you that you will be able to sell your Notes, if issued, at a particular time or that the prices that you receive when you sell will be favorable.

Although application will be made for the Notes to be listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF market, we cannot assure you that the Notes will become or remain listed. Although no assurance is made as to the liquidity of the Notes as a result of admission to trading on the Euro MTF, failure to be approved for listing or the delisting of the Notes, as applicable, from the Official List of the Luxembourg Stock Exchange may have a material effect on a holder's ability to resell the Notes in the secondary market.

***Holders of the Notes may not be able to determine when a Change of Control Triggering Event giving rise to their right to have the Notes repurchased upon a Change of Control Triggering Event has occurred following a sale of less than all of our assets.***

One of the circumstances under which a Change of Control may occur that may require us to repurchase the Notes is upon the sale or disposition of "all or substantially all" of our assets. There is no precise established definition of the phrase "substantially all" under applicable law and the interpretation of that phrase will likely depend upon particular facts and circumstances. Accordingly, the ability of a holder of Notes to determine when a Change of Control Triggering Event giving rise to their right to have the Notes repurchased upon a Change of Control Triggering Event has occurred following a sale of less than all of our assets may be uncertain.

***The Notes may not be freely transferred.***

The Notes have not been and will not be registered under the Securities Act, any U.S. state securities laws or other jurisdiction's securities laws (except for those of Panama) or with the SEC or regulatory authorities in any jurisdiction other than Panama. You may not offer the Notes in the United States except pursuant to an exemption from, or a transaction not subject to, the registration requirements of the Securities Act, applicable state securities laws and in accordance with any applicable securities laws of any other jurisdiction, or pursuant to an effective registration statement. Such exemption includes offers and sales that occur outside of the United States in compliance with Regulation S under the Securities Act in accordance with any applicable securities laws of any other jurisdiction and sales to "qualified institutional buyers" as defined under Rule 144A under the Securities Act. Due to these transfer restrictions, you may be required to bear the risk of your investment for an indefinite period of time.

***Our obligations under the Notes will be junior to our secured debt obligations as well as to other statutory preferences and effectively junior to debt obligations of our subsidiaries.***

The Notes will constitute our senior unsecured obligations. The Notes will rank equal in right of payment with all of our other existing and future senior unsecured indebtedness. Although the Notes will provide the holders of the Notes with a direct, but unsecured, claim on our assets and property, payment on the Notes will be subordinated to any of our secured debt to the extent of the assets and property securing such debt, as well as to other statutory preferences, including post-petition claims, claims for salaries, wages, social security, taxes and court fees and expenses, among others. As of June 30, 2019, we had consolidated total indebtedness of $342.2 million, none of which was secured by collateral. Payment on the Notes will also be structurally subordinated to the payment of our secured and unsecured debt and other obligations of our subsidiaries. The foregoing amounts exclude debt of Telefónica Panamá, which was $80.1 million as of June 30, 2019 and $91.6 million as of December 31, 2018. On a pro forma basis after giving effect to the Telefónica Panamá Acquisition, the offer and sale of the Notes, and the application of the net proceeds from this offering as described under "Use of Proceeds," as of June 30, 2019, we would have had consolidated total indebtedness of $ million. Upon our liquidation or reorganization, any right of the holders of the Notes to participate in our assets, including the capital stock of our subsidiaries, will be subject to the prior claims of our secured creditors, as well as to other statutory preferences, including post-petition claims, claims for salaries, wages, social security, taxes and court fees and expenses, and any such right to participate in the assets of our subsidiaries will be subject to the prior claims of the creditors of our subsidiaries. The Indenture includes a covenant limiting our ability and the ability of our subsidiaries to create or suffer to exist liens, although this limitation is subject to significant exceptions. In such a scenario, enforcement of the Notes may be jeopardized and noteholders may lose part or all of their investment.

***The Notes will contain provisions that allow us to amend the payment terms without the consent of all holders.***

The Notes will contain provisions regarding voting on amendments, modifications and waivers which are commonly referred to as "collective action clauses." Under these provisions, certain key payment terms of the Notes may be amended with the consent of 90.0% of the noteholders, including, among others, the amount of and timing of payments to noteholders and premium payable upon redemption of the Notes. See "Description of Notes—Modifications and Waivers." As a result, 90.0% of the holders of the Notes would be able to bind all holders of the Notes in respect of amendments of payment terms.

***We may redeem the Notes and you may be unable to reinvest the proceeds at the same or a higher rate of return and/or the liquidity of the Notes may be negatively affected.***

The Notes are redeemable at our option, as set forth in this offering memorandum. See "Description of the Notes—Optional Redemption." We may choose to redeem the Notes at times when prevailing interest rates may be relatively low. Accordingly, you may not be able to reinvest the redemption proceeds in a comparable security with an effective interest rate as high as that of the Notes. The liquidity of the Notes also may be negatively affected.

***We are permitted under the terms of the Notes to incur unlimited intercompany debt and shareholder loans that are subordinated to the Notes. However, there is significant uncertainty under Panamanian law regarding the enforceability of those subordination provisions in a bankruptcy or insolvency scenario. If the subordination provisions are not enforced under Panamanian law, any payments due under any such subordinated debt would rank pari passu with the Notes.***

The Indenture will contain provisions that will permit us to incur subordinated debt in certain cases, including Intergroup Subordinated Loans and Shareholder Loans (each as defined in "Description of Notes"), which in certain cases is not limited to specific dollar limitations or thresholds and accordingly may be incurred in an unlimited amount. However, although the Notes will rank equal in right of payment with all of our other existing and future senior unsecured indebtedness, and therefore rank senior in right of payment with our subordinated indebtedness, there is significant uncertainty regarding the enforceability of provisions that contractually subordinate payments under debt obligations under Panamanian law, particularly in the context of a reorganization, liquidation or similar proceedings.

If the subordination provisions were not enforceable, any payments due under any such subordinated obligations would be payable on a *pari passu* basis with payments due on the Notes. In such circumstances, there may not be sufficient funds or assets remaining to pay interest on the Notes and the principal of the Notes may not be repaid in full. In such a scenario, enforcement of the Notes may be jeopardized and noteholders may lose part or all of their investment.

## Use of Proceeds

We intend to use the net proceeds of this offering to repay the outstanding amount under the Intercompany Bridge Loan Agreement used to finance the purchase of Telefónica Panamá and related costs and expenses, as well as to repay certain of our and Telefónica Panamá's debt (as set forth below), with the remainder, if any, to be used for general corporate purposes.

As of the date of this offering memorandum, the current outstanding amount under the Intercompany Bridge Loan Agreement is $420.0 million (excluding accrued interest).

| | **Amount to be Repaid From Proceeds** | |
|---|---|---|
| **(in millions of $)** | **Cable Onda** | **Telefónica Panamá** |
| **Banistmo, S.A.** | -- | $57.2 |
| **Citibank N.A.** | -- | $12.0 |
| **Banco Nacional de Panamá** | $24.3 | -- |
| **Banco General** | $13.8 | -- |
| **The Bank of Nova Scotia** | $39.3 | -- |
| **Intercompany Bridge Loan Agreement** | $420.0 | -- |
| **Total** | **$497.4** | **$69.2** |

Certain of the initial purchasers or their respective affiliates are agents and/or lenders to the Issuer, its subsidiaries and/or affiliates. In connection with the repayment to Millicom of the Intercompany Bridge Loan Agreement, Millicom expects to repay certain indebtedness to certain affiliates of the initial purchasers. As such, affiliates of the initial purchasers may, directly or indirectly, receive payments in satisfaction of indebtednes from the proceeds of this offering of notes.

## Capitalization

The following table presents our cash and cash equivalents and capitalization as of June 30, 2019 (i) on an actual basis, (ii) on a pro forma as adjusted basis to give effect to the Telefónica Panamá Acquisition, and (iii) on a pro forma as adjusted basis to give effect to the Telefónica Panamá Acquisition, this offering, as well as the application of the net proceeds (after deducting commissions and discounts to the Initial Purchasers, but before deducting offering expenses) of approximately $ million therefrom to repay borrowings under the Intercompany Bridge Loan Agreement, which we used to fund the Telefónica Panamá Acquisition, and certain other debt of ours and Telefónica Panamá. Except as otherwise disclosed herein, there has been no material change in our capitalization since June 30, 2019. This table should be read in conjunction with, and is qualified in its entirety by reference to, "Selected Historical Financial Data of Cable Onda," "Selected Historical Financial Data of Telefónica Panamá," "Management's Discussion and Analysis of Financial Condition and Results of Operations of Cable Onda" and our financial statements and the notes thereto included in this offering memorandum.

| | **June 30, 2019** | | |
|---|---|---|---|
| | **Actual** | **Pro Forma As Adjusted for Telefónica Panamá Acquisition** | **Pro Forma As Adjusted for Telefónica Panamá Acquisition and the Offering** |
| | *(in millions of U.S. dollars)* | *(in millions of U.S. dollars)* | *(in millions of U.S. dollars)* |
| Cash and cash equivalents | 20.1 | 38.6 | 38.6 |
| **Long-term debt**(1) | | | |
| Notes offered hereby(2) | — | — | 600.0 |
| 2025 Notes(3) | 183.9 | 183.9 | 183.9 |
| Banco General | 13.8 | 13.8 | — |
| Banco Nacional de Panama | 24.3 | 24.3 | — |
| Banco Banistmo | | 57.2 | — |
| **Citibank** | | 6 | — |
| **Short-term debt** | | | |
| Intercompany Bridge Loan Agreement | — | | |
| The Bank of Nova Scotia | 39.3 | 39.3 | |
| Citibank(4) | 0.8 | 17.8 | |
| **Total shareholders' equity** | **128** | **128** | **128** |
| **Total capitalization** | **390.1** | **470.3** | **911.9** |

(1) Subsequent to the six-month period ended June 30, 2019, we entered into two unsecured credit facilities for $150.0 million, one with Banco Nacional de Panama S.A. for $75.0 million and one with The Bank of Nova Scotia for $75.0 million. As of the date of this offering memorandum, these loans have been drawn in full and we have $150.0 million outstanding under these two credit facilities.

(2) Represents the net amount of proceeds from the offering, after deducting commissions and discounts to the Initial Purchasers, but before deducting offering expenses. The gross amount of proceeds from the offering was $ million.

(3) The gross amount of the 5.75% Senior Notes was $185.0 million.

(4) Subsequent to the six-month period ended June 30, 2019, $6 million of short term loans outstanding with Citibank were amortized.

### Selected Historical Financial Data of Cable Onda

The following table presents our summary historical financial data. The income statement data for the years ended December 31, 2018 and 2017 and the statement of financial position data as of December 31, 2018 set forth below have been derived from our audited financial statements included in this offering memorandum. The income statement data for the six-month periods ended June 30, 2019 and 2018 and the statement of financial position data as of June 30, 2019 and 2018 set forth below have been derived from our unaudited financial statements included in this offering memorandum.

This data is qualified in its entirety by reference to, and should be read in conjunction with, our financial statements and accompanying notes, "Capitalization," and "Management's Discussion and Analysis of Financial Condition and Results of Operations of Cable Onda" included in this offering memorandum. The historical results are not necessarily indicative of our future results of operations or financial condition.

| | For the Six Months Ended June 30, | | For the Years Ended December 31, | |
|---|---|---|---|---|
| | 2019 | 2018 | 2018 | 2017 |
| **Income Statement Data** | (in thousands of $) | | | |
| **Revenue** | **198,071** | **195,136** | **388,426** | **374,110** |
| TV subscriptions | 75,711 | 77,389 | 151,616 | 149,734 |
| Data transmission, Internet and data center | 90,010 | 86,323 | 172,887 | 160,986 |
| Fixed-line services | 23,555 | 25,080 | 49,057 | 49,862 |
| Projects and solutions | 5,291 | 3,509 | 9,041 | 7,156 |
| Other services and revenue | 3,505 | 2,835 | 5,825 | 6,372 |
| **Costs and expenses** | **154,034** | **150,672** | **361,090** | **282,172** |
| Programming and operating costs | 90,693 | 79,480 | 167,363 | 145,802 |
| General, sales and administrative expenses | 63,342 | 71,192 | 193,727 | 136,370 |
| **Operation income** | **44,037** | **44,464** | **27,336** | **91,938** |
| Financial expense | 8,719 | 6,579 | 13,607 | 12,692 |
| **Income before income tax** | **35,317** | **37,885** | **13,729** | **79,246** |
| Income tax | (9,611) | (7,302) | (9,553) | (20,647) |
| **Net income** | **25,707** | **30,582** | **4,176** | **58,599** |
| Attributable to: | | | | |
| Controlling interest | 25,708 | 30,610 | 4,379 | 58,743 |
| Non-controlling interest | (2) | (27) | (203) | (144) |

| | As of June 30, | | As of December 31, | |
|---|---|---|---|---|
| | 2019 | 2018 | 2018 | 2017 |
| **Statement of Financial Position Data** | (in thousands of $) | | | |
| Cash and cash equivalents | 20,142 | 33,698 | 6,486 | 6,433 |
| Total assets | 532,208 | 510,502 | 487,778 | 449,072 |
| Current liabilities | 130,114 | 65,150 | 123,377 | 64,190 |
| Long-term liabilities | 278,556 | 301,713 | 266,569 | 269,245 |
| Total liabilities | 408,670 | 366,863 | 389,946 | 333,425 |
| Total shareholders' equity | 123,538 | 143,639 | 97,832 | 115,637 |

| | For the Six Months Ended June 30, | | For the Years Ended December 31, | |
|---|---|---|---|---|
| | 2019 | 2018 | 2018 | 2017 |
| **Cash Flow Data** | (in thousands of $) | | | |
| **Net cash provided by (used in)** | | | | |
| Operating activities | 53,577 | 63,974 | 109,773 | 130,206 |
| Investing activities | (38,339) | (64,932) | (96,153) | (88,364) |

| | For the Six Months Ended June 30, | | For the Years Ended December 31, | |
|---|---|---|---|---|
| | **2019** | **2018** | **2018** | **2017** |
| **Cash Flow Data** | **(in thousands of $)** | | | |
| Financing activities | (1,581) | 8,820 | (13,567) | (44,289) |

| | For the Six Months Ended June 30, | | For the Years Ended December 31, | |
|---|---|---|---|---|
| | **2019** | **2018** | **2018** | **2017** |
| | **(in thousands of $)** | | | |
| **Other Financial Data** | | | | |
| Adjusted EBITDA (1) | 88,325 | 82,470 | 171,130 | 159,721 |
| Adjusted EBITDA Margin | 44.6% | 42% | 44% | 43% |
| Capital expenditures | 38,044 | 19,404 | 95,187 | 85,223 |
| Capital expenditures as a percentage of revenue | 19% | 10% | 24% | 23% |

(1) We define Adjusted EBITDA for any period as net income for such period, plus excluding depreciation and amortization, interest expense, income tax, certain non-recurring items related to Millicom's acquisition of Cable Onda, and Other, which represents adjustments derived from the adoption of IFRS 15 and other non-recurring items. The following table presents a reconciliation of Adjusted EBITDA to Net income:

| | For the Six Months Ended June 30, | | For the Years Ended December 31, | |
|---|---|---|---|---|
| | **2019** | **2018** | **2018** | **2017** |
| | **(in thousands of $)** | | | |
| **Net income** | 25,707 | 30,583 | 4,176 | 58,599 |
| Depreciation and amortization | 40,534 | 35,708 | 81,498 | 67,783 |
| Interest expense, net | 8,720 | 6,579 | 13,607 | 12,692 |
| Income tax | 9,610 | 7,302 | 9,553 | 20,647 |
| **EBITDA** | **88,325** | **82,470** | **108,834** | **159,721** |
| Costs incurred by Cable Onda associated with its sale to Millicom(a) | - | - | 53,844 | - |
| Other(b) | - | - | 8,452 | - |
| **Adjusted EBITDA** | 88,325 | 82,470 | 171,130 | 159,721 |

(a) These items represent transaction costs allocated to Cable Onda for the acquisition process led by Millicom, incuding consulting fees, severance payments, special bonuses and other costs.

(b) Other represents adjustments derived from the adoption of IFRS 15 and other non-recurring items.

**Selected Historical Financial Data of Telefónica Panamá**

The following table presents the selected historical financial data of Telefónica Panamá. The income statement data for the years ended December 31, 2018 and 2017 and the statement of financial position data as of December 31, 2018 set forth below have been derived from the Telefónica Panamá Financial Statements included in this offering memorandum.

This data is qualified in its entirety by reference to, and should be read in conjunction with, the Telefónica Panamá Financial Statements and accompanying Notes, "Capitalization" and "Management's Discussion and Analysis of Financial Condition and Results of Operations of Telefónica Panamá" included in this offering memorandum. The historical results are not necessarily indicative of our future results of operations or financial condition.

| | **For the Six Months Ended June 30,** | | **For the Years Ended December 31,** | |
|---|---|---|---|---|
| | **2019** | **2018** | **2018** | **2017** |
| **Income Statement Data** | **(in thousands of $)** | | | |
| **Revenue** | **113,095** | **107,392** | **219,367** | **211,642** |
| Revenue from contracts with customers | 112,723 | 107,281 | 219,160 | 210,980 |
| Other services and revenue | 371 | 111 | 207 | 662 |
| **Costs and expenses** | **91,421** | **84,570** | **165,204** | **171,665** |
| Direct costs of operation and acquisition of subscribers | 36,025 | 39,565 | 77,527 | 79,258 |
| Personnel expenses | (8,156) | 7,085 | 12,287 | 14,117 |
| Depreciation and amortization | 22,250 | 16,217 | 31,419 | 38,278 |
| Loss due to impairment of financial assets | 839 | 45 | 132 | – |
| Loss due to impairment of contract assets | (47) | -- | (9) | – |
| Other operating income | 107 | (277) | (398) | (584) |
| Other operating expenses | 24,029 | 21,935 | 44,246 | 40,596 |
| **Income from operations** | **21,674** | **22,822** | **54,163** | **39,977** |
| Financial income | 443 | 448 | 820 | 175 |
| Financial expense | (3,164) | (2,052) | (4,244) | (4,644) |
| **Profit before income tax** | **18,953** | **21,218** | **50,739** | **35,508** |
| Income tax | (4,626) | (5,429) | (12,245) | (9,505) |
| **Net income** | **14,327** | **15,789** | **38,494** | **26,003** |

| | **As of June 30,** | | **As of December 31,** | |
|---|---|---|---|---|
| | **2019** | **2018** | **2018** | **2017** |
| **Statement of Financial Position Data** | **(in thousands of $)** | | | |
| Cash and cash equivalents | 12,113 | 13,626 | 15,882 | 12,481 |
| Total assets | 345,043 | 281,569 | 292,048 | 285,284 |
| Current liabilities | 96,147 | 89,349 | 97,847 | 96,793 |
| Long-term liabilities | 115,228 | 57,231 | 78,643 | 69,869 |
| Total liabilities | 211,376 | 146,580 | 176,490 | 166,662 |
| Total shareholders' equity | 129,885 | 134,990 | 115,558 | 118,622 |

| | **For the Six Months Ended June 30,** | | **For the Year Ended December 31,** | |
|---|---|---|---|---|
| | **2019** | **2018** | **2018** | **2017** |
| **Cash Flow Data** | **(in thousands of $)** | | | |
| **Net cash provided by (used in)** | | | | |
| Operating activities | 19,067 | 17,672 | 78,004 | 70,423 |
| Investing activities | (7,583) | (6,892) | (29,391) | (25,804) |
| Financing activities | (15,253) | (9,634) | (45,211) | (37,771) |

The following table presents a reconciliation of Telefónica Panamá's net income to EBITDA, which is defined as net income before depreciation and amortization, interest expense, and income tax.

| | **For the Six Months Ended June 30,** | | **For the Year Ended December 31,** | |
|---|---|---|---|---|
| | **2019** | **2018** | **2018** | **2017** |
| | **(in thousands of $)** | | | |
| **Net income** | **14,327** | **15,789** | **38,494** | **26,003** |
| Depreciation and amortization | 22,250 | 16,217 | 31,419 | 38,278 |
| Interest expense, net | **2,721** | **1,604** | 3,424 | 4,469 |
| Income tax | 4,626 | 5,429 | 12,245 | 9,505 |
| **EBITDA** | **48,684** | **39,039** | 85,582 | 78,255 |

## UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

The unaudited pro forma condensed combined financial information as of and for the six months ended June 30, 2019 and for the year ended December 31, 2018 was derived from the audited or reviewed financial statements of Cable Onda and Telefónica Panamá for the periods mentioned above.

The unaudited pro forma condensed combined income statements give pro forma effect to the Telefónica Panamá Acquisition as if it had been completed on January 1, 2018. The unaudited pro forma condensed combined balance sheet as of June 30, 2019 gives pro forma effect to the Telefónica Panamá Acquisition, as defined in the notes below, as if it were completed on June 30, 2019. The unaudited pro forma condensed combined financial statements give effect to the combination in accordance with the acquisition method of accounting for business combinations, with Cable Onda deemed to be the accounting acquirer.

This information should be read together with the audited and reviewed financial statements of Cable Onda and Telefónica Panamá and related notes as of and for the six months ended June 30, 2019 and for the year ended December 31, 2018, which are included elsewhere in this offering memorandum.

The unaudited pro forma condensed combined financial statements reflect preliminary estimated adjustments and reclassifications to the historical financial information which management believes are expected to have a continuing impact on the results of the combined company, are factually supportable and are directly attributable to the following events and transactions:

- the combination of Cable Onda and Telefónica Panamá operations;
- the payment of the cash consideration to the seller;
- the closing of this offering;
- the elimination of the brand fee charged by Telefonica Spain to Telefónica Panamá; and
- the effect of any transactions and balances between Cable Onda and Telefónica Panamá.

The unaudited pro forma condensed combined financial information is for illustrative purposes only. Actual results may differ significantly from those reflected in the unaudited pro forma condensed financial information for a number of reasons, including differences between the assumptions used to prepare the pro forma financial statements and actual results. You should not rely on the unaudited pro forma condensed combined financial information as being indicative of the historical results that would have been achieved had the companies operated together in the past or of the future results that the combined company may experience.

PRO FORMA CONDENSED COMBINED INCOME STATEMENT
For the year ended December 31, 2018
(Dollars in thousands)
(unaudited)

| | Cable Onda | Telefónica Panamá | Reclassifications Note 3 | | Pro Forma Adjustments Note 5 | | Pro Forma Combined |
|---|---|---|---|---|---|---|---|
| **Revenue** | | | | | | | |
| TV subscriptions | 151,616 | | | | | | 151,616 |
| Data transmission, internet and data center | 172,887 | | | | | | 172,887 |
| Fixed-line service | 49,057 | | | | | | 49,057 |
| Projects and solutions | 9,041 | | | | | | 9,041 |
| Revenue from contracts with customers | | 219,160 | (219,160) | (i) | | | 0 |
| Mobile service | | | 205,655 | (i) | (438) | (f) | 205,217 |
| Mobile equipment | | | 13,505 | (i) | | | 13,505 |
| Other services and revenue | 5,825 | 207 | | | | | 6,032 |
| | **388,426** | **219,367** | **0** | | **(438)** | | **607,355** |
| **Costs and expenses** | | | | | | | |
| Programming and operating costs | (167,363) | | 110,974 | (a, b) | | | (56,389) |
| Direct costs of operation and acquisition of subscribers | | (77,527) | (29,476) | (b) | | | (107,003) |
| Personnel expenses | | (12,287) | (97,884) | (c) | | | (110,171) |
| Depreciation and amortization | | (31,419) | (81,498) | (a) | | | (112,917) |
| Loss due to impairment of financial assets | | (132) | | | | | (132) |
| Loss due to impairment of contractual asset | | 9 | | | | | 9 |
| Other operating income | | 398 | | | | | 398 |
| Other operating expenses | | (44,246) | 37,669 | (d) | | | (6,577) |
| General, sales and administrative expenses | (193,727) | | 60,215 | (c,d) | 4,012 | (a, f) | (129,500) |
| | **(361,090)** | **(165,204)** | **0** | | **4,012** | | **(522,282)** |
| **Income from operations** | **27,336** | **54,163** | **0** | | **3,574** | | **85,073** |
| Financial income | | 820 | | | | | 820 |
| Financial expense | (13,607) | (4,244) | | | (34,500) | (b) | (52,351) |
| **Profit before income tax** | **13,729** | **50,739** | **0** | | **(30,926)** | | **33,542** |
| Income tax | (9,553) | (12,245) | | | (894) | (c) | (22,692) |
| **Net income** | **4,176** | **38,494** | **0** | | **(31,820)** | | **10,851** |
| Attributable to: | | | | | | | |
| Controlling interest | 4,379 | 38,494 | | | (31,820) | | 11,054 |
| Non-controlling interest | (203) | | | | | | (203) |
| **Net income** | **4,176** | **38,494** | **0** | | **(31,820)** | | **10,851** |

PRO FORMA CONDENSED COMBINED INCOME STATEMENT
For the six months ended June 30, 2019
(Dollars in thousands)
(unaudited)

| | Cable Onda | Telefónica Panamá | Reclassifications Note 3 | | Pro Forma Adjustments Note 5 | | Pro Forma Combined |
|---|---|---|---|---|---|---|---|
| **Revenue** | | | | | | | |
| TV subscriptions | 75,711 | | | | | | 75,711 |
| Data transmission, internet and data center | 90,010 | | | | | | 90,010 |
| Fixed-line service | 23,555 | | | | | | 23,555 |
| Projects and solutions | 5,290 | | | | | | 5,290 |
| Revenue from contracts with customers | | 112,723 | (112,723) | (i) | | | 0 |
| Mobile service | | | 102,155 | (i) | (112) | (f) | 102,043 |
| Mobile equipment | | | 10,568 | (i) | | | 10,568 |
| Other services and revenue | 3,505 | 372 | | | | | 3,877 |
| | **198,071** | **113,095** | **0** | | **(112)** | | **311,054** |
| **Costs and expenses** | | | | | | | |
| Programming and operating costs | (90,693) | | 58,187 | (a, b) | | | (32,506) |
| Direct costs of operation and acquisition of subscribers | | (36,025) | (13,899) | (b) | | | (49,924) |
| Personnel expenses | | (8,156) | (27,344) | (c) | | | (35,500) |
| Depreciation and amortization | | (22,250) | (44,288) | (a) | | | (66,538) |
| Loss due to impairment of financial assets | | (1,021) | | | | | (1,021) |
| Loss due to impairment of contractual asset | | (47) | | | | | (47) |
| Other operating income | | 107 | | | | | 107 |
| Other operating expenses | | (24,029) | 20,814 | (d) | | | (3,215) |
| General, sales and administrative expenses | (63,341) | | 6,530 | (c,d) | 2,116 | (a, f) | (54,695) |
| | **(154,034)** | **(91,421)** | **0** | | **2,116** | | **(243,339)** |
| **Income from operations** | **44,037** | **21,674** | **0** | | **2,004** | | **67,715** |
| Financial income | | 443 | | | | | 443 |
| Financial expense | (8,720) | (3,164) | | | (17,250) | (b) | (29,134) |
| **Profit before income tax** | **35,317** | **18,953** | **0** | | **(15,246)** | | **39,024** |
| Income tax | (9,610) | (4,626) | | | (501) | (c) | (14,737) |
| **Net income** | **25,707** | **14,327** | **0** | | **(15,747)** | | **24,287** |
| Attributable to: | | | | | | | |
| Controlling interest | 25,708 | 14,327 | | | (15,747) | | 24,288 |
| Non-controlling interest | (1) | | | | | | (1) |
| **Net income** | **25,707** | **14,327** | **0** | | **(15,747)** | | **24,287** |

PRO FORMA CONDENSED COMBINED BALANCE SHEET
As of June 30, 2019
(Dollars in thousands)
(unaudited)

| | Cable Onda | Telefónica Panamá | Reclassifications Note 3 | | Pro Forma Adjustments Note 5 | | Pro Forma Combined |
|---|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | | |
| **Current assets** | | | | | | | |
| Cash and cash equivalents | 20,142 | 12,113 | | | 6,367 | (d, e) | 38,622 |
| Accounts receivable - customers, net | 38,730 | 23,526 | | | (112) | (f) | 62,144 |
| Receivables to related parties | | 5,141 | | | | | 5,141 |
| Contract assets | | 1,923 | | | | | 1,923 |
| Other accounts receivable | 2,573 | 10,742 | | | | | 13,315 |
| Inventory | 20,497 | 5,615 | | | | | 26,112 |
| Prepaid expenses (short-term) | 10,798 | 3,127 | | | | | 13,925 |
| Income Tax advance | 2,484 | | | | | | 2,484 |
| | **95,224** | **62,187** | **-** | | **6,255** | | **163,666** |
| **Non-current assets** | | | | | | | |
| Severance fund | 832 | | 2,006 | (e) | | | 2,838 |
| Deposits in guarantee and other assets | 465 | | 1,681 | (e) | | | 2,146 |
| Investments in shares of related parties | | 16 | | | | | 16 |
| Prepaid expenses (long-term) | | 8,975 | | | | | 8,975 |
| Other non-current assets | | 4,557 | (3,687) | (e) | | | 870 |
| Deferred tax assets | | 2,056 | | | | | 2,056 |
| Intangible assets | 19,994 | 110,022 | 70,923 | (h) | | | 200,939 |
| Value paid in excess of the cost of the assets acquired | 70,923 | | (70,923) | (h) | | | 0 |
| Right-of-use assets | 33,567 | 47,741 | | | | | 81,308 |
| Property, furniture, equipment and leasehold improvements, net | 311,203 | 105,708 | | | | | 416,911 |
| Goodwill | | | | | 463,748 | (e) | 463,748 |
| | **436,984** | **279,075** | **-** | | **463,748** | | **1,179,807** |
| **Total assets** | **532,208** | **341,262** | **-** | | **470,003** | | **1,343,473** |
| **Current liabilities** | | | | | | | |
| Accounts payable | 48,624 | 41,032 | | | (112) | (f) | 89,544 |
| Financial leases | 5,405 | 8,042 | | | | | 13,447 |
| Payables to related parties | | 10,883 | | | | | 10,883 |
| Contract liabilities | | 1,881 | 14,604 | (j, k) | | | 16,485 |
| Other accrued expenses | | 12,807 | (9,124) | (f, j) | | | 3,683 |
| Employee benefits | 8,012 | | 1,882 | (f) | | | 9,894 |
| Current portion of long-term loans | 53,877 | 17,000 | | | | | 70,877 |
| Client deposits | 6,818 | | | | | | 6,818 |
| Income tax payable | 16 | 4,503 | | | | | 4,519 |
| Deferred income | 7,362 | | (7,362) | (k) | | | 0 |
| | **130,114** | **96,148** | **-** | | **-112** | | **226,150** |
| **Non-current liabilities** | | | | | | | |
| Financial leases long-term | 28,950 | 42,460 | | | | | 71,410 |
| Long-term loans payable | 24,300 | 63,180 | | | | | 87,480 |
| Other long-term liabilities | | 6,830 | (1,560) | (g) | | | 5,270 |
| Bonds payable, net | 183,937 | | | | 600,000 | (d) | 783,937 |
| Deferred income | 16,079 | | | | | | 16,079 |
| Deferred income tax | 25,291 | 2,759 | | | | | 28,050 |
| Seniority premium | - | | 1,560 | (g) | | | 1,560 |
| | **278,557** | **115,229** | **-** | | **600,000** | | **993,786** |
| **Stockholders' Equity** | | | | | | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| Capital Stock | 57,649 | 44,687 | | (44,687) | (e) | 57,649 |
| Retained earnings | 66,157 | 85,198 | | (85,198) | (e) | 66,157 |
| | **123,806** | **129,885** | **-** | **(129,885)** | | **123,806** |
| Non-controlling interest | (269) | | | | | (269) |
| **Total shareholders' equity** | **123,537** | **129,885** | **-** | **(129,885)** | | **123,537** |
| **Total liabilities and shareholders' equity** | **532,208** | **341,262** | **-** | **470,003** | | **1,343,473** |

**Notes to Unaudited Pro Forma Combined Financial Statements**

**1. Basis of Pro Forma Presentation**

***Overview***

On February 20, 2019, Millicom agreed to purchase 100% of the shares of Telefónica Moviles Panamá, S.A (Telefónica Panamá), from Telefónica Centroamerica Inversiones, S.L. ("Telefónica Centroamerica") and Telefónica S.A. ("Telefónica"). The consummation of the share purchase (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 for $593.6 million from Telefonica.

The unaudited pro forma condensed combined financial statements have been prepared assuming the Telefónica Panamá Acquisition is accounted for using the acquisition method of accounting with Cable Onda as the acquiring entity and Telefónica Panamá as the acquiree. Under the acquisition method of accounting, Cable Onda's assets and liabilities will retain their carrying values and the assets and liabilities of Telefónica Panamá will be recorded at their fair values measured as of the acquisition date. The excess of the purchase price over the estimated fair value of net assets acquired, if any, will be recorded as goodwill. The pro forma adjustments have been prepared as if the Telefónica Panamá Acquisition had been completed on June 30, 2019 in the case of the unaudited pro forma condensed combined balance sheet and on January 1, 2018 in the case of the unaudited pro forma condensed combined income statements.

The acquisition method of accounting is based on International Financial Reporting Standard ("IFRS") 3R, Business Combinations ("IFRS 3R"), and uses the fair value concepts defined in IFRS 13, Fair Value Measurements ("IFRIC 13"). IFRS3R requires, among other things, that assets acquired and liabilities assumed be recognized at their fair values as of the acquisition date by the acquirer.

Amounts listed in the Reclassifications column were made to better align and to eliminate differences in the presentation of certain items in the financial statements of Cable Onda and Telefónica Panamá. Reclassifications were made on a case-by-case basis and not just to follow Cable Onda or Telefónica Panamá presentation criteria.

The pro forma adjustments represent management's preliminary estimates based on information available as of the date of this offering memorandum and are subject to change as additional information becomes available and additional analyses are performed. The unaudited pro forma condensed combined financial statements do not reflect possible adjustments related to restructuring or integration activities that have yet to be determined or transaction or other costs following the Telefónica Panamá Acquisition that are not expected to have a continuing impact. Further, one-time transaction-related expenses anticipated to be incurred prior to, or concurrent with, completion of the Telefónica Panamá Acquisition and related transactions are not reflected in the unaudited pro forma condensed combined financial statements. As of the date of this offering memorandum, we have not completed the purchase price allocation; the pro forma condensed combined financial statements reflect estimates thereof. (See Note 4 below.)

**2. Accounting Policies**

As of the date of this offering memorandum, we did not identify any differences in accounting policies that would have a material impact on the unaudited pro forma condensed combined financial information. As a result, the unaudited pro forma condensed combined financial information does not assume any differences in accounting policies.

**3. Reclassification Adjustments**

Amounts listed in the Reclassifications column above were made to better align and to eliminate differences in the presentation of certain items in the financial statements of Cable Onda and Telefónica Panamá. These items have been reclassified in the unaudited pro forma condensed combined financial information, as disclosed below:

(a) To reclassify $44.3 million for the six months ended June 30, 2019 ($81.5 million for the year ended December 31, 2018) from Programming and operating costs to Depreciation and Amortization on Cable Onda's financial statements.

(b) To reclassify $13.9 million from Programming and operating costs composed of $4,756 of Interconnection costs, $5.9 million of B2B Projects costs and $3,173 of Data transmission costs for the six months ended June 30, 2019 ($29.5 million composed of $11.9 million of Interconnection costs, $9.4 million of B2B Projects costs and $8.1 million of Data transmission costs for the year ended December 31, 2018) to Direct costs of operation and acquisition of subscribers on Cable Onda's financial statements.

(c) To reclassify $27.3 million for the six months ended June 30, 2019 ($97.9 million for the year ended December 31, 2018) from General, sales and administrative expenses to Personnel expenses on Cable Onda's financial statements.

(d) To reclassify $20.8 million from Other operating expenses composed of $7.1 million of Services fees, $3.2 million of Advertising and promotions, $3.8 million of Consulting fees, $2.5 million of Administrative expenses, $2.2 million of Maintenance and repairs, $0.5 million of Leases, $0.1 million of Insurance and $1.4 million of Taxes for the six months ended June 30, 2019 ($37.7 million composed of $12.2 million of Services fees, $6.4 million of Advertising and promotions, $6.4 million of Consulting fees, $4.4 million of Administrative expenses, $2.8 million of Maintenance and repairs, $2.6 million of Leases, $0.3 million of Insurance and $2.5 million of Taxes for the year ended December 31, 2018) to General, sales and administrative expenses on Telefónica Panamá' financial statements.

(e) To reclassify $3.7 million from Other non-current assets to Severance fund of $2.0 million and Deposits in guarantee and other assets of $1.7 million on Telefónica Panamá's financial statements.

(f) To reclassify $1.9 million from Other accrued expenses to Employee benefits on Telefónica Panamá's financial statements.

(g) To reclassify $1.6 million from Other long-term liabilities to Seniority premium on Telefónica Panamá's financial statements.

(h) To reclassify $70.9 million from Value paid in excess of the cost of the assets acquired to Intangible assets on Cable Onda's financial statements.

(i) To reclassify $112.7 million for the six months ended June 30, 2019 ($219.2 million for the year ended December 31, 2018) from Revenue from contracts with customers to Mobile services of $102.2 million for the six months ended June 30, 2019 ($205.7 million for the year ended December 31, 2018) and Mobile equipment of $10.6 million for the six months ended June 30, 2019 ($13.5 million for the year ended December 31, 2018) on Telefónica Panamá's financial statements.

(j) To reclassify $7.3 million from Other accrued expenses (prepayments from Customers) to Contract liabilities on Telefónica Panamá's financial statements.

(k) To reclassify $7.4 million from Deferred income to Contract liabilities on Cable Onda's financial statements.

**4. Preliminary Allocation of Purchase Price**

The allocation of the purchase consideration herein is preliminary. The final allocation of the purchase consideration for the Telefónica Panamá Acquisition will be determined after an analysis to determine the fair value of all assets acquired and liabilities assumed, which will be completed within one year following the completion of the Telefónica Panamá Acquisition.

Accordingly, the final acquisition accounting adjustments could differ materially from the preliminary amounts presented in these unaudited pro forma condensed combined financial statements.

Any increase or decrease in the fair value of the assets acquired, liabilities assumed, as compared to the information shown herein, could also change the portion of the purchase consideration allocable to goodwill and could impact the operating results of Telefónica Panamá, when consolidating in Cable Onda, following the Telefónica Panamá Acquisition due to differences in the allocation of the purchase consideration, depreciation and amortization related to some of these assets and liabilities.

For purposes of the pro forma, the purchase price allocation included below, was prepared assuming that the fair values of all assets and liabilities acquired were equal to their book values. The resulting difference in the net fair value of assets acquired compared to the purchase price is reflected as goodwill. The Company has hired a third party to estimate the fair values of the assets and liabilities acquired which will likely result in differences from the assumptions they have used in this purchase price allocation.

The purchase consideration was preliminarily allocated as follows:

| Preliminary Opening Balance Sheet Allocation (in thousands) | |
|---|---|
| **Cash paid to sellers** | **593,633** |
| Cash and cash equivalents | 12,113 |
| Accounts receivable - customers, net | 23,526 |
| Receivables to related parties | 5,141 |
| Contract assets | 1,923 |
| Other accounts receivable | 10,742 |
| Inventory | 5,615 |
| Prepaid expenses (short-term) | 3,127 |
| Investments in shares of related parties | 16 |
| Prepaid expenses (long-term) | 8,975 |
| Other non-current assets | 4,557 |
| Deferred tax assets | 2,056 |
| Intangible assets | 110,022 |
| Right of use assets | 47,741 |
| Property, furniture, equipment and leasehold improvements, net | 105,708 |
| Goodwill (a) | 463,748 |
| Accounts payable | (41,032) |
| Finance leases | (8,042) |
| Payables to related parties | (10,883) |
| Contract liabilities | (1,881) |
| Other accrued expenses | (12,807) |
| Current portion of long-term loans | (17,000) |
| Income tax payable | (4,503) |
| Finance leases long-term | (42,460) |
| Long-term loans payable | (63,180) |
| Other long-term liabilities | (6,830) |
| Deferred income tax | (2,759) |
| **Net assets acquired** | **593,633** |

(a) Goodwill represents the excess of the total purchase consideration over the fair value of the underlying net assets.

**5. Pro Forma Adjustments and Assumptions**

The historical financial statements have been adjusted in the unaudited pro forma condensed combined financial information to give effect to pro forma events that are (1) directly attributable to the Telefónica Panamá Acquisition, (2) factually supportable, and (3) with respect to the income statements, expected to have a continuing impact on the results of both Cable Onda and Telefónica Panamá.

Upon completion of the acquisition, any transactions that occurred between Cable Onda and Telefónica Panamá will be considered intercompany transactions. Balances and transactions between Cable Onda and Telefónica Panamá as of June 30, 2019 and for the periods presented have been eliminated as noted below.

**Pro Forma Adjustments:**

a) Reflects elimination of brand fees of $2.0 million for the six months ended June 30, 2019 ($3.6 million for the year ended December 31, 2018) charged by Telefonica Spain to Telefónica Panamá, which is not expected to be incurred subsequent to the close of the Telefónica Panamá Acquisition.

b) Represents the increased interest expense of $17.3 million for the six months ended June 30, 2019 ($34.5 million for the year ended December 31, 2018) related to the issuance of new debt in connection with the Telefónica Panamá Acquisition. The pro forma interest expense assumes an interest rate of 5.75% on total debt issued ($600.0 million), which is consistent with the interest rate applicable to Cable Onda's existing Bonds.

c) Represents the estimated income tax effect of the pro forma adjustments. The tax effect of the pro-forma adjustments was calculated using the historical statutory rate of 25% in effect for the periods presented.

d) Represents new debt of $600.0 million raised in connection with the Telefónica Panamá Acquisition and the corresponding adjustment to cash.

e) Represents the adjustments to record goodwill ($463.7 million), the cash consideration to be paid ($593.6 million) for the acquisition of Telefónica Panamá and to remove Telefónica Panamá's historical stockholders' equity accounts.

f) Represents the elimination of transactions between Cable Onda and Telefónica Panamá in an amount of $0.1 million as of June 30, 2019 ($438,000 as of December 31, 2018).

## 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 our financial statements for the year ended December 31, 2018 and the six months ended June 30, 2019 and the notes thereto included in this offering memorandum, as well as the information presented under "Selected Historical Financial Data of Cable Onda."

The following discussion contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those discussed in forward-looking statements as a result of various factors, including those set forth in "Cautionary Statement Regarding Forward-Looking Statements" and "Risk Factors."

### Overview

Founded in 1990, we are one of the leading providers of residential Pay-TV, fixed broadband Internet and fixed telephony in Panama, to B2B customers. Through our "Cable Onda" brand, we are the largest fixed broadband Internet provider in Panama, with almost three times as many subscribers as the second-largest provider, and the largest fixed telephony provider in the country to B2C residential consumers. Through our "TeleCarrier" brand, we also offer B2B services to governmental and SME corporate customers, including fixed Internet, cloud solutions, backup solutions, outsourcing of both IT department management and operations, personalized IT projects, and cybersecurity. Based on our internal estimates as of June 30, 2019, for HFC network we are a top provider of fixed telephony services locally. We have an 83.0% share of the Pay-TV market with approximately 344,000 customers and a 75.0% share of the broadband Internet market with approximately 364,000 customers.

Throughout our 29-year history, we have experienced significant growth, primarily through strategic acquisitions. Our strategic acquisitions have helped us strengthen our position as one of the leading telecommunications providers in Panama. 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 network today is entirely digital, employs the DOCSIS 3.0 standard, and 95.0% of the network has been upgraded to 1 Ghz of capacity. Our network also includes more than 10,000 km of HFC and more than 5,000 km of fiber providing 54.0% network coverage. Our network passes more than 800,000 HFC homes in Panama with 53.0% or 470,000 connected homes.

### *Factors affecting our results of operations*

Our performance and results of operations have been and will continue to be affected by a number of internal and external factors. The key factors that have had or, in the future, may have an effect on the results of our operations are described below.

### *Revenue*

We generate revenue mainly from fees associated with communication, entertainment, data, and information services that we provide to our customers, such as airtime and data usage fees, roaming fees, interconnection fees, connection fees, monthly subscription fees, broadband Internet, VoIP, data transmission, cable TV, sale of content and other services and sales of equipment, cloud and ICT. We generally seek to increase our revenue through the growth of our customer base and the introduction of new products and value-added services. Our results of operations are therefore dependent on our customer base and the number of services that each customer uses.

### *Drivers of revenue growth*

We are building state-of-the-art fixed networks to deliver services for consumers and businesses. We are also expanding the footprint of our HFC fixed network, passing homes and business premises and connecting them to our infrastructure.

We intend to monetize the substantial investment we make in fixed and mobile networks by providing high quality, secure connectivity as well as innovative, compelling value-for-money services that consumers and business demand.

***Coverage***

As of June 30, 2019, our total fixed Home network covered approximately 0.8 million Homes Passed, 0.9 million RGU's and 0.1 million wireless RGUs. Our B2C customers can choose from a complete suite of services, including Pay-TV, Internet, and other digital services. Our Pay-TV services are generally the first point of entry into our customers' homes, which allows us to increase our penetration by offering Internet and other services as well, which we believe creates a strong brand affinity. Our strategy is to expand our HFC network faster and more cost-effectively than our competitors, increasing our Homes Passed, customer relationships, and revenue. We continue to invest to provide faster and more reliable broadband connectivity around the country.

In 2000, we launched Cable Onda Sports, a multiplatform sports content producer and differentiator of Pay-TV service. We currently own the exclusive rights to air Cable Onda Sports on our Pay-TV service. The service is also available as a value-added service for mobile phone subscribers, allowing access to content through an app for smartphones. This step represents an important component of our strategy to increase client loyalty by offering exclusive content to our customers in the Pay-TV and a significant enhancement to the value of the brand, as it differentiates us from our competitors and provides our customers with sought-after premium content. For instance, through Cable Onda Sports, we own the rights to broadcast the FIFA World coup and local football league.

The SME segment, the covering is more than 32,000 customers, and is focused in customers with 30 employees or less and typically no more than one location. The go to market is similar to residential business (transactional) leveraged in the same network, but offering different configurations of traditional products, enterprise-specific plans, differentiated SLAs and value-added services oriented to specific industries (schools, retail, hotels, bar and restaurants, etc.).

For our Corporate and Government customers, coverage is not measured by the number of Homes Passed, but by reference to the penetration of our services in the market and in the ability to cross-sell and increase customer billing. Based on our internal management records and estimates, we believe we have significantly high penetration with Government customers, such that we provide services to substantially all, if not all, government agencies in Panama.

***Capital expenditures on new products and services***

We consistently seek to improve the quality and increase the coverage of our cable networks, which requires purchasing new licenses, investing in new infrastructure, and modernizing and upgrading our networks and IT infrastructure. Spending on capital expenditures ultimately increases our revenue and operating profit, but it also decreases our investing cash flows, our carrying value of property, plant and equipment and intangible assets, and increases depreciation and amortization expense. In addition, as customers increase their utilization of our networks, we incur higher operating expenses, including interconnection charges, network operation and maintenance costs, employee costs and selling, general and administrative expenses.

Capital expenditures during the six months ended June 30, 2019 and 2018 of $37.9 million and $19.4 million, respectively, resulted in improvements in the quality of our networks and increased capacity and coverage, which attracted additional customers. Balance sheet capital investment totaled $73.8 million during the six months ended June 30, 2019, compared to $64.9 million during the six months ended June 30, 2018, in which we invested in fixed assets and network improvements.

Capital expenditures during the years ended December 31, 2018 and 2017 of $95.2 million and $85.2 million, respectively, resulted in improvements in the quality of our networks and increased capacity and coverage, which attracted additional customers. Balance sheet capital investment totaled $96.2 million during the year ended December 31, 2018, compared to $88.4 million during the year ended December 31, 2017, in which we invested in fixed assets and network improvements.

Our investments remain directed towards the strategic focus areas of network coverage and capacity. Typically, the impact on revenue from investments made towards the end of the year is not reflected until four or five months later as network penetration increases.

***Investments and acquisitions***

We expect to continue to invest in our existing Pay-TV, fixed Internet, fixed telephony and B2B services and technology, where we believe we can generate attractive returns. In addition, we may pursue new license or acquisition opportunities where we determine there is potential for synergies such as improved branding, cross-selling, bundling of services, sharing of information and best practices about services, human resources, technologies, market strategies, and the centralized negotiation of financings and supply contracts for network and customer equipment. We may also attempt to expand our footprint through acquisitions in areas similar to our existing core businesses, such as mobile assets, such as the expansion into the Panamanian mobile market through our recent acquisition of Telefónica Panamá. See "Business of Cable Onda—Recent Developments."

If we do consummate any acquisition, it could be material to our business and require us to incur additional debt. There can be no assurance that additional financing will be available when required or, if available, that it will be on terms satisfactory to us. See "Risk Factors—Certain risk factors relating to our business—We may not be successful in our acquisitions of, and investments in, other companies and businesses, and may therefore be unable to fully implement our business strategy."

***Competitive and regulatory pressures on pricing***

The market in which we operate is competitive in nature, and we expect competition will remain robust. We seek to sustain our market leadership position by providing innovative services on fast and reliable networks, and by leading with significant positive initiatives that reflect our commitment to sustainability. See "Selected Historical Financial Data of Cable Onda" and "Selected Historical Financial Data of Telefónica Panamá" and the related notes thereto.

***Critical accounting policies***

Summaries of our significant accounting policies are included in Note 4 to our audited financial statements included in this offering memorandum. We believe that the consistent application of these policies enables us to provide readers of our audited consolidated financial statements with more useful and reliable information about our operating results and financial condition.

***IFRS 9, 15 and 16***

Effective on January 1, 2019, we adopted the new accounting standard IFRS 16 which primarily affects the accounting for operating leases, bringing those onto our balance sheet at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of January 1, 2019. The initial application of IFRS 16 resulted in the recognition of additional fixed assets of $36.8 million and liabilities of $6.1 million in short term to $31.0 million in long term, as well as a $0.6 million increase in depreciation and $0.03 million increase in interest expense. The application of this standard had an impact on the cash flow statement, as explained above. We 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.

We also applied IFRS 15 and IFRS 9 for the first time on January 1, 2018. Implementation of IFRS 15 had an impact on our operating profitability in 2018. Most of the impact on revenues is related to the change in how to recognize installation revenue. This revenue is now deferred over the useful life of a customer, which averages seven years. For the period ended June 30, 2019, our revenues decreased $3.5 million, as compared to the corresponding period in the prior year, mostly due to the effects related to the implementation of IFRS 15 in 2018.

The changes resulting from the adoption of these new accounting standards is described in Note 4 to our audited financial statements included in this offering memorandum.

***Impairment of financial assets***

We recognize 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 statement of financial position, the credit risk of the financial instrument has not increased significantly as from initial recognition thereof, we measure 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.

We use a simplified method for calculation of loan losses expected on commercial accounts receivable, contractual assets and accounts receivable. Therefore, we do not follow up on the changes in credit risk, but rather, recognize an adjustment based on experience with expected loan losses at the date of each presentation of consolidated financial statements. We have 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.

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

***Impairment of non-financial assets***

We conduct a review at the end of every accounting period of the book values of our non-financial assets, for the purpose of identifying decreases in value when events or circumstances indicate that the values recorded might not be recoverable. In the event of such an indication and if the book value exceeds the recoverable amount, we conduct 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.

We evaluate, at each period close, 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, we re-estimate the recovery value of the asset, and if applicable, reverse 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.

***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 due to impairment.

Recovery of these financial statements is analyzed periodically and an allowance for impairment is recorded for accounts receivable considered as doubtful, with a charge to income for the period. Accounts determined to be doubtful 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 realization value. The cost of inventory is determined by the average cost method. Net realization 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 statement of income.

***Provisions***

A provision is recognized when we have a present obligation, whether legal or implicit, as a result of a past event, are 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 we expect 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 statement of income, net of reimbursements receivable.

***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 statement 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.

We recognize income tax and deferred income tax in the statement of income.

***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.

*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 statement of financial position, taking into account compliance with the performance obligation.

***Recent Developments***

***Acquisition of Telefónica Panamá.***

On August 29, 2019, we acquired the entire share capital of Telefónica Panamá for $593.6 million from Telefónica Centroamérica, which is owned, directly and indirectly by Telefónica Panamá. The Telefónica Panamá Acquisition was part of Millicom's broader acquisition of Telefónica Centroamérica, which is a leading telecommunications platform with a presence in five Central American countries (Guatemala, Nicaragua, Costa Rica, El Salvador and Panama) and approximately 12.7 million subscribers.

For the six months ended June 30, 2019, Telefónica Panamá derived 87.9%, or $99.0 million, of its revenues from its mobile telephony services, and 9.3%, or $11.0 million from sales of mobile equipment. Incorporated in September 13, 1995 as BSC de Panamá, S.A. and subsequently renamed as Telefónica Panamá, S.A. on December 29, 2004, Telefónica Panamá, through its Movistar brand, is the mobile market leader by number of subscribers in Panama serving more than 1.7 million subscribers as of June 30, 2019, which represents approximately 35.9% market share of mobile subscribers in the country based on the GSMA Intelligence Report.

Telefónica Panamá offers a comprehensive range of high-quality nationwide mobile communications services to consumers through prepaid, contract-based or postpaid plans. Prepaid customers pay for service in advance through the purchase of wireless airtime and data access and do not enter into service contracts. As of June 30, 2019, Telefónica Panamá had more than 1.4 million prepaid mobile customers, representing 88.0% of total mobile customers. Postpaid customers pay recurring monthly fees for the right to consume up to a pre-determined maximum amount of airtime, SMS and data services. As of June 30, 2019, Telefónica Panamá had nearly 212,000 post-paid mobile customers, representing 13.0% of total mobile customers, and had 1.5 million prepaid subscribers representing 88.0% of the total base. Telefónica Panamá's total revenue increased from $107.4 million in 2018, to $113.1 million in 2019, an increase of 5.3%.

Telefónica Panamá offers its services through 2G, 3G and 4G networks across Panama. As of June 30, 2019 the company's 4G network covered 80.9% of the connection base, while the 3G network covered 88.7% of the connection base using 65Mhz of paired spectrum in the 700 Mhz (20Mhz), 850 Mhz (25Mhz) and 1,900 Mhz (20 Mhz) bands with licenses expiring in 2036. Telefónica Panamá's extensive 4G network enables Cable Onda to offer new services to B2C customers such as video calls and mobile broadband data with richer mobile content, such as live video streaming and roaming services.

We believe the Telefónica Panamá Acquisition is consistent with our strategy to increase market leadership, enhance our existing mobile services, continue improving and increasing mobile and fixed network coverage and capacity, as well as diversify our sources of cash flow. We expect the integration of Telefónica Panamá, will enable us to become the leading convergent provider in the market with a quadruple play services offering of paid television, broadband Internet, fixed telephony and mobile telephony. We expect to use the net proceeds from this offering to repay the outstanding amount under the Intercompany Bridge Loan Agreement (as defined below), which was used to finance the Telefónica Panamá Acquisition.

We expect to deploy Telefónica Panamá's network deployment plan over the next three years, leveraging its current advantageous positioning in 4G to capture the mobile data growth upside. As of June 30, 2019, Telefónica Panamá's wireless network included a total of 1,011 towers, 18.3% of which are owned by Telefónica Panamá, and 81.7% are leased by Telefónica Panamá. Approximately 79.0% of the total towers are upgraded to 4G.

This acquisition is significant in its purchase price and market expansion. It may represent a substantial increase of more than 50.0% of our consolidated assets, revenue and net income based on 2018 financial information. We have included interim and pro forma financial statements and other information for Telefónica Panamá in this offering memorandum, however such information is not necessarily indicative of the financial position and results of operations that would have occurred if this transaction had occurred on December 31, 2018.

*Telefónica Panamá Acquisition Financing.*

To finance the Telefónica Panamá Acquisition, Millicom entered into the Intercompany Bridge Loan Agreement. We intend to use the net proceeds of this offering to repay certain of our and Telefónica Panamá's outstanding debt, including the Intercompany Bridge Loan Agreement. See "Use of Proceeds."

***Results of operations***

***Six months ended June 30, 2019 compared with six months ended June 30, 2018***

***General***

The following is a brief description of the revenues and expenses that are included in the line items of our consolidated income statement.

***TV subscriptions***. Our TV subscriptions principally reflects revenue generated from Pay-TV services which includes channels on demand, exclusive content channels (*i.e.*, Cable Onda Sports), and VOD. There are three types of charges composing this revenue, comprised by the monthly charge to customers with subscriptions, the installation charge which is a onetime charge and the VOD charges which vary depending upon when content is acquired by our customers.

***Data transmission, Internet and data center***. Data transmission, Internet and data center revenue principally reflects revenue generated from broadband Internet service (fiber & HFC) to the B2C and B2B markets, private data links and data center services (hosting, cloud, server management (firewalls, cybersecurity among others).

***Fixed-line services***. Revenue reflected under Fixed-line services generally comes from fixed telephone service, local calls, national and international long distance and cellular calls, VAS such as caller ID on TV, call restrictions and local and international long distance call codes.

***Project and solutions***. Revenue reflected under projects and solutions generally reflects revenue from large projects that involve activities outside the ordinary course of business, but which also include traditional services. For example, this includes revenue from CSS Teleradiology, a five-year project (completed in January 2019), comprising primarily the installation of radiology equipment in public hospitals throughout Panama, as well as the construction of Terminal 2 of Tocumen International Airport in Panama City (the "CSS Teleradiology Project"). The project consists of the construction of the terminal, and the installation and enabling of the security and telecommunications systems, as well as the homologation with the Terminal 1. In most of these projects, we participate in a consortium with other recognized companies with significant experience. Another important project is the "Video Surveillance Project" developed for the Ministry of Security and the national police, which consists of the implementation of a closed circuit video surveillance system in Panama City and allows us to provide various Panamanian government agencies a tool for centralized management of images and alarms that come from cameras and sensors installed in public spaces in Panama City.

***Other services and revenue***. Other services and revenue principally reflects revenue generated from income coming from interconnection services which includes calls from other operators which end in our network, as well as payments received from Medcom for the use of our Cable Onda Sports brand.

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

| | Six months ended June 30, | | % Change |
|---|---|---|---|
| | **2019** | **2018** | |
| | (*in thousands of $*) | | |
| **Revenue** | **198,071** | **195,136** | 1.5% |
| TV subscriptions | 75,711 | 77,389 | (2.2)% |
| Data transmission, Internet and data center | 90,010 | 86,323 | 4.3% |
| Fixed-line services | 23,555 | 25,080 | (6.1)% |
| Projects and solutions | 5,291 | 3,509 | 50.8% |
| Other services and revenue | 3,505 | 2,835 | 23.6% |
| **Costs and expenses** | **154,034** | **150,672** | (2.2)% |
| Programming and operating costs | 90,693 | 79,480 | 12.4% |
| General, sales and administrative expenses | 63,342 | 71,192 | (11.0)% |
| **Income from operations** | **44,037** | **44,464** | (0.9)% |
| Financial expense | 8,719 | 6,579 | 32.5% |
| **Profit before income tax** | **35,317** | **37,885** | (7.2)% |
| Income tax | (9,611) | (7,302) | (31.6)% |
| **Net income** | **25,707** | **30,582** | (15.9)% |
| Attributable to: | | | |
| Controlling interest | 25,708 | 30,610 | (16.0)% |
| Non-controlling interest | (2) | (27) | 92.6% |
| **Operating Data**: | | | |
| **RGUs B2C** | | | |
| Pay-TV | 404,582 | 414,541 | (2.4)% |
| Internet | 332,302 | 317,898 | 4.53% |
| Telephony | 209,716 | 182,740 | 14.76% |
| **ARPUs B2C** | | | |
| Pay-TV | 31.60 | 32.22 | (1.92)% |
| Internet | 24.79 | 23.61 | 5.02% |
| Telephony | 7.82 | 9.49 | (17.69)% |
| **Churn (% monthly) B2C** | | | |
| Pay-TV | 1.81% | 1.27% | 42.31% |
| Internet | 1.71% | 1.24% | 38.23% |
| Telephony | 1.80% | 1.22% | 47.18% |
| **RGUs B2B** | | | |
| Pay-TV | 19,001 | 20,120 | (5.9)% |
| Internet | 31,673 | 32,045 | (1.2)% |
| Telephony | 29,832 | 29,953 | (0.4)% |
| **ARPUs B2B** | | | |
| Total | 353 | 361 | (2.3)% |

| | Six months ended June 30, | | % Change |
|---|---|---|---|
| | 2019 | 2018 | |
| | (*in thousands of $*) | | |
| **Churn (% monthly)** | | | |
| Pay-TV | 1.42% | 1.16% | |
| Internet | 1.73% | 1.45% | |
| Telephony | 1.66% | 1.23% | |

***Revenue***

Total revenue increased by 1.5%, or $2.9 million, from $195.1 million for the six months ended June 30, 2018 to $198.1 million for the six months ended June 30, 2019, primarily as a result of the recognition of $1.3 million in revenue from the Video Surveillance Project and the recognition of $1.2 million from the "Centro de Convenciones Amador" project with Construcciones Civiles Generales S.A. (COCIGE), which is related to personalized IT projects that we have developed pursuant to a partnership giving us the flexibility to deliver on-demand solutions. Revenue from data transmission, Internet and data center increased by 4.3% for the six months ended June 30, 2019 mainly due to an increase in our subscriber base and successful increases in our servicing fees for our residential, SME and commercial segments, as well as increased cross-selling and upselling which resulted in ARPU improvement. These increases were offset by (i) a 2.2% decrease in TV subscriptions mainly due to a decrease in VOD use and (ii) a 6.1% decrease in fixed-line services revenue, which resulted in a $1.5 million decrease mainly due to a decrease in variable revenue (minutes traffic). For the six months ended June 30, 2019, data transmission, Internet and data center revenue accounted for 45.4% of total revenue, compared to 44.5% in the six months ended June 30, 2018, with the share of TV subscriptions in the mix correspondingly falling to 38.2% from 39.0% in the same respective periods. Fixed-line services revenue as a share of total revenue decreased from 12.6% in the six months ended June 30, 2018 to 11.9% in the six months ended June 30, 2019.

***Programming and operating costs***

Programming and operating costs increased by 12.4%, or $11.2 million, from $79.5 million for the six months ended June 30, 2018 to $90.7 million for the six months ended June 30, 2019, primarily as a result of increases in our customer base, which increases our programming costs, and depreciation expense. As a percentage of revenue, programming and operating costs increased to 45.8% for the six months ended June 30, 2019, from 40.7% for the six months ended June 30, 2018.

***General, sales and administrative expenses***

General, sales and administrative expenses decreased by 11.0%, or $7.9 million, for the six months ended June 30, 2019 to $63.3 million from $71.2 million for the six months ended June 30, 2018. The decrease in general, sales and administrative expenses was primarily as a result of the implementation of a new efficiency plan commencing in March 2019, ongoing until the end of the year, which primarily focused on optimizing and reducing personnel-related expenses. As a percentage of revenues, general, sales and administrative expenses decreased from 36.5% for the six months ended June 30, 2018 to 32.0% for the six months ended June 30, 2019.

***Income from operations***

Income from operations decreased by 1.0%, or $0.4 million, from $44.4 million for the six months ended June 30, 2018 to $44.0 million for the six months ended June 30, 2019, primarily as a result of the increases in revenue of $2.9 million and the increase of programming and operating costs of 14.1%, or $11.2 million. Programming and operating costs are incurred to increase capacity for expected increases in the subscriber base, and depreciated thereafter, however, the impact on revenue from such investments made towards the end of the prior year are reflected four or five months later as network penetration increases. Our operating margin increased from 22.8% for the six months ended June 30, 2018 to 22.2% for the six months ended June 30, 2019. The year-on-year variation was primarily driven by an increase in projects and solutions revenue, and an increase in depreciation.

***Financial expense***

Financial expense, which includes interest expense, net of interest income, increased by 32.5%, or $2.1 million, from $6.6 million for the six months ended June 30, 2018 to $8.7 million for the six months ended June 30, 2019, primarily as a result of our incurrence of indebtedness to cover transaction costs related to working capital and asset acquisitions.

***Income tax***

Income tax increased by 31.6%, or $2.3 million, to $9.6 million for the six months ended June 30, 2019, from $7.3 million for the six months ended June 30, 2018, primarily as a result of an increase of $2.1 million in financial expenses, which decreased our net income. The effective tax rate for the six months ended June 30, 2019 was 27.2% compared to 19.3% for the six months ended June 30, 2018.

***Net income***

Net income decreased by 15.9%, or $4.5 million, from to $30.6 million for the six months ended June 30, 2018 to $25.7 million for the six months ended June 30, 2019, primarily due to decreases in revenue from TV subscriptions and fixed-line services, more than offset by increases in revenues from data transmission, internet and data center and projects and solutions. Our decrease in net income was also driven by increases in content cost due to more subscribers and new content, increase of depreciation and amortization and higher income tax.

***Year ended December 31, 2018 compared with year ended December 31, 2017***

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

| | Year Ended December 31, | | |
|---|---|---|---|
| | **2018** | **2017** | **% Change** |
| | (*in thousands of $*) | | |
| **Revenue** | **388,426** | **374,110** | **3.8%** |
| TV subscriptions | 151,616 | 149,734 | 1.3% |
| Data transmission, Internet and data center | 172,887 | 160,986 | 7.4% |
| Fixed-line services | 49,057 | 49,862 | (1.6)% |
| Projects and solutions | 9,041 | 7,156 | 26.3% |
| Other services and revenue | 5,825 | 6,372 | (8.6)% |
| **Costs and expenses** | **361,090** | **282,172** | **28.0%** |
| Programming and operating costs | 167,363 | 145,802 | 14.8% |
| General, sales and administrative expenses | 193,727 | 136,370 | 42.1% |
| **Income from operations** | **27,336** | **91,938** | **(70.3)%** |
| Financial expense | 13,607 | 12,692 | 7.2% |
| **Profit before income tax** | **13,729** | **79,246** | **(82.7)%** |
| Income tax | (9,553) | (20,647) | (53.7)% |
| **Net income** | **4,176** | **58,599** | **(92.9)%** |
| Attributable to: | | | |
| Controlling interest | 4,379 | 58,743 | (92.5)% |
| Non-controlling interest | (203) | (144) | 41.0% |
| | | | |
| **Operating Data B2C**: | | | |
| | | | |
| **RGUs** | | | |
| Pay-TV | 416,924 | 399,109 | 4.5% |
| Internet | 329,232 | 292,667 | 12.5% |
| Telephony | 199,551 | 164,864 | 21.1% |
| **ARPUs** | | | |
| Pay-TV | 28.74 | 26.69 | (3.2)% |
| Internet | 23.48 | 23.51 | (0.1)% |

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2018 | 2017 | % Change |
| | (in thousands of $) | | |
| Telephony | 8.68 | 10.49 | (17.3)% |
| **Churn (% monthly)** | | | |
| Pay-TV | | | |
| HFC | 1.41% | 1,34% | |
| MMDS | 1,86% | 1,56% | |
| DTH | 2,50% | 2,25% | |
| Internet | | | |
| HFC | 1.42% | 1,24% | |
| Wireless | 1,85% | 1,33% | |
| Telephony | 1.45% | 1,36% | |

***Operating Data B2B:***

| | | | |
|---|---|---|---|
| **RGUs** | | | |
| Pay-TV | 19,534 | 19,568 | (0.1)% |
| Internet | 32,164 | 31,285 | 2.8% |
| Telephony | 29,940 | 29,763 | 0.6% |
| **ARPUs** | | | |
| Total | 345 | 385 | (10.4)% |
| **Churn (% monthly)** | | | |
| Pay-TV | 1.35% | 1.49% | |
| Internet | 1.53% | 1.78% | |
| Telephony | 1.35% | 1.54% | |

***Revenue***

Total revenue increased by 3.8%, or $14.3 million, from $374.1 million for the year ended December 31, 2017 to $388.4 million for the year ended December 31, 2018, primarily as a result of an increase in our customer base and successful increases in our servicing fees for our residential, SME and commercial segments pursuant to increased strategic sales of VAS. Revenue from projects and solutions increased 26.3%, from $7.2 million for the year ended December 31, 2017 to $9.0 million for the year ended December 31, 2018, 72.0% of which is primarily the result of an increase in unique projects, such as the Video Surveillance Project. This increase in project and solutions revenue was offset by a 32.0% decrease primarily related to the CSS Teleradiology Project, which was in its last year and as such we only charged for the maintenance of the installed equipment, while in prior years, we also derived revenue from installation and equipment charges.

Revenue from data transmission, Internet and data center increased by 7.4% for the year ended December 31, 2018, while TV subscriptions revenue grew by 1.3% and fixed-line services revenue fell by 1.6%. The increase in revenue from data transmission, Internet and data center is mainly due to the increase in internet consumption along with a lower churn and an increasing ARPU. Data transmission, Internet and data center revenue accounted for 44.5% of total revenue in 2018, compared to 43.0% in 2017, while revenue from TV subscriptions accounted for 39.0% of total revenue in 2018, compared to 40.0% in 2017. Fixed-line services revenue accounted for 12.6% of total revenue in 2018, compared to 13.3% in 2017.

***Programming and operating costs***

Programming and operating costs increased by 14.8%, or $21.6 million, for the year ended December 31, 2018 to $167.4 million from $145.8 million for the year ended December 31, 2017. This increase was primarily due to the increase in the depreciation of fixed assets and CPE's that were acquired for future RGU growth and the increases in our customer base and associated programming costs. The remaining balance of the increase in programming and operating costs was due to the increase in content acquisition costs, which includes the acquisition of new channels.

As a percentage of revenue, programming and operating costs increased 43.1% for the year ended December 31, 2018, from 39.0% in 2017.

***General, sales and administrative expenses***

General, sales and administrative expenses increased by 42.1%, or $57.3 million, for the year ended December 31, 2018 to $193.7 million from $136.4 million for the year ended December 31, 2017. The increase in general, sales and administrative expenses was primarily attributable to acquisition costs incurred at the Cable Onda level related to our acquisition by Millicom. These expenses are non-recurring and are not expected to continue in the future.

***Income from operations***

Despite a 3.8% growth in revenues, income from operations decreased by 70.3% for the year ended December 31, 2018, primarily due to a 28.0% increase in costs and expenses. As discussed above, the increases in general, sales and administrative expenses was mainly due to the non-recurring expenses attributable to acquisition costs related to our acquisition by Millicom, and the increase in programming and operating costs shows depreciation of investments made in fixed assets and CPE's needed to sustain a growing customer base.

***Financial expense***

Financial expense increased by 7.2%, or $0.9 million, from $12.7 million for the year ended December 31, 2017 to $13.6 million for the year ended December 31, 2018. This increase was mainly driven by an increase in financial expenses related to our acquisition by Millicom.

**Income tax**

Income tax decreased by 53.7%, or $11.1 million, from $20.6 million for the year ended December 31, 2017 to $9.6 million for the year ended December 31, 2018, due primarily to lower income before taxes. The effective tax rate for the year ended December 31, 2018 was 69.6% compared to 26.1% for the year ended December 31, 2017.

***Net income***

Net income decreased by 92.9%. or $54.2 million, from $58.6 million for the year ended December 31, 2017 to $4.2 million for the year ended December 31, 2018, as a result of costs associated with our acquisition by Millicom, which include consulting fees, severance payments, special bonuses and other costs.

***Liquidity and capital resources***

Historically we have relied, and in the future we intend to continue to rely primarily on, cash from operations and external bond and bank financings to fund our operations, capital expenditures and working capital requirements.

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, licenses and other intangible assets for the years ended December 31, 2018 and 2017 amounted to $95.2 million and $85.2 million, respectively, which includes for 2018, $85.2 million for technical equipment (core network CPEs and installation) and $4.5 million for building improvements, $2.1 million for IT equipment, $1.4 million for transport equipment and $1.3 million for office equipment.

***Cash flows***

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

| | **Six months ended June 30,** | | **Year Ended December 31,** | |
|---|---|---|---|---|
| | **2019** | **2018** | **2018** | **2017** |
| | ***(in thousands of $)*** | | | |
| Net cash provided by operating activities............. | 53,577 | 63,974 | 109,773 | 130,206 |
| Net cash provided by (used in) investing activities | (38,339) | (64,932) | (96,153) | (88,364) |
| Net cash provided by (used in) financing activities ............................................................ | (1,581) | 8,820 | (13,567) | (44,289) |
| **Net (decrease) increase in cash and cash equivalents** ........................................................ | **13,656** | **27,265** | **53** | **2,448** |
| Cash and cash equivalents at the end of the period ................................................................. | 20,142 | 33,698 | 6,486 | 6,433 |

***Six months ended June 30, 2019 and 2018***

For the six months ended June 30, 2019, cash provided by operating activities was $53.6 million compared to $63.9 million for the six months ended June 30, 2018. The decrease was mainly due to increases in accounts payable and employee benefits.

For the six months ended June 30, 2019, cash used in investing activities was $38.3 million compared to $64.9 million for the six months ended June 30, 2018, mainly due to the lower acquisition costs of fixed assets.

For the six months ended June 30, 2019, cash used in financing activities was $1.6 million compared to $8.8 million provided by financing activities for the six months ended June 30, 2018. The decrease in cash provided by financing activities during the six months ended June 30, 2019, is mainly due to decreased use of financing arrangements and loan repayment supported by strong cash flow generation during this period.

For the six months ended June 30, 2019, cash and cash equivalents decreased by $13.5 million. We had closing cash of $20.1 million as of June 30, 2019, compared to $33.7 million as of June 30, 2018, mainly due to the repayment of certain loans and other ordinary course costs of ongoing operations.

***Years ended December 31, 2018 and 2017***

For the year ended December 31, 2018 cash provided by operating activities was $109.8 million compared to $130.2 million for the year ended December 31, 2017. The decrease was mainly due to severance payments to key executives after the Millicom Acquisition.

For the year ended December 31, 2018 cash used by investing activities was $96.2 million compared to $88.4 million for the year ended December 31, 2017, mainly due to the investment on core network and CPE's ($4.6 million) and new logistics centers ($1.3 million) to improve the response efficiency to network damages and reduce customer installation time, with the aim of improving our churn.

For the year ended December 31, 2018 cash used by financing activities was $13.6 million compared to $44.3 million for the year ended December 31, 2017. The change in cash used for financing activities during the year ended December 31, 2018 is mainly due to debt repayment and new debt incurred and a decrease in dividends paid to shareholders.

For the year ended December 31, 2018 cash and cash equivalents increased by $0.1 million. We had closing cash and cash equivalents of $6.5 million as of December 31, 2018, compared to $6.4 million as of December 31, 2017.

***Financing Arrangements***

***Overview***

Our total outstanding indebtedness and other financing for the years ended December 31, 2018 and 2017 was $261.3 million and $232.0 million, respectively. As of June 30, 2019, we had consolidated total indebtedness of $262.1 million.

Our interest expense for the years ended December 31, 2018 and 2017 was $13.6 million and $12.7 million, respectively.

***Bond financing***

Pursuant to Resolution No. No. 479-15 of August 3, 2015, the SMV (*Superintendencia del Mercado de Valores de Panama)* authorized our issuance of up to $200.0 million in corporate bonds of which $185.0 million was issued (the "2025 Notes"). The coupon interest rate of the 2025 Notes is fixed at 5.75%, and interest must be paid quarterly on March 3, June 3, September 3 and December 3. Principal is payable only upon maturity on September 3, 2025. The outstanding principal amount as of December 31, 2018 was $185.0 million.

The 2025 Notes contain customary covenants that restrict our ability to incur debt, create liens, make restricted payments, and make asset sales, and required us to maintain a leverage ratio of 3.0x. The 2025 Notes are secured by all of our issued and outstanding shares, which have been transferred as collateral to BG Trust, Inc. as collateral trustee to secure our payment obligations under the 2025 Notes.

We recently solicited certain amendments to the terms and conditions governing our 2025 Notes to increase the leverage ratio from 3.0x to 4.0x and to conform the definitions of "EBITDA" and "Indebtedness" to Millicom's general covenant package definitions, which include certain adjustments related to the impact of IFRS 16. See "Risk Factors—Certain risk factors relating to our business—Changes in accounting standards could adversely affect our financial results." We have also requested that the holders of the 2025 Notes (i) temporarily waive the covenants under the 2025 Notes until the amendments are formally approved by the SMV and (ii) fully release our shares from the collateral trust securing the 2025 Notes.

The amendments to the 2025 Notes required approval from at least 51.0% of the existing holders of the 2025 Notes, while the release of the shares from the collateral trust require approval from the Required Holders. On June 5, 2019, the Required Holders agreed to waive the covenants and to the proposed amendments to the terms of the 2025 Notes, including the release of the shares from the collateral trust. These proposed amendments were filed with the SMV on May 13, 2019 and have since been approved.

We are otherwise currently in compliance with all such covenants.

***Bank financing***

We have lines of credit for working capital requirements of up to an aggregate amount of $153.0 million of which we have drawn on $78.2 million, and have annual interest rates ranging between 3.00% and 4.74%. These financing arrangements contain general affirmative and negative covenants. As of June 30, 2019, we were in compliance with all such covenants.

On February 11, 2015, we obtained a revolving credit facility with Banco Nacional de Panamá of up to $25.0 million, amended on June 23, 2015 to increase the amount up to $40.0 million, and further amended on November 22, 2016 to up to $37.0 million. On December 28, 2017, we drew down $24.3 million from the facility, with monthly interest payments due in December 2020, which was formalized in a three-year unsecured bullet loan with Banco Nacional de Panamá and the revolving credit facility was terminated. As of June, 30, 2019, there was $24.3 million outstanding on the credit facility.

On July 28, 2014, we obtained a revolving credit facility with The Bank of Nova Scotia of up to $8.0 million, amended on December 5, 2014 to increase the amount up to $26.0 million, and further amended on February 10, 2015 to increase the amount up to $41.0 million with monthly interest payments. As of December 31, 2018, there was $24.0 million outstanding on the credit facility. In 2019 we requested an additional drawdown from the facility and as of June 30, 2019 there was $39.3 million outstanding on the credit facility.

In August 2018, we obtained another unsecured credit facility from Banco General, S.A. of up to $15.0 million. As of June 30, 2019, there was $13.8 million outstanding on the credit facility.

In August 2019, we obtained another unsecured credit facility from Banco Nacional de Panamá S.A. for an amount of $75.0 million and an additional unsecured credit facility from The Bank of Nova Scotia, also for an additional $75.0 million, each with monthly interest payments due on November, February, May, August which matures on August 2024. As of the date of this offering memorandum, these loans have been drawn in full and we have $150.0 million outstanding under these two credit facilities. Both of these credit facilities contain general affirmative and negative covenants, including one agreement with a debt maintenance covenant not to exceed 4.0x Debt to EBITDA.

In August 2019, we executed the Intercompany Bridge Loan Agreement for an amount of $420.0 million for purposes of financing the acquisition of Telefónica Panamá. This loan matures on November 12, 2019 and bears a 4.0% interest rate due on the maturity date.

***Derivative transactions***

Since our functional currency is the U.S. dollar and approximately 90.0% of our indebtedness is subject to fixed interest rates, historically, we have not entered into derivative transactions for hedging purposes as there has not been a commercially reasonable business need to enter into such transactions. To the extent our business needs evolve, we may hedge certain obligations through derivatives but we cannot assure you that will be the case. In compliance with Millicom's treasury policies, such hedging activities, if any, would be undertaken at the direction of the Millicom treasury team with settlement locally.

***Contractual obligations***

In the ordinary course of business, we enter into various contractual obligations that may require future cash payments. Significant commitments for future cash obligations include borrowing arrangements and operating leases. The tables below summarize, by remaining maturity, our significant contractual cash obligations as of December 31, 2018. Amounts in this table reflect the minimum contractual obligation under legally enforceable contracts with terms that are both fixed and determinable. As IFRS 16 did not become effective until January 1, 2019, our operating lease obligations are not reflected in our consolidated balance sheets for the year ended December 1, 2018 in accordance with IFRS 16. See "Risk Factors—Certain risk factors relating to our business—Changes in accounting standards could adversely affect our financial results" for a discussion on how the adoption of IFRS 16 could impact our financial results.

We have various contractual obligations to make future payments. The following table summarizes our obligations under these contracts, due by period as of December 31, 2018.

| | Within 1 year | Within 1-3 years | Within 3-5 years | After 5 years | Total |
|---|---|---|---|---|---|
| | | | (in thousands of $) | | |
| Debt and other financing [(1)] ........... | 39,000 | 38,087 | — | 184,255 | 261,342 |
| Future interest commitments [(2)] ...... | 13,112 | 22,695 | 21,570 | 18,882 | 76,259 |
| Operating leases ............................ | 7,643 | 14,487 | 9,268 | 21,001 | 52,399 |
| **Total**............................................. | **59,755** | **75,269** | **30,838** | **224,138** | **390,000** |

(1) For further information related to our contractual obligations see Note 23 to our audited financial statements.

(2) Future interest commitments after amortized financing fees on our floating rate debt are calculated using the rates in effect for the floating rate debt as of December 31, 2018.

We believe that we will be able to meet our contractual obligations as they come due through the maintenance of adequate cash levels. We expect to maintain adequate cash levels through the results of operations, loan. We also have in place various borrowing mechanisms to satisfy both short-term and long-term liquidity needs.

***Off-balance sheet arrangements***

We currently do not have any off-balance sheet arrangements. See Note 17 to our audited financial statements.

***Qualitative and quantitative disclosures about market risk***

Market risk is the risk that the fair values of the future cash flows of a financial instrument fluctuate due to changes in market prices. In our case, our financial instruments affected by market risks include our existing credit facilities. We do not enter into derivative contracts to hedge market risk.

Fair value estimates are made at a specific date based on market estimates and information on financial instruments. These estimates do not reflect any premium or discount that could result from offering a particular financial instrument for sale at a given date. These estimates are subjective in nature, involve uncertainties and matters of significant judgment, and therefore, cannot be determined with precision. Any changes in assumptions could significantly affect the estimates.

Our management believes that the carrying amounts of financial assets and liabilities recognized at amortized cost in our financial statements approximate their fair value.

For further information regarding our market risk and fair value measurements, see Notes 24 and 25 to our audited financial statements.

**Management's Discussion and Analysis of Financial Condition and Results of Operations of Telefónica Panamá**

The following discussion of Telefónica Panamá's financial condition and results of operations should be read in conjunction with Telefónica Panamá's Financial Statements and the Notes thereto included in this offering memorandum, as well as the information presented under "Selected Historical Financial and Other Information of Telefónica Panamá."

The following discussion contains forward-looking statements that involve risks and uncertainties. Telefónica Panamá's actual results may differ materially from those discussed in forward-looking statements as a result of various factors, including those set forth in the sections titled "Cautionary Statement Regarding Forward-Looking Statements" and "Risk Factors."

***Overview***

Telefónica Panamá is one of the leading mobile providers in Panama, focusing on mobile phone service, national and international long-distance calling services and the sale of cell phones necessary for the provision of cellular telephone services. Incorporated in September 13, 1995 as BSC de Panamá, S.A. and subsequently renamed as Telefónica Panamá, S.A. on December 29, 2004, Telefónica Panamá, through its Movistar brand, is one of the mobile market leader by number of subscribers in Panama serving more than 1.6 million subscribers as of December 31, 2018, which represents approximately 35.7% market share of mobile subscribers in the country based on GSMA Intelligence Report. As of June 30, 2019 we served 1.7 million customers which represented 35.9% market share of mobile subscribers. Telefónica Panamá offers a comprehensive range of high-quality nationwide mobile communications services to consumers through prepaid, contract-based or postpaid plans. Prepaid customers pay for service in advance through the purchase of wireless airtime and data access and do not enter into service contracts.

Telefónica Panamá owns one mobile license and another license for the provision of FWA services, VAS and Pay-TV. The mobile license was renewed in 2016 for a period of 20 years and allows Telefónica Panamá to operate spectrum across 700 MHz spectrum (20 MHz), 850 MHz spectrum (25 MHz) and 1,900 MHz spectrum (20 MHz). Telefónica Panamá also offers services for the B2C and B2B market through the Movistar brand. For the B2C segment, it offers broadband and mobile services through prepaid and postpaid plans. Services offered to the B2B segment include broadband, TIC solutions, fixed and mobile services to corporate customers.

The Telefónica Panamá Acquisition closed on August 29, 2019. The acquisition of Telefónica Panamá is part of Millicom's broader acquisition of Telefónica Centroamérica, which is a leading telecommunications platform with a presence in five Central American countries (Guatemala, Nicaragua, Costa Rica, El Salvador and Panama) and approximately 12.7 million subscribers. We believe the Telefónica Panamá Acquisition is consistent with our strategy to increase market leadership, enhance our existing mobile services, continue improving and increasing mobile and fixed network coverage and capacity, as well as to diversify our sources of cash flow. We expect that the integration of Telefónica Panamá, will enable us to become the leading convergent provider in the market with a quadruple play services offering of paid television, broadband Internet, fixed telephony and mobile telephony. We expect to use the net proceeds from this offering to repay borrowings under the Intercompany Bridge Loan Agreement that were used to finance the acquisition. We expect to deploy Telefónica Panamá's network deployment plan over the next three years, leveraging its current advantageous positioning in 4G to capture the mobile data growth upside in Panama.

***Revenue***

Telefónica Panamá generates revenue mainly from contracts with customers for telecommunications services, primarily composed of traffic service income, roaming fees, interconnection fees and other value-added services, such as data services (including, text messages, two-way messages, and backtones). Telefónica Panamá also generates revenue from the sale of goods such as cellular phones and accessories. The products and services can be sold separately or jointly in commercial packages.

***Drivers of revenue growth***

Data monetization remains a key driver of revenue growth, supported by the expansion of the LTE mobile Network. Products offered are very competitive and relevant to customer trends, especially due to the high data usage in the

Panamanian market. Telefónica Panamá primarily focuses on growth and increase in ARPU based on upselling to higher value plans that offer higher data capacities which are available on recurrent type of charges (preplan) and monthly plans (*planes libres*) which bring a steadier flow of income.

***Competitive and regulatory pressures on pricing***

The market in which Telefónica Panamá operates is competitive in nature, and we expect competition will remain robust. See "Selected Historical Financial and Other Information of Telefónica Panamá" and "Selected Historical Financial and Other Information of Telefónica Panamá" and the related notes thereto.

***Critical accounting policies***

Summaries of Telefónica Panamá's significant accounting policies are included in Note 4 to the Telefónica Audited Financial Statements included in this offering memorandum. We believe that the consistent application of these policies enables Telefónica Panamá to provide readers of the Telefónica Audited Financial Statements with more useful and reliable information about its operating results and financial condition.

***IFRS 9, 15 and 16***

Effective on January 1, 2019, Telefónica Panamá adopted the new accounting standard IFRS 16 which primarily affects the accounting for operating leases, bringing those onto the balance sheet at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of January 1, 2019. The initial application of IFRS 16 resulted in the recognition of additional fixed assets of $52.9 million, and long-term liabilities of $39.3 million and short term liabilities of $13.6 million. Telefónica Panamá 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.

Telefónica Panamá applied IFRS 15 and IFRS 9 for the first time on January 1, 2018. The implementation of IFRS 15 had an impact on its operating profitability in 2018, specifically the registration of contractual assets, which under IFRS 15 led to an acceleration in the recognition of revenue from the sale of equipment, and the activation and deferral of incremental costs related to obtaining contracts, which under IFRS 15 represented a deferral in the registration of customer acquisition expenses. This revenue is now deferred over the useful life of a customer, which averages seventeen months. For the period ended June 30, 2019, Telefónica Panamá's revenues increased 8% to $116.5 million, as compared to the corresponding period in the prior year, mostly due to the effects of the implementation of IFRS 15 in 2018.

The changes resulting from the adoption of these new accounting standards is described in Note 3 to the Telefónica Audited Financial Statements included in this offering memorandum.

***Impairment of financial assets***

Telefónica Panamá recognizes an allowance for credit losses expected on financial assets recognized at amortized cost or at fair value with changes in other comprehensive income and measures the correction of value arising from credit 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 statement of financial position, the credit risk of the financial instrument has not increased significantly as from initial recognition thereof, Telefónica Panamá measures the correction in value arising from losses for this financial instrument at an amount equal to the credit losses expected over the next 12 months.

Telefónica Panamá uses a simplified method for calculation of credit losses expected on commercial accounts receivable, contract assets and accounts receivable from related parties. Therefore, it does not follow up on the changers in credit risk, but rather, recognizes an adjustment based on experience with expected credit losses at the date of each presentation of financial statements. Telefónica Panamá has established a matrix of estimations based on historical experience with credit losses, adjusted based on specific prospective factors for debtors and the economic environment.

For financial instruments at fair value through other comprehensive income, Telefónica Panamá applies the simplification for low credit risk. On each presentation date, Telefónica Panamá evaluates whether or not to consider that the debt instrument has a low credit risk, using all of the information available, with no cost or undue effort. With this evaluation, Telefónica Panamá re-evaluates the internal credit rating of the debt instrument. Moreover, it considers that there has been a significant increase in the credit risk when the contractual payments are more than 30-days past due.

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

***Impairment of non-financial assets***

Telefónica Panamá conducts a review at the end of every accounting period 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. In the event of such an indication and if the book value exceeds the recoverable amount, Telefónica Panamá 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.

Telefónica Panamá evaluates, at each period close, whether or not there are signs of impairment in the value previously recognized for a non-financial asset, and whether or not it has decreased or no longer exists. In the event of such an indication, Telefónica Panamá re-estimates the recovery value of the asset, and if applicable, reverses the loss, increasing the asset up to its new 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.

For purposes of calculating impairment, Telefónica Panamá uses the strategic plans of the cash-generating unit to which the assets were assigned. Said strategic plans generally span a period of three to five years. The discount rates used are determined before taxes and are adjusted according to the corresponding country risk and business risk.

***Accounts receivable***

Commercial accounts receivable are amounts owed by customers on goods sold or services rendered in the ordinary course of business. After initial recognition thereof, accounts receivable are recorded by Telefónica Panamá at their amortized cost, because they are a financial asset, the purpose of which is to obtain contractual cash flows and the contractual terms establish the specific collection dates. If collection of these amounts is expected in one year or under, they are classified as current assets. Otherwise, they are shown as non-current assets. Accounts receivable are generally settled within a 30 day term, and are therefore classified as current.

To determine impairment of accounts receivable, Telefónica Panamá has opted for the simplified model, which is based on an estimated uncollectability rate approach, to allow for estimating the expected credit loss over the lifetime of the asset. The model is applied to residential accounts receivable, companies, businesses and financed portfolio where the financing component is not significant.

***Inventory***

Inventory is mainly comprised of terminals and accessories, which are valued at the lower of cost and net realization value. Net realization value is the sales price in the normal course of operations, less the estimated costs required to make the sale. The cost methods are specific cost for terminals, average cost for accessories and invoice cost for inventory in transit.

Inventories are reviewed periodically and adjusted at their realization value, taking into account obsolete, defective or slow-moving products. The recovery value of inventory stock is calculated according to aging thereof. This adjustment is applied to income for the period. Calculation and recording of obsolescence applies to inventory of terminals with stock more than 365 days old. Inventory of prepaid cards and SIM-Cards is not used in the calculation of obsolescence, because they have an indefinite useful life.

***Provisions***

A provision is recognized when we have a present obligation, whether legal or implicit, as a result of a past event, are 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 important, the financial effect arising from discounting the amounts from the provision are discounted at the present value of the disbursements expected to be required to settle the respective obligations using a pretax discount rate that properly reflects the value of the money over time and the specific risks of the obligation.

***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 statement 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 book value of a deferred tax asset is reviewed on each financial statement date. Telefónica Panamá decreases the amount of the deferred tax asset balance if it is probable that its tax profit will be insufficient in the future to charge all or part of the benefits of the deferred tax asset against the tax profit. Moreover, at the closing date of each financial period, Telefónica Panamá reevaluates deferred tax assets not yet recognized.

Telefónica Panamá recognizes income tax and deferred income tax related to other components of comprehensive income.

Telefónica Panamá offsets its currently payable and deferred tax assets against its currently payable and deferred tax liabilities, respectively, when legally entitled to offset the amounts recognized and when it intends to settle them for the net amount or to realize the asset and cancel the liability simultaneously.

***Revenue Recognition***

***Revenue from services***

Revenue from services is recognized according to the nature of the income.

- Traffic service income is recognized when the performance obligations are met over time, because the customer receives the benefits as the services are rendered. Traffic service income is based on the initial call set-up fee, plus rates per call, that vary according to the time consumed by the user, the distance of the call and the type of service. While prepayment income is earned as the balance of the prepaid refill card is consumed, collection from dealers is made in cash and/or credit, and collection from direct consumers is made in cash, the amount corresponding to traffic paid and not yet consumed generates deferred income. Postpaid income is earned irrespective of the customer's use of services at the expiration of the period of time set out in the contract during which services are provided.

- Interconnection service income is recognized in the period in which the calls were made, based on previously agreed rates with operators.

- Roaming service income is recognized based on agreed rates with related parties abroad, as well as with other international operators.

***Revenue from the sale of goods***

Revenue from the sale of goods is recognized when a sale is completed, typically upon shipment to the customer. Revenue from the sale of goods is presented in the statement of income net of discounts, returns and sales taxes.

***Revenue from operating leases***

Revenue from operating leases is recorded linearly over the term of the lease.

***Results of operations***

***Six months ended June 30, 2019 compared with six months ended June 30, 2018***

***General***

The following is a brief description of the revenues and expenses that are included in the line items of Telefónica Panamá's income statement.

***Revenue from contracts and customers.*** Revenue from contracts and customers generally reflects revenue from service and sale of equipment (devices). It includes revenue coming from traffic service income, both from prepaid and postpaid subscribers, roaming fees revenue coming from value added services, and interconnection fees.

***Other services and revenue***. Other services and revenue principally reflects revenue generated from administrative services consisting of the sublease of our administrative offices to Telefónica Panamá for its headquarters.

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

| | **Six months ended June 30,** | | **% Change** |
|---|---|---|---|
| | **2019** | **2018** | |
| | **(in thousands of $)** | | |
| **Income statement Data** | | | |
| **Revenue** | **113,095** | **107,392** | 5.3% |
| Revenue from contracts with customers | 112,724 | 107,281 | 5.1% |
| Other revenue | 371 | 111 | 235.1% |
| **Costs and expenses** | **91,421** | **84,570** | 8.1% |
| Direct costs of operation and acquisition of subscribers | 36,025 | 39,565 | (8.9)% |
| Personnel expenses | 8,156 | 7,085 | (15.1%) |
| Depreciation and amortization | 22,250 | 16,217 | 37.2% |
| Loss due to impairment of financial assets | 1,021 | 45 | 2,168.9% |
| Loss due to impairment of contract assets | 47 | -- | 100% |
| Other operating income | (107) | (277) | (61.4)% |
| Other operating expenses | 24,029 | 21,935 | 9.5% |
| **Income from operations** | **21,674** | **22,822** | (5.0)% |
| Financial income | 443 | 448 | (1.1)% |
| Financial expense | (3,164) | (2,052) | 54.2% |
| **Profit before income tax** | **18,953** | **21,218** | (10.7)% |
| Income tax | (4,626) | (5,429) | (14.8)% |
| **Net income** | **14,327** | **15,789** | (9.3)% |

***Revenue***

Total revenue increased by 5.3%, or $5.7 million, from $107.4 million for the six months ended June 30, 2018 to $113.1 million for the six months ended June 30, 2019, primarily as a result of an increase in prepaid revenue, a 7% increase in the subscriber base and the development of new services, including cloud services. Interconnection revenue also increased by 9.5% or $1.5 million as a result of incoming minutes from competitors' subscribers (Digicel).

Revenue from the sale of equipment increased by $4.6 million for the six months ended June 30, 2019 compared to six months ended June 30, 2018, due to a mobile phones discount commercial offer based on mobile phones discount launched in May.

***Direct costs of operation and acquisition of subscribers***

Direct costs of operation and acquisition of subscribers decreased by 8.9%, or $3.5 million, from $39.6 million for the six months ended June 30, 2018, to $36.0 million for the six months ended June 30, 2019. The decrease in direct costs of operation and acquisition of subscribers was primarily as a result of decreases in interconnection outbound minutes, which represented a decrease in interconnection costs, and less expenditure in the purchase of devices for sale.

***Personnel expenses***

Personnel Expenses increased 15.1%, or $1.1 million, from $7.1 million for the six months ended June 30, 2018 to $8.2 million for the six months ended June 30, 2019 primarily as a result of the organizational restructuring discussed below.

***Income from operations***

Income from operations decreased by 5.0%, or $1.1 million, from $22.8 million for the six months ended June 30, 2018 to $21.7 million for the six months ended June 30, 2019, primarily as a result of certain strategic initiatives such as selling mobile phones at a discount and as part of a bundle offer with the service charges, an increase of prepaid revenue from the unlimited plan offer, in addition to the organic revenue growth of the company. In addition, interconnection costs decreased due to a decrease in interconnection outbound minutes, an increase in operational expenses, due to changes in the organizational structure and the impact of the adoption of IFRS16 which resulted in a recognition of such costs in capital expenditures. Our operating margin decreased from 21.3% for the six months ended June 30, 2018 to 19.2% for the six months ended June 30, 2019. The year-on-year variation was primarily driven by revenue performance, the decrease in interconnection costs and expenses as well as efficiencies implementation.

***Financial expense***

Financial expense, which includes interest expense, net of interest income, increased by 69.6%, or $1.1 million, from $1.6 million for the six months ended June 30, 2018 to $2.7 million for the six months ended June 30, 2019, primarily as a result of the adoption of IFRS 16.

***Income tax***

Income tax decreased by 14.8%, or $0.8 million, from $5.4 million for the six months ended June 30, 2018 to $4.6 million for the six months ended June 30, 2019, despite an increase in revenues for the period, because depreciation and operational expenses increased due to changes in the organizational structure. The effective tax rate for the six months ended June 30, 2019 was 24.4% compared to 25.6% for the six months ended June 30, 2018.

***Net income***

Net income decreased by 9.3.%, or $1.5 million, from $15.8 million for the six months ended June 30, 2018 to $14.3 million for the six months ended June 30, 2019, primarily due to the increase in revenues of $5.7 million or 5.3% year-over-year. This increase was offset by an increase in operational expenses of $2.1 million or 9.5% year-over-year, due to changes in the organizational structure, from a regional management model, previously implemented in the 2017 period, to a decentralized model starting in March 2019. Prior to the reorganization, management for five different countries in the Central American region, including Panama, was centralized in one country. The new decentralized model relocated certain organizational processes, including, finance, B2B and B2C services, clients, operations, technology and systems to Panama, leading to increased operational expenses.

***Year ended December 31, 2018 compared with year ended December 31, 2017***

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

| | Year ended December 31, | | |
|---|---|---|---|
| | 2018 | 2017 | % Change |
| | (in thousands of $) | | |
| **Income statement Data** | | | |
| **Revenue** | **219,367** | **211,642** | 3.7% |
| Revenue from contracts with customers | 219,160 | 210,980 | 3.9% |
| Other revenue | 207 | 662 | (68.7)% |
| **Costs and expenses** | **165,204** | **171,665** | (3.8)% |
| Direct costs of operation and acquisition of subscribers | 77,527 | 79,258 | (2.2)% |
| Personnel expenses | 12,287 | 14,117 | (13.0)% |
| Depreciation and amortization | 31,419 | 38,278 | (17.9)% |
| Loss due to impairment of financial assets | 132 | – | –% |
| Loss due to impairment of contractual asset | (9) | – | –% |
| Other operating income | (398) | (584) | (31.8)% |
| Other operating expenses | 44,246 | 40,596 | 9.0% |
| **Income from operations** | **54,163** | **39,977** | 35.5% |
| Financial income | 820 | 175 | 368.6% |
| Financial expense | (4,244) | (4,644) | (8.6)% |
| **Profit before income tax** | **50,739** | **35,508** | 42.9% |
| Income tax | (12,245) | (9,505) | 28.8% |
| **Net income** | **38,494** | **26,003** | 48.0% |

***Revenue***

Revenue increased by 3.7%, or $7.7 million, from $211.6 million for the year ended December 31, 2017 to $219.3 million for the year ended December 31, 2018, primarily as a result of an increase in revenue from prepaid income and the commercial offer launched in August 2018 (unlimited plan). Revenue from contracts increased as well, with customers increasing by 1.0% due to an increase in subscribers by 12.0%. Interconnection revenue increased 3.0% or $1.0 million as a result of incoming minutes from competitors' subscribers (Digicel).

***Direct costs of operation and acquisition of subscribers***

Direct costs of operation and acquisition of subscribers decreased 2.2%, or $1.7 million, from $79.3 million for the year ended December 31, 2017, to $77.5 million for the year ended December 31, 2018. The decrease in direct costs of operation and acquisition of subscribers was primarily as a result of lower interconnection rates.

***Personnel expenses***

Personnel Expenses decreased 13.0%, or $1.8 million, from $14.1 million for the year ended December 31, 2017 to $12.3 million for the year ended December 31, 2018, primarily as a result of changing to a regional organizational model, which was implemented during the 2017 period, which supported five countries where the previous principal shareholder from Telefónica Panamá, had operations, including Panamá, within Central America. The regional model centralized main processes in areas including finance, B2B, B2C, General Services, Clients, Operations, Technology and systems, therefore, impacting personnel expenses in Telefónica Panamá.

***Income from operations***

Income from operations increased by 35.5%, or $14.2 million, from $39.9 million for the year ended December 31, 2017 to $54.2 million for the year ended December 31, 2018, primarily as a result of an increase of prepaid revenue of $6.5 million or 7.0% and an increase of 3% in the number of customers (approximately 45,000 subscribers). In addition, income from operations was impacted by the redistribution of commission costs that were allocated in other operating expenses. Our operating margin increased from 18.9% for the year ended December 31, 2017 to 24.7% for the year ended December 31, 2018. The year-on-year variation was primarily driven by the increase in revenues and offset by the increase in operating expenses as a result of the reorganization described above, see " —Overview."

***Financial expense***

Net financial expense, which includes interest expense, net of interest income, decreased by 23.4%, or $1.0 million, from $4.5 million for the year ended December 31, 2017, to $3.4 million for the year ended December 31, 2018, primarily as a result of a $2.0 million the decrease in debt, and corresponding interest expense decrease $0.3 million as well as an increase of financial income due to the adoption of IFRS 15 that corresponded to an indefeasible right of use of $0.7 million.

***Income tax***

Income tax increased by 28.8%, or $2.7 million, from $9.5 million for the year ended December 31, 2017, to $12.2 million for the year ended December 31, 2018, primarily as a result an increase in revenues and a decrease in depreciation for the year. The effective tax rate for the year ended December 31, 2017 was 26.8% compared to 24.1% for the year ended December 31, 2018.

***Net income***

Net income increased by 48.0%, or $12.5 million, from $26.0 million for the year ended December 31, 2017 to $38.5 million for the year ended December 31, 2018, primarily as a result of the $7.7 million increase in revenues during the year and the operating expenses efficiencies of the company which amounted to $3.5 million.

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

| | **Six months ended June 30,** | | **Year ended December 31,** | |
|---|---|---|---|---|
| | **2019** | **2018** | **2018** | **2017** |
| | **(in thousands of $)** | | | |
| Net cash provided by operating activities | 19,067 | 17,672 | 78,004 | 70,423 |
| Net cash provided by (used in) investing activities | (7,583) | (6,892) | (29,391) | (25,804) |
| Net cash provided by (used in) financing activities (1) | (15,253) | (9,634) | (45,211) | (37,771) |
| **Net (decrease) increase in cash and cash equivalents** | **(3,769 )** | **1,145** | **3,402** | **6,848** |
| Cash and cash equivalents at the end of the period | 12,112 | 13,625 | 15,882 | 12,480 |

(1) As of June 30, 2019, this amount includes financial leases as a result of the implementation of IFRS 16. See Management's Discussion and Analysis of Financial Condition and Results of Operations of Cable Onda – IFRS 9,15, and 16.

***Six months ended June 30, 2019 and 2018***

For the six months ended June 30, 2019, cash provided by operating activities was $19.1 million compared to $17.6 million for the six months ended June 30, 2018. The increase of $1.3 million was mainly due to better operating results than the previous year, which were managed in order to meet financial commitments.

For the six months ended June 30, 2019, cash used in investing activities was $7.6 million compared to $6.8 million, mainly explained by an increase in investment projects executed at the end of 2018, which meant higher disbursement during the first half of 2019.

For the six months ended June 30, 2019, cash used in financing activities was $15.3 million compared to $9.6 million for the six months ended June 30, 2018. The $5.7 million increase in cash provided by financing activities during the six months ended June 30, 2019, was mainly due to the (i) adoption of IFRS 16, representing an impact of $5.4 million, and (ii) the payment of loans.

For the six months ended June 30, 2019, cash and cash equivalents decreased by $1.5 million. Telefónica Panamá had closing cash and cash equivalents of $12.1 million as of June 30, 2019, compared to $13.6 million as of June 30, 2018.

### *Financing Arrangements*

***Overview***

Telefónica Panamá's total outstanding indebtedness and other financing for the six months ended June 30, 2019 was \$80.8 million (corresponding to principal of \$80.2 million and interest \$0.6 million) and as of June 30, 2018 indebtedness was \$85.0 million, (corresponding to principal of \$83.7 million and interest of \$1.3 million). Some of these financing arrangements contain general affirmative and negative covenants, including limitations on the sale and transfer of assets.

Telefónica Panamá's net interest expense for the six months ended June 30, 2019 and 2018 was \$2.7 million and \$1.6 million, respectively.

***Derivative transactions***

Since Telefónica Panamá's functional currency is the U.S. dollar and none of its indebtedness is subject to fixed interest rates, historically, Telefónica Panamá has not entered into derivative transactions for hedging purposes as there has not been a commercially reasonable business need to enter into such transactions. To the extent our business needs evolve, we may hedge certain of Telefónica Panamá's obligations through derivatives, but we cannot assure you that will be the case.

***Contractual obligations***

In the ordinary course of business, Telefónica Panamá enters into various contractual obligations that may require future cash payments. Significant commitments for future cash obligations include borrowing arrangements and operating leases. The tables below summarize, by remaining maturity, Telefónica Panamá's significant contractual cash obligations as of December 31, 2018. Amounts in this table reflect the minimum contractual obligation under legally enforceable contracts with terms that are both fixed and determinable. As IFRS 16 did not become effective until January 1, 2019, Telefónica Panamá's operating lease obligations are not reflected in its consolidated balance sheets for the year ended December 31, 2018 in accordance with IFRS 16. See "Risk Factors—Certain risk factors relating to our business—Changes in accounting standards could adversely affect our financial results" for a discussion on how the adoption of IFRS 16 could impact our financial results.

Telefónica Panamá has various contractual obligations to make future payments.

The following table summarizes its obligations under these contracts, due by period as of December 31, 2018.

| | **Within 1 year** | **Within 1-3 years** | **Within 3-5 years** | **After 5 years** | **Total** |
|---|---|---|---|---|---|
| | | | **(in thousands of \$)** | | |
| Debt and other financing [(1)]...... | 22,263 | 35,013 | 22,942 | 11,461 | 91,679 |
| Future interest commitments [(2)] | 4,032 | 7,714 | 2,425 | 403 | 14,574 |
| Operating leases [(3)].................. | 7,263 | 16,409 | 4,382 | 4,885 | 32,939 |
| **Total**...................................... | **33,558** | **59,136** | **29,749** | **16,749** | **139,192** |

(1) For further information related to our contractual obligations see Note 33 to the Telefónica Audited Financial Statements.

(2) Future interest commitments after amortized financing fees on our floating rate debt are calculated using the rates in effect for the floating rate debt as of August 2019.

(3) Most of these agreements have been recognized as a fixed asset as of January 1, 2019, after the implementation of IFRS 16.

We expect that Telefónica Panamá will be able to meet its contractual obligations as they come due through the maintenance of adequate cash levels. We expect that Telefónica Panamá maintains adequate cash levels through its results of operations and debt financing. Telefónica Panamá also has various borrowing mechanisms in place to satisfy both short-term and long-term liquidity needs.

***Off-balance sheet arrangements***

Telefónica Panamá currently does not have any off-balance sheet arrangements.

***Qualitative and quantitative disclosures about market risk***

Market risk is the risk that the fair values of the future cash flows of a financial instrument fluctuate due to changes in market prices. In Telefónica Panamá's case, its financial instruments affected by market risks include its existing credit facilities. Telefónica Panamá does not enter into derivative contracts to hedge market risk.

Fair value estimates are made at a specific date based on market estimates and information on financial instruments. These estimates do not reflect any premium or discount that could result from offering a particular financial instrument for sale at a given date. These estimates are subjective in nature, involve uncertainties and matters of significant judgment, and therefore, cannot be determined with precision. Any changes in assumptions could significantly affect the estimates.

Telefónica Panamá's management believes that the carrying amounts of financial assets and liabilities recognized at amortized cost in its financial statements approximate their fair value.

For further information regarding Telefónica Panamá's market risk and fair value measurements, see Note 33 to the Telefónica Audited Financial Statements.

## Business of Cable Onda

### Business Overview

Founded in 1990, we are one of the leading providers of residential Pay-TV, fixed broadband Internet and fixed telephony in Panama, to B2B customers. Through our "Cable Onda" brand, we are the largest fixed broadband Internet provider in Panama, with almost three times as many subscribers as the second-largest provider, and the largest fixed telephony provider in the country to B2C residential consumers. Through our "TeleCarrier" brand, we also offer B2B services to governmental and SME corporate customers, including fixed Internet, cloud solutions, backup solutions, outsourcing of both IT department management and operations, personalized IT projects, and cybersecurity. Based on our internal estimates as of June 30, 2019, for HFC network we are a top provider of fixed telephony services locally. We have an 83.0% share of the Pay-TV market with approximately 344,000 customers and a 75.0% share of the broadband Internet market with approximately 364,000 customers.

Throughout our 29-year history, we have experienced significant growth, primarily through strategic acquisitions. Our strategic acquisitions have helped us strengthen our position as one of the leading telecommunications providers in Panama. 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 network today is entirely digital, employs the DOCSIS 3.0 standard, and 95.0% of the network has been upgraded to 1 Ghz of capacity. Our network also includes more than 10,000 km of HFC and more than 5,000 km of fiber providing 54.0% network coverage. Our network passes more than 800,000 HFC homes in Panama with 53.0% or 470,000 connected homes.

For the year ended December 31, 2018, we had total revenues of $388.4 million and consolidated net income of $4.2 million, compared to total revenues of $374.1 million and consolidated net income of $58.6 million for the year ended December 31, 2017. Our B2C services business was the largest contributor to our total revenues in 2018, representing 64.0% of such total revenues, followed by our B2B services business with 35.0%. For the six months ended June 30, 2019, B2C revenues represented 65% of total revenues and B2B revenues represented 34.5% of our total revenues. For the year ended December 31, 2018, we had consolidated adjusted EBITDA of $171.2 million, compared to consolidated adjusted EBITDA of $159.7 million for the year ended December 31, 2017. For the six months ended June 30, 2019, we had total revenues of $198.07 million and consolidated net income of $25.7 million, compared to total revenues of $195.1 million and consolidated net income of $30.6 million for the six months ended June 30, 2018. For the six months ended June 30, 2019, we had consolidated adjusted EBITDA of $92.8 million, compared to consolidated adjusted EBITDA of $82.5 million for the six months ended June 30, 2018. See "Management's Discussion and Analysis of Financial Condition and Results of Operations of Cable Onda."

***Our operations***

***B2C Segment***

The mass market segment of the telecommunications market in Panama comprises residential and SME customers, to whom we offer paid television, broadband Internet and telephony services. We offer these services through an HFC cable network. The construction and maintenance of our extensive HFC network requires substantial capital investment, and one of our strategic objectives is to increase the customer base in this market segment, so that we may generate revenue from the subscription of multiple services, commonly known in the telecommunications industry as the "triple play" strategy. With that purpose we offer packages that bundle two or three services and seek to allow customers to pay a lower combined rate than if they contracted for these services separately with different providers.

***Paid Television***

We began offering paid television services in Panama more than 35 years ago. Today we are the leading provider of Pay-TV services in Panama. We offer a broad range of channels and differentiated products (such as exclusive channels) throughout the country. We use three types of technology to deliver our Pay-TV service to B2C customers in Panama, including:

- Digital Signal via HFC Network: This type of signal requires the installation of digital decoding boxes, which allow us to offer customers more channels, attain a higher level of protection against signal theft, optimize network use and transmit high definition channels. Some of our digital services include:
  - *Video On Demand:* this service offers a broad content library portfolio, which includes movies, series, concerts and music videos, accessible by customers at any time. VOD allows subscribers to pause, fast-forward and rewind content, similar to what they might do with a DVD player. VOD provides customers with personalized and customized, intuitive and flexible methods of content discovery and uniform platform design to ease use across multiple platforms, which are aimed to enhance our customer experience. Since 2014, our VOD has had a successful deployment with key media companies such as Viacom, Disney, Discovery and Premium Windowing. VOD has experienced solid growth in subscribers from 149,563 in 2014 to 247,814 in 2018. As of December 31, 2018, 70.0% of VOD-enabled customers used the platform. We believe we are positioned to continue offering our clients a superior user experience through our video legacy cable TV offering improvements, which consist of updated software on our set-up-boxes enabling us to provide more services. This will allow us to take advantage of the legacy boxes already deployed in our network and add new functionalities, thereby extending the life and competitiveness of the products, without having to invest in additional capital expenditures.
  - *Cable Onda GO*: Initially launched in 2014, this platform provides customers the opportunity to stream TV content on laptops, smartphones and tablets and satisfies customers' needs for flexibility, enhancing their viewing experience. We believe Cable Onda GO is highly valued by our customers and therefore increases their retention, which ultimately reduces churn. Accordingly, we continuously add channels suitable for this platform and work on improving existing features, including push notifications, recommendations, time-shift TV and more. In addition, customers can only access Cable Onda GO if they are our TV subscribers. With the consummation of the Telefónica Panamá Acquisition on August 29, 2019, we expect to benefit from the data traffic this application generates.
  - *Next Generation TV ("NGTV")*: In the near future, with our launch of NGTV, we are well positioned to enhance our customers' television viewing experience. NGTV is a hybrid set-top-box with seamless integration of Live, VOD, DVR and OTT's such as Netflix and You Tube. We have secured content deals for NGTV with Netflix, YouTube and major sports leagues, including Major League Baseball. We are currently in advanced negotiations for the integration of Amazon, the National Football League ("NFL") and HBO.
  - *Digital Music*: offers audio channels with CD-level sound quality.
  - *Digital Video Recording*: allows customers to pause, rewind and replay live programming scenes and record programs on an integrated hard drive.
  - *Interactive Guide*: on-screen display service showing available channels that allows subscribers to browse, perform searches by category (including movies, sports and news) and set reminders. Our interactive guide contains thematic screens, called Mosaics (or Multichannel), that allow subscribers to simultaneously watch, on a single channel, multiple video transmissions on scaled video windows.
  - *Parental Control*: this function allows subscribers to set restrictions on programming access. The user controls the restrictions with a key code and selects the restrictions according to specific criteria, such as channel, schedule or category.
- Microwave Frequency Signal: This type of signal is provided by wireless digital technology and antennas with microwave frequencies. We use it to expand our coverage in areas or buildings where service via HFC cable network is not possible or economically feasible.
- Satellite Signal: This is a television transmission method that consists of retransmitting a signal from a location on Earth via a communications satellite so that it can reach other parts of the world. In this way,

it is possible to broadcast television signals to large geographical areas, regardless of mountainous or other topographical conditions. We use it to expand our coverage in areas where service via HFC cable network is not possible or economically feasible.

In addition, we offer different paid television programming plans to fit each of our customer segments. We periodically modify the list of television channels included in each plan to adjust to customer preferences and to incorporate newly available programming. We currently offer approximately 93 high definition channels with a variety of content. We anticipate increasing our channel offerings, including high-definition channels, which we expect will strengthen our continuing market leadership. In addition, we feature a variety of exclusive content, including:

- Cable Onda Sports ("COS") and CO Sports FC: Unique locally produced sports channels broadcast 24 hours a day. Its programming includes local sports league games (*Liga Panameña de Futbol* (national soccer league) and *Liga Nacional de Asenso* (national baseball league) and international games (NFL, MLB, NBA). The signal is provided in both standard and high definition. In 2018, COS had approximately 709 (up from approximately 679 in 2017) programs, equivalent to approximately 1,453 hours of original content. In 2018, COS FC had approximately 916 programs (down from approximately 946 in 2017) equivalent to 1,331 hours of content.

- Eco TV: News and debates channel covering local and international subjects broadcast on flexible schedules and geared to middle and high socioeconomic status audiences. In 2018, Eco had over 1,745 programs, broadcasts and specials (down from approximately 1,760 in 2017), equivalent to 1,392 hours of original production and content.

All of our programming content is supported by contracts with the respective programming providers.

***Broadband Internet***

In 1999, we were among the first companies to provide Internet service in Panama, and we are currently the largest Internet service provider with more than 300,000 customers. Our wireless Internet subscribers have increased from 7,365 in 2017 to 16,312 in June 30, 2019.

We offer Internet services to our B2C customers in two ways:

- Cable Modem: uses a modem that connects to the customer's computer through an Ethernet network cable.

- Cable Modem Wi-Fi: requires a Wi-Fi modem to connect the customer's computer or portable device wirelessly at home or in the office, facilitating quick and secure navigation.

Both services allow uninterrupted navigation without using landlines and are currently available at speeds of up to 1,000 MB (1 GB). Our broadband Internet services via Cable Modem and Cable Modem Wi-Fi compete with the services of ADSL, which works through traditional landlines, and Wimax, which allows navigation within a limited coverage area. Our fixed Internet plans offer one of the fastest speeds in Panama, with a minimum speed of at least 20 Mbps in some areas. In addition, we offer competitively priced high-speed packages which allow us to increase our penetration rates. We also offer value added Wi-Fi services such as Wi-Fi Pro and Cable Onda Wi-Fi Hotspots ("Hotspots"). Wi-Fi Pro, is an extender offered to customers with Cable Onda Modem but which coverage needs to be extended through other areas within the house not reached by Cable Onda Modem. Wi-Fi Pro thus, serves as an extender for a value of $4.50 per month and guarantees a consistent signal throughout the additional areas of the house. As of June 30, 2019, Wi-Fi Pro had 46,200 subscribers, up from 101 at the end of 2016.

In addition, we have the broadest Wi-Fi network in Panama with 723 Hotspot connection points, consisting of a national network of client stores and restaurants which allow our residential clients to access an Internet connection through Wi-Fi at these establishments. We also currently have Hotspots, 47.0% of which are located in restaurants and 70.0% of which are located within Panama City.

We are the only operator in Panama with the capacity to offer true "triple play" in wireless areas, and we have strong spectrum holdings in the 3.3-3.7 GHz frequency.

***Telephone Services***

Currently, eight telephone service providers have concessions to operate in Panama. We are the largest fixed telephony provider in Panama, with a 61.0% market share. We offer a broad array of fixed telephony packages and products to residential and corporate customers and have achieved stable churn alongside strong subscriber growth. Our fixed telephony uses E1 technology, which is capable of managing traffic of up to 2 Mbps and supporting up to 30 voice channels at the same time.

- B2C: We offer several landline plans within our mass market segment that vary according to the number of minutes included and other characteristics to meet customer needs. In 2011, we successfully launched the "Panama Unlimited" plan, offering unlimited local calls and national long-distance calls for a fixed monthly fee. We periodically review and revise these plans to meet changing consumer preferences and to maximize the efficiency and reliability of our network. As of June 30, 2019, we offered eight residential fixed telephony plans, ranging from a monthly price of $6 to $15.

- B2B: In the SME segment, our telephony plans provide telephone lines which include local minute plans and the ability to opt for international calling plans. In B2B services, customers choose to contract the amount of prepaid minutes for both local and long distance calls based on their needs. These prepaid plans are shared across all of a customer's digital lines or E1 DID.

***B2B Services***

Through our TeleCarrier brand, we provide business and government customers with sophisticated solutions, including Cloud services through a robust virtualization platform between our data centers, co-location (cabinets and suites), Metro Ethernet with QoS, centralization of operations, storage, contingency and business continuity solutions, customized solutions, network monitoring, support services, high quality Internet, IP technology solutions, security services and Microsoft's SPLA Program. All of these solutions are supported by a high capillarity national network that operates with a high level of reliability and security, supported by two data centers.

***Primary Services***

- Connectivity: We provide private data links and Internet through wireless access and fixed networks (GPON, MPLS and HFC), from bandwidths of 10MB to multiples of GB, generally up to 10 GB. We are capable of providing higher bandwidths based on customer need and network capacity at the requested locations. Additionally, in the SME segment, we offer Smart Wi-Fi services for the offering of Internet accesses, which provides our customers access to evaluate the metrics of usage and interaction by tracking the number of visits in different social networks for marketing purposes.

- Data Center and Cloud: Our three internationally certified data centers deliver a variety of colocation and other VAS. Some of Panama's largest companies and Panamanian Government entities have contracted various modalities of colocation and cloud services. We offer cloud services to all B2B segments (SME, Corporate and Government) in wide variants of IAAS and SAAS, increasing the diversification of contracted services.

- Security: Our mission is to provide our clients with a reliable and innovative advanced approach in consulting services and cybersecurity solutions, with what we believe are some of the best professionals in the market service under a risk Accordingly, we have partnerships with vendors in the cybersecurity market, such as: Fortinet, Cisco, Logrthym, Forcepoint, Cybreye Inc., Thales e-Security, Inc., Helpsystems, LLC, and Hillstone Networks Inc. Our objective is to offer consulting services and the latest generation cybersecurity solutions to keep our customers ahead of market threats and to provide a comprehensive risk management services based on our cybersecurity framework and security technologies integration services.

- "Projects and Solutions": Addresses customers, needs for a business partner that, in addition to providing communications services, develops solutions for their business that go beyond telecommunications and information technology. This solution involves design, implementation, integration, support and often after-sales management in addition to maintenance. This service offering is focused on three main areas: Turnkey Solutions, Outsourcing and Project Management, and Master System Contractor. Master System Contractor consists of a master integrator of special systems in construction projects (special systems are low voltage solutions such as voice, data, Internet, Wi-Fi, public address, building management system, lights control, HVAC, horizontal and vertical transportation).

***International Data Center***

Certain of our services are offered through a platform built off of an international data cluster composed of three state-of-the-art data centers ("IDCs") located in the City of Knowledge, our headquarters in Panama City and, most recently, Divisa. These IDCs are equipped with the some of the latest technology in the country and offer simpler and adaptive infrastructure that can respond to disruptive change while integrating legacy and new architectures into a single, manageable ecosystem.

The IDCs located in Divisa and the City of Knowledge are certified Tier III Facilities by the Uptime Institute. The Uptime Institute evaluates data center facilities in terms of potential site infrastructure performance, or uptime based on a data center's specific infrastructure. Under the Uptime Institute's standard of review, a Tier III facility requires no shutdowns for equipment replacement and maintenance.

The IDCs located in Divisa and the City of Knowledge are also certified by the Uptime Institute with both the Certification of Design Documents and the Certification of Constructed Facility. The Certification of Design Documents ratifies the functionality and capacity evidenced in the engineering and architectural specifications of the facility design and is based on a rigorous set of criteria covering mechanical, electrical, structural, and site elements. The Tier Certification of Constructed Facility ensures that our IDCs have been constructed as designed and verifies that they are capable of meeting the defined availability requirements. The IDC located in the City of Knowledge is also certified with the Tier Certification of Operational Sustainability, which verifies that the facility has practices and procedures in place to avoid preventable errors, maintain IT functionality, and support effective site operation.

Furthermore, all three IDCs have ISO 27001 certification, which further demonstrates that we manage the operation and services at IDCs in accordance with policies and processes which result in operational integrity, availability and confidentiality of customer information. We believe our IDCs are strategic and differentiated assets that will enable us to develop our business and government customer segment.

The IDC of the City of Knowledge was designed by CH2M HILL, an international engineering, construction and operational services company. This IDC spans 1,608 square meters for IT equipment and differs from other facilities dedicated to the corporate data business in Panama because it was designed to meet the highest standards of security, continuity of service and resistance to adverse conditions.

Our Technical Operational headquarters also have an IDC that spans 202 square meters. This IDC was designed and built under standards similar to those of our original IDC infrastructure but offers our clients the advantage of being in the center of Panama City. In addition, this IDC offers the same range of VAS and the same "neutral carrier" that characterizes the service offerings of our original IDC.

***Information Technology Projects***

We believe we have the capabilities to implement complex IT projects for corporate and government clients. We currently have three active corporate projects with contracts valued, in aggregate, at approximately $14.9 million and the CSS Teleradiology Project valued at approximately $108.0 million. The latter is a five-year project (completed in January 21, 2019), primarily consisting of the installation of radiology equipment in public hospitals throughout Panama, including (i) the supply, installation, configuration, adaptation and maintenance of an integrated image diagnostic information system (RIS / PACS), (ii) the evaluation of the adequacy and/or construction of the physical space necessary for the installation of equipment and the design and construction of a teleradiology center; (iii) the supply, installation and start-up of radiological equipment and corrective and preventive maintenance of imaging units, and (iv) the training and dissemination regarding changes being implemented. Once the contract term finalized in January 2019, CSS requested a contract extension which is currently being negotiated.

The CSS Teleradiology Project gave us the opportunity to present a fully integrated radiology solution, with the purpose of increasing efficiency in the medical care processes of CSS' radiology patients. As one of the most important technology projects in Panama, we undertook the strategic initiative as a way to position ourselves as a benchmark provider of integration solutions.

We also offer smart services with cutting edge technology.

These smart services include:

- Smart Control: offers surveillance, security and automation products geared towards our SME customers and includes video monitoring and automatic cloud storage that is accessible anywhere, anytime and on any device. The business security system is made up of sensors and controllers, and lights and other devices have basic automation.

- Smart Wi-Fi: allows customers to track and keep a behavioral record of users. It provides visibility into tracking, shopping trends, preferences, personalized ads, traffic, wait time and even an overall client profile. Recurrent revenues have grown 11% year to date. This includes only revenue related to Smart Wi-Fi, including access points and Cloud and Internet licenses to provide the service.

The chart below shows our revenues obtained from each category of activity for the years ended December. 31, 2018 and 2017, respectively, and the six months ended June 30, 2018 and 2019, respectively:

| | **Income by Category** | | | |
|---|---|---|---|---|
| | **For the Six Months Ended June 30,** | | **For the Year Ended December 31,** | |
| | **2019** | **2018** | **2018** | **2017** |
| **Category** | *(in thousands of $)* | | | |
| Pay-TV | 75,711 | 77,389 | 151,616 | 149,734 |
| Data transmission, Internet and data center | 90,010 | 86,323 | 172,887 | 160,987 |
| Telephone services | 23,555 | 25,080 | 49,057 | 49,862 |
| Projects and solutions | 5,291 | 3,509 | 9,041 | 7,156 |
| Other services and income | 3,505 | 2,835 | 5,825 | 6,372 |
| **Total Revenue** | **198,071** | **195,136** | **388,426** | **374,110** |

### *Properties, Plants and Equipment*[1]

The following table shows the book value of our owned properties, plants and equipment as of December 31, 2018:

| | *Land* | *Buildings* | *Furnishings and Equipment* | *Computer Equipment* | *Technical Equipment* | *Transportatio n Equipment* | *Improvements to Premises* | *Total* |
|---|---|---|---|---|---|---|---|---|
| Net accumulated depreciation and amortization as of January 1, 2018 | 377 | 3,473,304 | 3,916,822 | 7,761,520 | 246,955,878 | 3,645,138 | 21,618,761 | 287,371,800 |
| Capitalized additions | | 4587,427 | 1,328,173 | 2,150,577 | 85,275,276 | 1,398,418 | 4,576,469 | 95,187,341 |
| Assets of merged company | 8,879,757 | 4,051,714 | – | – | – | – | – | 12,931,471 |
| Net withdrawal | – | – | – | (203) | – | (117) | – | (320) |
| Depreciation and amortization | – | (58,971) | (1,361,977) | (5,594,902) | (60,688,049) | (2,587,951) | (6,787,881) | (77,279,771) |
| Net accumulated depreciation and amortization as of September 30, 2018 | 8,880,134 | 7,924,474 | 3,883,019 | 4,316,992 | 271,343,065 | 2,455,488 | 19,407,350 | 318,210,521 |
| As of January 1, 2018 | | | | | | | | |

[1] **NTD:** Cable Onda to provide table for June 30, 2019.

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| At cost | 377 | 5,843,288 | 9,245,576 | 31,186,052 | 626,696,457 | 13,890,787 | 37,855,001 | 724,717,538 |
| Accumulated depreciation and amortization | – | (2,369,984) | (5,328,754) | (23,424,532) | (379,740,579) | (10,245,649) | (16,216,340) | (437,345,738) |
| Net value | 377 | 3,473,304 | 3,916,822 | 7,761,520 | 246,955,878 | 3,645,118 | 21,618,761 | 287,371,800 |
| As of December 31, 2018 | | | | | | | | |
| At cost | 8,880,134 | 10,353,429 | 10,573,749 | 33,336,426 | 711,971,733 | 15,289,088 | 42,431,470 | 832,836,030 |
| Accumulated depreciation and amortization | | (2,428,955) | (6,690,731) | (20,019,414) | (440,628,668) | (12,833,600) | (23,024,121) | (514,625,509) |
| Net value | 8,880,134 | 7,924,474 | 3,883,019 | 4,316,992 | 271,343,065 | 2,455,488 | 19,407,150 | 318,210,521 |

All of our investments in fixed assets are located in Panama, except for non-material equipment in interconnection points located in the United States. As of December 31, 2018, the net book value of our property, plant and equipment was $318.2 million, which represented 64.5% of our total assets as of that date.

***Customer Service***

We are committed to providing the best in class service and experience to our customers, via our mobile application, 18 nationwide branches, social media, field services teams and our 24/7 call center, the latter being the main point of contact with our customers for which we have put in place different IT tools, robust procedures, KPIs and a complete and continuous training program for our call center and field service agents. Our stores are equipped to handle, among other things, sales, support orders, retention, claims, cancellations and subscriptions. We also offer our clients assistance through our field services and specialized professional teams.

Our successful retention policies, facilitated by services at our call centers and our field services, have directly helped to maintain churn rates at low levels.

*Marketing and Distribution*

Our marketing strategy is aimed at acquiring new customers with bundled services and retaining our customer base. We upgrade and sell new services to our active client base. As a way to increase loyalty and reduce churn, we offer value added services to our customers at no additional cost (Video On Demand, OTT, My Cable Onda app, Wi-Fi Hotspots).

We promote our brand and products continuously throughout different advertising campaigns in traditional and digital mass media. We focus on different points of contact to reach our target audience directly, such as consumer fairs, events, malls and our branch stores.

We also offer special seasonal promotions to attract new customers and cross-sell our different services among our clients. We use different sales channels, including sales executives, responsible for direct sales to customers, telemarketing and digital channels.

***Concessions and Licenses***

We currently hold the following operating concessions and licenses from ASEP:

| Service No. | Concession Date | Service Description | Duration (years) | Expiration Date |
|---|---|---|---|---|
| 101 | September 2002 | Local basic telecommunication service (Type B) | 20 | September 2022 |
| 102 | September 2002 | National basic telecommunication service (Type B) | 20 | September 2022 |
| 103 | September 2002 | International basic telecommunication service (Type B) | 20 | September 2022 |
| 200 | August 2018 | Telecommunication transport service (Type B) | 20 | August 2038 |
| 211 | August 2018 | Public Internet access (Type B) | 20 | August 2038 |
| 223 | February 2013 | Commercial call center services (Type B) | 20 | February 2033 |

| Service No. | Concession Date | Service Description | Duration (years) | Expiration Date |
|---|---|---|---|---|
| 300 | August 2018 | Interactive television with or without radio electric spectrum (Type B) | 20 | August 2038 |
| 400 | August 2007 | Value-added services for telecommunications (Type B) | 20 | August 2027 |
| 500 | October 2018 | Authorized reseller for telecommunication services (Type B) | 20 | October 2038 |
| 804 | August 2000 | Paid Television Type A (by use of radio frequencies) | 25 | June 2024 |
| 903 | December 2000 | Paid Radio (Type B) | 25 | December 2025 |
| 904 | August 2000 | Paid Television (Type B) | 25 | June 2024 |

Each of the above listed licenses and concessions has a duration of between 20 and 25 years from the date obtained. Licenses and concessions are renewable for additional periods upon request and acceptance by ASEP.

***Insurance Coverage***

As of June 30, 2019, we maintain the following insurance policies (renewable annually):

- all-risk (fire) issued by ASSA Compañia de Seguros, S.A., expiring on December 31, 2019;
- general civil liability issued by ASSA Compañia de Seguros, S.A., expiring on December 31, 2019;
- Fidelity insurance (employees and directors) issued by ASSA Compañia de Seguros, S.A., expiring on December 28, 2019;
- electronic equipment issued by ASSA Compañia de Seguros, S.A. and expiring on December 31, 2019;
- automobile (total coverage) issued by ASSA Compañia de Seguros, S.A., expiring on December 31, 2019; and
- floating freight transport policy No. 05B72408, covers all air, sea and land shipments.

***Employees***

As of June 30, 2019, we had 2,204 employees or subcontracted service providers, 1,172 of which are subcontractor employees. We believe our employees are properly trained through technical, administrative and organizational courses and trainings as demonstrated by our low employee attrition, which was 1.0% as of December 31, 2018. As of June 30, 2019, approximately 92.0% of our workforce was covered by a collective bargaining agreement. Salary increases are reviewed annually for employees covered by the collective bargaining agreements. We believe our relationship with our employees is good, and the compensation and benefits we offer are highly competitive.

We have also currently engaged contractors and/or subcontractors for our ongoing operations, including for example, the installation and maintenance of our data network, voice and television networks, the provision of sales services and equipment removal, the construction and maintenance of our telecommunication networks and the installation of services for clients, repair, rewiring, building maintenance and equipment management, installation, uninstallation and all other related services provided by us.

Subcontractors also handle the installation, construction, relocation and storage of coaxial network and fiber optic cable and incidental work related to specific cabling, battery installation or other projects. We rely on subcontractors to operate our business since we do not have enough technicians to install or repair all damages.

Finally, we also contract with third parties for strategic planning and external and internal above-the-line and below-the-line design creative campaigns, audiovisual production advisement, and others are also subcontracted.

### *Employee Secondment*

Our staff benefits from Millicom's employee rotation plan, a training program designed to encourage cross-functional learning, to improve communications and teamwork across departments and regions, and to serve as a forum for sharing best practices. Local staff members are given the opportunity to be seconded to Millicom operations throughout the world for further training and development.

### *Social Responsibility*

Our corporate responsibility strategy is built through flagship programs aimed at empowering people and promoting community service. We have a strong social commitment at the local level in the communities in which we operate. Accordingly, we actively volunteer and sponsor a wide range of community outreach events and services. On average, our employees dedicate two full working days to community service.

Last year, we collaborated with 26 NGOs whose services ranged from education, sports, health and environment impacting approximately 135,000 people and 236 community schools.

### *Legal and Administrative Proceedings*

From time to time, we are a party to various lawsuits, claims and other legal proceedings that arise in the ordinary course of our business, which we believe are routine in nature and incidental to the operation of our business. We do not believe that the outcome of the proceedings to which we currently are party to will have a material effect upon our operations or financial condition. See Notes 23 and 20 to our audited and unaudited financial statements, respectively, for more information on our legal proceedings.

On September 30, 2019, The Panamanian Tax Authority notified us of three resolutions relating to a tax audit performed on us (the "Resolutions"). The Resolutions claim that (a) we did not withhold appropriate amounts from 2004 to 2011 on dividend tax (10% on Panamanian source income and 5% on foreign source income), (b) during fiscal periods 2016 and 2017, we incorrectly deducted certain amounts from our financial statements by classifying them as 'bad debts' or 'collectible bad debts and (c) we did not withhold the correct amount of income tax on payments made to foreign providers as royalties during 2016. In light of the Resolutions, the Panamanian Tax Authority issued additional tax assessments and required us to pay the following additional amounts: $1.7 million plus $173,030 (surcharges), for a total amount of $1.9 million on dividend tax; income tax in the sum of $184,015, plus surcharges of $18,401, for fiscal year 2016; $111,076, plus surcharges of $11,107, for fiscal year period 2017; and $311,426.76 plus $31,142 (surcharges) due on payments of royalties. The Resolutions may be appealed within a period of 15 business days counting as of the date of notification thereof, which will expire October 21, 2019.

## Business of Telefónica Panamá

### Business Overview

Telefónica Panamá focuses on mobile phone service, national and international long-distance calling services and the sale of cell phones necessary for the provision of cellular telephone services. For the six months ended June 30, 2019, Telefónica Panamá derived 91.0%, or $105.0 million, of its revenues from its mobile telephony services, and 9.0%, or $11.0 million from sales of mobile equipment, respectively. Incorporated in September 13, 1995 as BSC de Panamá, S.A. and subsequently renamed as Telefónica Panamá, S.A. on December 29, 2004. Telefónica Panamá, through its Movistar brand, is the mobile market leader by number of subscribers in Panama serving more than 1.7 million subscribers as of June 30, 2019, which represents approximately 35.9% market share of mobile subscribers in the country based on the GSMA Intelligence Report. Panamá offers a comprehensive range of high-quality nationwide mobile communications services to consumers through prepaid, contract-based or postpaid plans. Prepaid customers pay for service in advance through the purchase of wireless airtime and data access and do not enter into service contracts. As of June 30, 2019, Telefónica Panamá had more than 1.4 million prepaid mobile customers, representing 88.0% of total mobile customers. Postpaid customers pay recurring monthly fees for the right to consume up to a pre-determined maximum amount of airtime, SMS and data services.

As of June 30, 2019, Telefónica Panamá had almost 212,000 post-paid mobile customers, representing 13.0% of total mobile customers. Telefónica Panamá's revenues increased by 5.3%, or $5.7 million, from $107.4 million for the six months ended June 30, 2018 to $113.1 million for the six months ended June 30, 2019. Telefónica Panamá offers its services through 2G, 3G and 4G networks across Panama. As of June 30, 2019 the company's 4G network covered 80.9% of the connection base, while the 3G network covered 88.7% of the connection base using 65Mhz of paired spectrum in the 700 Mhz (20Mhz), 850 Mhz (25Mhz) and 1,900 Mhz (20 Mhz) bands with licenses expiring in 2036. Telefónica Panamá's extensive 4G network enables Cable Onda to offer new services to B2C customers such as video calls and mobile broadband data with richer mobile content, such as live video streaming and roaming services.

Telefónica Panamá owns one mobile license and another license for the provision of FWA services, VAS and Pay-TV. The mobile license was renewed in 2016 for a period of 20 years and allows the company to operate spectrum across 700 MHz spectrum (20 MHz), 850 MHz spectrum (25 MHz) and 1,900 MHz spectrum (20 MHz). Telefónica Panamá also offers services for the B2C and B2B market through the Movistar brand. For the B2C segment, it offers broadband and mobile services through prepaid and postpaid plans. Services offered to the B2B segment include broadband, TIC solutions, fixed and mobile services to corporate customers.

We believe that the Telefónica Panamá Acquisition is consistent with our strategy to increase market leadership, enhance our existing mobile services, continue improving and increasing mobile and fixed network coverage and capacity, as well as to diversify our sources of cash flow. We expect that the integration of Telefónica Panamá, will enable us to become the leading convergent provider in the market with a quadruple play services offering of paid television, broadband Internet, fixed telephony and mobile telephony. We expect to use the net proceeds from this offering to repay borrowings under the Intercompany Bridge Loan Agreement that was used to finance the acquisition.

We expect to deploy Telefónica Panamá's network deployment plan over the next three years, leveraging its current advantageous positioning in 4G to capture the mobile data growth opportunity. As of June 30, 2019, Telefónica Panamá's wireless network included a total of 1,011 towers, 18.3% of which are owned by Telefónica Panamá, and 81.7% are leased. Approximately 78.6% of the total towers have been upgraded to 4G.

We have included historical, interim and pro forma financial and other information for Telefónica Panamá in this offering memorandum; however, such information is not necessarily indicative of the financial position and results of operations that would have occurred if the Telefónica Panamá Acquisition had occurred on December 31, 2018.

#### *The Movistar brand*

Telefónica Panamá has a license from Telefónica to use the Movistar brand for one year. In Panama, Movistar has one of the highest brand power indexes, which measures meaningfulness, differentiation and importance.

*Telefónica Panamá operations*

Through its predecessor, Telefónica Panamá was one of the first telecommunications companies in Panama and commenced providing telecommunications services in 1996 according to Law No. 31 of February 8, 1996. It holds spectrum of 65 MHz bandwidth service. Telefónica Panamá owns one mobile license, another license for the provision of FWA services, VAA and Pay-TV the mobile license was renewed in 2016 for a period of 20 years according to the signed contract between the Government of Panama and Telefónica Panamá No. 01-OAL-2014, dated March 27, 2014.

Telefónica Panamá offers a comprehensive range of high quality, nationwide mobile communications services through a variety of pricing plans, including prepaid and postpaid service plans that enable it to address the needs of its diverse customer base. Prepaid service plans enable individuals to obtain mobile voice, SMS and data services without a long-term contract or credit verification by paying in advance. Postpaid service plans are generally offered on a contract basis for one-year periods if the plan includes financing of a mobile device, and service is billed and provided on a monthly basis according to the applicable rate plan.

As of June 30, 2019, approximately 91.1% of Telefónica Panamá's customers utilized its services on a prepaid basis. Although its postpaid customers represent a relatively small component of its customer base, for the six month period ended June 30, 2019, postpaid customers generated approximately 23.6% of Telefónica Panamá's revenues, and we expect to continue to focus on postpaid subscriber growth. Postpaid plans have higher data allowance, which customers under these plans consume at a higher rate than prepaid plans. The migration of current prepaid subscribers to postpaid plans, given their higher propensity to use data and other value-added services, should contribute to higher ARPU.

*Telefónica Panamá mobile operations*

As of June 30, 2019, Telefónica Panamá had approximately 35.9% market share according to GSMA Intelligence Report. Telefónica Panamá believes it competes for customers based principally on its network coverage and quality, customer service, price, service offerings and reputation.

Telefónica Panamá focuses on providing a quality customer service experience by leveraging its strong omnichannel approach. It provides services through 2G, 3G and 4G/LTE networks. Telefónica Panamá benefits from its extensive distribution network of approximately 775 points of sale and 10,566 total top up and recharge points as of June 30, 2019. Recently, Telefónica Panamá has invested in increasing its network capacity and expects to continue investing in technology to meet market demands in line with its overall business strategy.

As of June 30, 2019, the total mobile penetration rate in Panama was 112.9% compared to 113.7% for the same period in 2018. During the six months ended June 30, 2019, Telefónica Panamá had a penetration rate of 40.4%, the highest in the mobile market during that period.

*Telefónica Panamá services and market position*

Telefónica Panamá's business is focused primarily on providing B2C mobile services comprised of mobile voice, SMS and data, and B2B services geared towards SMEs, comprised of mobile, fixed Internet access and VAS.

The following table summarizes Telefónica Panamá's service offerings:

| | |
|---|---|
| B2C Mobile | 2G/3G/4G/LTE |
| B2B | Mobile voice, SMS and data Fixed high-speed data services and value-added services(1) |

(1) Value-added services include cloud-based services and ITC managed services (non-core products and services, mainly digital, including, integration of turnkey solutions for customers).

*Mobile Services*

According to GIS-Geographic Information System and the Population Census of Panamá, as of June 30, 2019, Telefónica Panamá's 3G network coverage by population was 88.7%, while its 4G/LTE network covered 81.0 % of the total population.

***Selected mobile operating data***

The following tables present, at the dates and for the periods indicated, selected operating data for Telefónica Panamá's mobile operations.

| **Customer Data:** | **As of and for the six months ended June 30,** | | **As of and for the year ended December 31,** | |
|---|---|---|---|---|
| | **2019** | **2018** | **2018** | **2017** |
| | | **(in thousands)** | | |
| **Mobile customers**........................................................ | 1,697 | 1,572 | 1,630 | 1,562 |
| of which Prepaid........................................................... | 1,486 | 1,378 | 1,427 | 1,381 |
| of which Postpaid.......................................................... | 132 | 127 | 128 | 121 |
| of which B2B (Large Businesses) | 79 | 67 | 76 | 60 |

***Sales and Distribution/Freelancers***

Telefónica Panamá believes it has developed the most extensive sales and distribution network in its market. It employs a mix of indirect and direct distribution channels in order to increase its customer base and reduce customer acquisition costs. Its indirect channel targets prepaid and postpaid customers through its exclusive dealers.

Telefónica Panamá's direct channel targets prepaid and postpaid consumer and business customers, and consists of freelance sales representatives, or freelancers, and an in-house corporate sales team. It has approximately , 775 points of sale and 10,566 top-up and recharge points around the country, which has helped to create strong distribution channels in order to make its products available in both urban and rural parts of Panama. Our commercial networks direct approach represents 31.0% of commercial operations through customer experience centers and mobile push, with 69.0% of commercial operations in minimarkets top-ups and multi-brand telecom services.

An increasingly important component of Telefónica Panamá's distribution strategy is the use of freelancers, who sell its full range of products and services solely on a commission basis and who have direct relationships with individual customers. Its freelancers are paid a fixed fee for each new customer they bring in and a percentage of the revenues received from such customers. See Note 4.27.3 of Telefónica Panamá's Audited Financial Statements.

Telefónica Panamá has a salesforce of 152 people who focus on prepaid and post-paid service plans. Telefónica Panamá believes it has carefully selected its salesforce and provides them with adequate training and continued support.

***Handsets***

Telefónica Panamá currently offers its customers a portfolio of different handset models from various manufacturers, including Samsung, LG, Motorola, Huawei and Apple. It plans to maintain a relatively small selection of handsets in its inventory portfolio and to focus on the models it believes will be the most successful with customers. Telefónica Panamá offers entry-level and mid-range handsets as well as smartphone mobile devices. Telefónica Panamá does not have exclusivity contracts with any handset manufacturer, which we believe gives it more flexibility to build and manage its handset portfolio.

In May 2019, the U.S. government placed certain entities, including Huawei, on the "Entity List," restricting the sale of U.S. technologies to the named entities and banning use of their products from government contractors. Such restriction may impact Telefónica Panamá's sales and results of operations. For additional details regarding the potential impact of such restrictions, see "Risk Factors—Certain risk factors relating to our business—Failure to comply with applicable laws and regulations, including in respect of corruption, money- laundering and other illegal or improper activities could have a material adverse effect on our business."

***Customer Service***

Telefónica Panamá believes that quality customer service increases customer satisfaction and retention, and is a key differentiator in the mobile communications industry. Providing superior customer service to satisfy and retain existing customers is critical to Telefónica Panamá's financial performance and is a core element of the Movistar brand.

Telefónica Panamá offers its customers various options for making requests and inquiries in an attempt to maximize convenience. Customers are able to contact Telefónica Panamá by telephone and e-mail as well as in person at its customer experience center, mobile push (a continuously moving van or truck that provides charging stations at different times and locations), minimarket top-ups (charging stations usually located in mini-marts or local super markets) and multibrand telecom (traditional storefront location that may offer or sell other branded products). Telefónica Panamá has adopted some digital transformation solutions, including the use of applications to increase usage and drive migration from traditional customer service channels, such as live customer service agents handling calls, to digital channels such as WhatsApp chats and Web Apps, decreasing the number of attended customer service calls and call center users. Telefónica Panamá focuses on ensuring quick and accurate problem resolution with minimum waiting time.

***Operating Licenses and Concessions***

Telefónica Panamá received its first cellular operating license in 1996. Pursuant to the Telecommunications Law of 1995, entities that wish to offer mobile telecommunications services must first file requests for licenses with, and obtain a license issued by, ASEP. Following its administrative review process, ASEP either grants or rejects licenses to entities that wish to act as operators.

***Operating License Terms***

The primary terms of Telefónica Panamá's operating licenses are set forth below:

| **LICENSES** | | | | | | | |
|---|---|---|---|---|---|---|---|
| License No. | **Type of Service** | **Description** | **Resolution(s)** | **Frequency Bands (Spectrum)** | **Expiration Date** | **Coverage** | **License Cost** |
| TYPE A LICENSE | | | | | | | |
| 107 | Type A | Mobile cellular services. | Contract 01-OAL-2014. | **700 MHz BAND.**<br>Channel D<br>Terminal equipment transmission Tx = 718 MHz to 723 MHz<br>Channel D'<br>Transmission of cells Tx = 773 MHz to 778 MHz<br>Channel E<br>Terminal equipment transmission Tx = 723 MHz to 728 MHz<br>Channel E'<br>Transmission of cells Tx = 778 MHz to 783 MHz<br>**850 MHz BAND.**<br>Portion A (333 channels) | 05/02/2036 | Republic of Panama | $108,146,566 |

| LICENSES | | | | | | | |
|---|---|---|---|---|---|---|---|
| Licens e No. | **Type of Service** | **Description** | **Resolution(s)** | **Frequency Bands (Spectrum)** | **Expiration Date** | **Coverage** | **License Cost** |
| | | | | Transmission of cells Tx = from 870.030 MHz to 879.990 MHz<br>Terminal equipment transmission Tx = from 825.030 MHz to 834.990 MHz<br>Portion A’ (50 channels)<br>Transmission of cells Tx = from 890.010 MHz to 891.480 MHz<br>Terminal equipment transmission Tx = from 845.010 MHz to 846.480 MHz<br>Portion A’’ (33 channels)<br>Transmission of cells Tx = from 869.040 MHz to 870.000 MHz<br>Terminal equipment transmission Tx = from 824.040 MHz to 825.000 MHz<br>**1900 MHz BAND.**<br>Channel I – I<br>Terminal equipment transmission Tx = from 1,890.00 MHz to 1,895.00 MHz<br>Transmission of cells Tx = from 1,970.00 MHz to 1,975.00 MHz<br>Channel J – J<br>Terminal equipment transmission Tx = from 1,895.00 MHz to 1,900.00 MHz<br>Transmission of cells Tx = from 1,975.00 MHz to 1,980.00 MHz | | | |
| **TYPE B LICENSES** | | | | | | | |
| 101 | Type B | Local basic telecommunication service. | Resolution CT-1359 of 24/10/2002. | N/A | 24/10/2022 | Republic of Panama | $100.00 |
| 102 | Type B | National basic telecommunication service. | Resolution CT-1360 of 24/10/2002. | N/A | 24/10/2022 | 1. **Province of Panama, District of Panama** : Ancón, Bella Vista, Betania, Curundú, Calidonia, Santa | $100.00 |

| LICENSES | | | | | | | |
|---|---|---|---|---|---|---|---|
| Licens e No. | **Type of Service** | **Description** | **Resolution(s)** | **Frequency Bands (Spectrum)** | **Expiration Date** | **Coverage** | **License Cost** |
| | | | | | | Ana, San Francisco, Pueblo Nuevo, Parque Lefevre, Juan Díaz, Pedregal, and Tocumen. 2. **Province of Panama, District of San Miguelito**. 3. **Province of Panama, District of La Chorrera**. 4. **Province of Chiriquí, District of David.** 5. **Province of Colon**: Barrio Norte and Barrio Sur. | |
| 103 | Type B | International basic telecommunication service. | Resolution CT-1294 of 26/02/2002 | N/A | 26/02/2022 | Republic of Panama | $100.00 |
| 104 | Type B | Public and semi-public terminals | Resolution CT-1361 of 24/10/2002. | N/A | 24/10/2022. | 1. **Province of Panama, District of Panama** : Ancón, Bella Vista, Betania, Curundú, Calidonia, Santa Ana, San Francisco, Pueblo Nuevo, Parque Lefevre, Juan Díaz, Pedregal, and Tocumen. 2. **Province of Panama, District of San Miguelito**. 3. **Province of Panama, District of La Chorrera:** Barrio Colón, Barrio Balboa, Guadalupe, and E Coco. 4. **Province of Colon**: Barrio Norte and Barrio Sur. | $100.00 |

| LICENSES | | | | | | | |
|---|---|---|---|---|---|---|---|
| License No. | **Type of Service** | **Description** | **Resolution(s)** | **Frequency Bands (Spectrum)** | **Expiration Date** | **Coverage** | **License Cost** |
| 200 | Type B | Telecommunication transport service | Resolution AN No. 13118-Telco of 11/02/2019. | N/A | 2038 | Republic of Panama | $100.00 |
| 211 | Type B | Public access to Internet | Resolution AN No. 12195 Telco of March 19th, 2018. | N/A | 03/08/2038 | Republic of Panama | $100.00 |
| 222 | Type B | Mobile telecom services via orbit fixed position satellite | Resolution AN No. 3141-Telco of 10/12/2009. | N/A | 10/12/2029 | Provinces of Panama, Bocas del Toro, Chiriquí, Coclé, Colón, Darién, Herrera, Los Santos, and Veraguas; and districts (comarcas) of Emberá Wounaan, Kuna de Madugandí, Kuna Yala, and Ngobe Bugle. | $100.00 |
| 300 | Type B | Interactive TV with or without electric radio frequencies | Resolution AN 10965-Telco of 17/02/2017. | N/A | 17/02/2037 | Provinces of Panama, West Panama, Bocas del Toro, Chiriquí, Coclé, Colón, Darién, Herrera, Los Santos, and Veraguas; and districts (comarcas) of Emberá, Guna Yala, and Ngobe Bugle. | $100.00 |
| 400 | Type B | Added value services for telecommunications | Resolution CT-1159 of 01/06/2000. | N/A | 01/06/2020 | Republic of Panama | $100.00 |
| 500 | Type B | Resale of telecommunication services | Resolution CT-1597 of 07/06/2004. | N/A | 07/06/2024 | Republic of Panama | $100.00 |

For a description of the material obligations applicable in connection with certain of the licenses described above, see "Panama's Telecommunication Industry –Telecommunication Regulation."

***Insurance Coverage***

As of June 30, 2019, Telefónica Panamá maintained the following insurance policies, renewable annually:

- general civil liability issued by Mapfre Panama, expiring on December 31, 2019;

- civil liability (directors and officers) issued by ASSA Compañia de Seguros, S.A., expiring on November 27, 2019;

- automobile (third party damages and property damage) issued by Mapfre Panama, expiring on March 31, 2020;

- electronic equipment issued by Mapfre Panama, expiring on March 31, 2020; and

- all risk (fire) issued by Mapfre Panama, expiring on March 31, 2020.

***Equipment and Technology***

***Mobile technology***

In 2018, Telefónica Panamá focused on increasing the digital capabilities of its mobile networks, in part by extending its leading 4G/LTE network coverage. 4G/LTE is a technology that enables a significant change in the quantity and speed of data services that can be delivered to the mobile customer. 4G/LTE is the fourth generation of mobile technology, succeeding 3G, and it is based on Internet Protocol ("IP") technology, as opposed to prior generations of mobile communications that were based on and supported by circuit-switched telephone service. Telefónica Panamá's 4G/LTE networks enable it to offer new services to its customers such as video calls and mobile broadband data with richer mobile content, such as live video streaming.

Telefónica Panamá's 4G/LTE networks also give it significantly more capacity to provide services than its 3G and 2G networks using its current spectrum. Telefónica Panamá's 4G/LTE networks are normally co-located within existing infrastructure, allowing faster and more cost-effective network deployment. Telefónica Panamá is the leading provider of 4G technology in Panama and plans to continue to expand its 4G/LTE network as additional spectrum becomes available.

***Network Overview and Tower Infrastructure***

Telefónica Panamá has the largest 4G coverage in Panama and is focused on leveraging its current leading position in 4G to capture additional mobile data growth upside. Its wireless network consists of 1,011 towers, of which 18.3% are owned and the rest are leased. Approximately 78.6 of the towers have 4G capabilities. Telefónica Panamá intends to increase its 4G towers as part of its strategic plan to migrate current and new customers to this faster network.

***Networks***

Telefónica Panamá operates both fixed and mobile telecommunications networks. Its mobile networks have both GSM and UMTS/HSPA and LTE networks, which are the most commonly adopted for mobile telecommunications systems worldwide. GSM/GPRS/EDGE is often referred to as 2G (second-generation) technologies and they are able to support value-added services and secure transmissions, and GSM systems allow enhanced roaming capability. 3G networks support bandwidth-intensive data applications such as full motion video, video conferencing and full Internet access to mobile devices. 3G network speeds are increasing dramatically as the network technology evolves. With the use of HSPA ("High-Speed Packet Access") and HSPA+ technology, data speeds on 3G networks can reach speeds substantially faster than in 2G networks, depending on the capabilities of the devices and the network. 3G technologies have enabled Telefónica Panamá to offer its users a wide range of advanced services while achieving greater network capacity through improved spectral efficiency. 3G further enables Telefónica Panamá to offer new services to its users such as video calls, mobile broadband data, and an improved Internet experience with richer mobile content. Telefónica Panamá has a nationwide license to operate its 2G, 3G and 4G networks, and it holds a total bandwidth of 20MHz in the 700MHz spectrum band, 25MHz in the 850MHz spectrum band and 20MHz in the 1900Mhz spectrum band.

***Properties***

Telefónica Panamá has technical sites for its mobile telephony and cable networks. For its mobile telephony network it owns 185 towers and leases 826 on sites which typically include roadways, fences, cellular towers, grounding systems, electrical systems and power generators.

Telefónica Panamá has entered into sale and leaseback agreements and other outsourcing agreements for approximately 6.0% of its wireless communications towers, whereby it agreed to sell tower assets to SBA Communications Corporation in 2011 for a 10 year contract and lease back a dedicated portion of each tower for its network equipment in exchange for cash.

**Transition Agreements**

In connection with the Telefónica Panamá Acquisition, Telefónica Panamá entered into a transition services agreement and a reverse transition services agreement, both dated August 29, 2019, (the "Transition Agreements") with its former ultimate parent Telefónica. Together, the Transition Agreements require that both parties provide certain services to one another at set rates for period of time beginning on August 29, 2019 (the closing date for the Telefónica Panamá Acquisition) and continuing until the expiration date for each particular service, unless it is extended pursuant to the applicable Transition Agreement. These services are necessary for the continuation of the business, during the transition period where the party receiving services is required to replace the service with its own solution, independent from the providing party.

***Employees***

As of June 30, 2019, Telefónica Panamá had 307 full time, non-unionized employees, consisting of 46 commercial employees, mainly responsible for customer care, sales and marketing and 261 corporate and other employees, responsible for operations, finance, B2B, strategy and legal. Telefónica Panamá also outsources certain employee functions to 442 independent personnel, consisting of 109 outsourced personnel in commercial roles and 333 in corporate and other. Telefónica Panamá believes its relationship with its employees to be good and the compensation and benefits offered to be highly competitive.

***Legal and Administrative Proceedings***

From time to time, Telefónica Panamá is a party to various lawsuits, claims and other legal proceedings that arise in the ordinary course of its business. See Note 20 to Telefónica Panamá's audited financial statements for more information on their legal proceedings.

## Panama's Telecommuncations Industry

The Panamanian market for video, broadband internet and fixed-line and mobile telephony services is highly competitive and rapidly evolving. Consequently, our business has faced and is expected to continue to face significant competition across all of our product and service offerings. The information presented in this section has been derived from several sources, including third-party sources and information on Panamanian telecommunication provided by the Autoridad Nacional de los Servicios Publicos ("ASEP") for year ended 2018.

Telecommunications services in Panama, including video, broadband internet and fixed-line and mobile telephony services, are classified as a public service. As such, they are regulated by the Government pursuant to Law 31 (1996), which regulates telecommunication services and Law 24 (1999), which regulates Radio and TV. ASEP regulates the industry through the "Direccion Nacional de Telecomunicaciones." See "—Regulation."

In 2018, the Panamanian telecommunications industry as a whole had revenue of approximately $956.0 million. According to ASEP, in 2018, the penetration rate, as a % of inhabitants, was 57.8% in broadband, 17.5% in fixed telephony, and 137.6% in mobile telephony.

The Panamanian telecommunications market remains very competitive due to the extensive and aggressive marketing strategies of fixed and mobile services operators. Panama has HFC networks and fiber backbones to support fixed products, MMDS, DTH and wireless offerings as well as a developed mobile telephony offering. Consistent with global trends, Panamanian telecommunications market providers offer a complete portfolio of broadband Internet, Pay-TV, fixed and mobile telephony services. The table below shows the business segments in which we and the other main Panamanian telecommunications companies operate:

| | Video | Fixed broadband | Fixed line telephony | Mobile services |
|---|---|---|---|---|
| Cable Onda | ✓ | ✓ | ✓ | ✓ |
| Cable & Wireless | ✓ | ✓ | ✓ | ✓ |
| Claro | ✓ | | | ✓ |
| Sky | ✓ | | | |

***Video***

In recent years, Pay-TV has experienced strong growth, driven by an increase in the purchasing power of consumers and the entrance of DTH operators including Sky, Claro and +TV Digital (C&W). Most Pay-TV subscribers obtain their product via HFC networks, offered by C&W Panama and us. C&W offers double and triple-play packages using HFC and DTH for video and HFC for internet and telephony. As of March 2019, there were 20 active government concessions for Pay-TV services, of which the following are operational:

| Company | Coverage |
|---|---|
| Cable Onda | All provinces (HFC, MMDS and DTH) |
| Sky | All provinces (DTH) |
| Mocatel | Panama Districts and San Migueltio |
| + TV Digital (CWP) | All provinces (HFC and DTH) |
| Claro Tv | All provinces (DTH and Optic fiber) |

To enhance our competitive position, we offer value added products including Video on Demand ("VOD"), Next Generation TV (Tivo) and Cable Onda GO (an application allowing the user to view programming on the go from a mobile device), as well as unique exclusive content including channels: COS, COS FC and ECO. These services and the marketing of a variety of bundle options, including internet and telephony, enhance our competitive position.

***Broadband Internet***

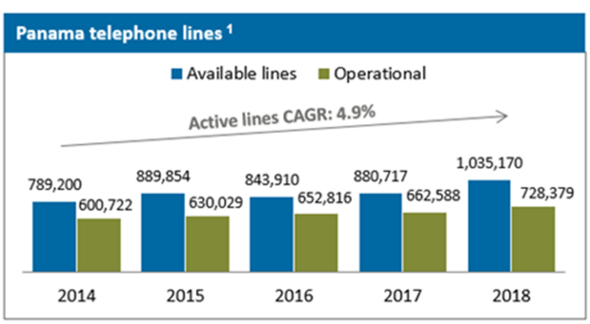
We face competition in a rapidly evolving marketplace from incumbent and non-incumbent telecommunication companies, mobile operators, and fixed-line telecommunications operators, many of which have substantial resources. The internet services offered by these competitors include both fixed-line broadband internet services using ADSL, and wireless broadband internet services, in a range of product offerings with varying speeds and pricing, as well as interactive computer-based services, data and other non-video services offered to homes and businesses. As the technology develops, competition from wireless services using various advanced technologies is becoming significant. Competitors have started offering high-speed mobile data via long-term evolution, or LTE, wireless services with varying speeds and pricing.

Broadband access overtook dial-up for the first time in 2006. According to ASEP, as of 2018, broadband connections (ADSL, cable modem, WiMax, Wifi) represent 100% of all fixed-line internet connections in Panama. Broadband penetration of internet users in Panama has increased from 50.1% in 2017 to 57.8% in 2018. Cable modem is the leading broadband technology representing 71.6% of total broadband use, followed by ADSL with 24.3%, as of 2018. Moreover, there has been continuous growth in terms of internet subscribers, since its commercial access first became available in 1994, registering a 12.2% CAGR from 2015 to 2018 and reaching 540,220.

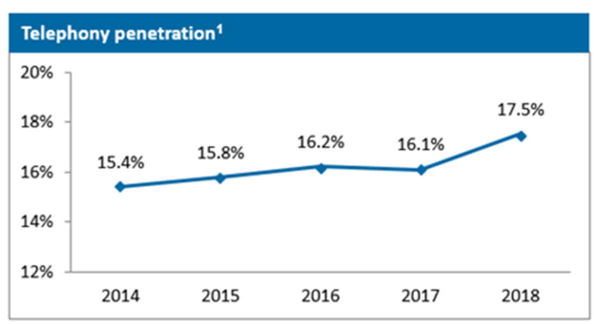
According to ASEP, there are 92 companies with a concession to operate Internet for public use, of which 36 operate. We face competition primarily from non-cable-based internet service providers such as C&WP, which offers competitive pricing, strong download speeds and bundling of their internet service with other services. C&WP leads on DSL services, while we dominate the cable modem market. We also provide corporate high-speed internet access, data communications, and IDC services under the trading name Telecarrier. In addition, we also provide wireless broadband services over WiMAX networks through Mobilnet. Mobile broadband competition is significant as well. LTE has been available in Panama since 2015 and operators such as Claro, Digicel C&W offer the service. Since our acquisition of Telefónica Panamá, we now also provide LTE service.

***Fixed-Line and Mobile Telephony***

We face competition from the incumbent fixed-line line telecommunications operator Cable & Wireless Panamá ("CW&P"), and other telecommunication operators. Until late 2002, C&WP had a monopoly in the provision of fixed voice services. However, in early 2003, the provision of these services was opened to a free market environment. According to ASEP, currently 8 players have a concession to offer the local service: C&WP, Cable Onda, Galaxy Communications, Telefonica Moviles Panama, Digicel Panama, Balboa Telecom, Telecomunicaciones Corporativas Panameñas and Vozelia. Nine companies have the concession to offer international telephony service, which in addition to the above-referenced companies includes Claro.




Source: ASEP
[1] Data calculated using 2018 figures




Source: ASEP
[1] Data calculated using 2018 figures

Panama was one of the last countries in Latin America to offer mobile telephony. Service first became available in 1996 with BellSouth Panama, followed by C&WP in 1998. In 2004, Telefónica took over BellSouth's license and operations. In 2007, Telefónica's and C&WP's mobile exclusivity expired and new licenses were awarded in 2008 to Digicel and Claro. The arrival of two new mobile players created a more competitive marketplace, resulting in steep price reductions that shook the market during 2008 and throughout 2009. Digicel is an aggressive competitor that entered the market with low priced promotions and special offers which consequently depressed the market's ARPU.

Nevertheless, the cheaper prices helped to attract segments with lower purchasing power and led to more customers owning a second mobile line.

Most recently, an increasing number of Panamanian consumers have gravitated towards mobile services, mainly due to the flexibility and access in rural areas where fixed-line infrastructure is unavailable. According to ASEP, as of 2018, there were approximately 5.7 million mobile subscribers across Panama, of which approximately 16% are represented by post-paid plans and 84% are represented with pre-paid plans. Pre-paid customers activate their cellular numbers through the purchase and installation of SIM card in their mobile handsets and are subsequently able to add additional credits to their accounts. Post-paid customers pay a monthly subscription fee and are billed on a monthly basis for services provided during the previous month.

Competition in the Panamanian mobile services market is increasing quickly. In May 2018 the government approved Law No. 479, which includes measures to reduce the number of mobile operators from four to three. The Law repealed sections of legislation dating to 1995 (Law No. 5), enabling consolidation in the market. See "—Regulation." As the regulatory environment evolves, mobile operators are turning to mobile broadband, mobile TV, and other value added services to maintain/raise ARPU. Mobile networks provide 96% population coverage but only 38% geographic coverage.

***Regulation***

Telecommunications, radio and television services are heavily regulated in Panama and therefore are subject to a specific regulatory framework that seeks to control these services, increase accountability of services providers and guarantee that all customers have equal access to public services.

The National Authority of Public Services, previously known as the Regulator of Public Services, was specifically created to further these purposes, and through Law Decree 10 of February 22, 2006 ("Decree Law No. 10"), the Regulator of Public Services was restructured and renamed as National Authority of Public Services (*Autoridad Nacional de los Servicios Publicos or ASEP*).

ASEP, an autonomous government entity, has within its purview the regulating of telecommunication services and thus is responsible for supervising and further regulating public services providers, including telecommunications, radio and television service providers.

Specific legal regimes are applicable to each type of service - telecommunication services and radio and television services, each of them has a specific regulatory framework as described below.

***Radio and Television Regulation***

Public radio and television services are classified as Type A and Type B, according to Law No. 24 of 30 June 1999 ("Law No. 24") and Executive Decree No. 189 of 13 August 1999 which sets forth the regulations applicable thereto. Type A services are those that, for their operation and exploitation, ASEP's approval will be required to assign the main transmission frequencies. Conversely, Type B services are those that for their operation do not require the assignment of main frequencies by ASEP. Type A and Type B licenses are granted for a period of 25 years, which shall be automatically renewed for equal periods, to the extent the licensee complies with the laws, regulations and ordinances of ASEP.

Without prejudice to the provisions set forth in the resolutions conferring radio and television concessions to licensees, pursuant to Panamanian law, some of the general obligations of Type A and Type B radio and television licenses are the following:

- comply with the applicable legal framework as well as with the technical instructions issued by ASEP from time to time;
- refrain from issuing transmissions that may interfere or hamper the rights of other telecommunication, radio or television concessionaries;
- inform ASEP of the video channels transmitted on a biannual basis;

- inform ASEP of its daily transmission schedule;
- avoid interrupting its transmission for periods exceeding 30 days without ASEP's authorization;
- pay in full and on a timely basis all applicable rights, fees, and royalties;
- deliver good quality signal to subscribers in accordance with ASEP's quality standards;
- inform clients of service plans and their respective prices; and
- provide credits owing to service interruptions pursuant to its customer service policies. Such terms shall be conveyed to the clients.

Concessions granted under Law No. 24 may be cancelled for (i) not broadcasting as required by law; (ii) entering into bankruptcy; (iii) selling all or part of the concessionaire to a foreign entity or as otherwise prohibited under Law No. 24; or (iv) repeated and serious violations of the other requirements associated with being a public service provider under the laws of Panama.

***Telecommunications Regulation***

Telecommunications services are classified as Type A and Type B, according to Law No. 31 of 8 February 1996 ("Law No. 31"), and Executive Decree No. 73 of 9 April 1997, which sets forth the regulations applicable thereto. Such classification depends on the type of service a company decides to offer in Panama.

Type A services are those that owing to technical or economic reasons, can only be rendered by authorized concessionaries. These concessions are granted through a public procurement process, on a temporary exclusivity basis, and to a limited number of concessionaires who shall operate in a non-competitive regime. The duration of these concessions is subject to the provisions set forth in the respective concession agreement.

In the case of Telefónica Panamá, according to Contract 01-OAL-2014 of March 27, 2014 (the "Contract"), the Panamanian Government granted a 20-year concession to Telefónica Panamá, which may be renewed upon the filing of a petition three years prior to the expiration of the concession. Such renewal shall be subject to Telefónica Panamá's continued compliance with the obligations set out in the Contract.

Type B licenses are those granted to licensees authorized to render telecommunications services in a competitive market. Licenses authorizing the rendering of these services shall be granted for a 20-year period, renewable upon the filing of a petition that must be filed two years prior to the expiration of the corresponding license, together with other documents as required by ASEP.

In addition to the foregoing regulations, there are additional compelling resolutions and ordinances issued by ASEP, which are applicable to public service providers, including Resolution JD-101 of August 27, 1997, which essentially outlines the rights and obligations of public services customers, including telecommunication services.

***Obligations under the Contract***

Some of Telefónica Panamá's obligations set forth in the Contract are the following:

- carry out its services on a regular, efficient, and continuous manner. If the service has to be interrupted for a period exceeding six hours, due to the installation or repair of equipment, among other reasons, the concessionaire shall notify ASEP at least 24 hours prior to the interruption thereof;
- deliver the respective reports, including affidavits; technical, commercial and statistical forms; and audited financial statements, within the 90 days following the close of the financial year;
- pay the respective regulatory fee to ASEP;
- register at ASEP all the conditions and draft agreements relating to the services provided;

- preserve the inviolability of the telecommunications channeled through its systems and shall not authorize the disclosure of their content or existence without prior consent of its customers, or upon order of competent authority;
- resolve customers' complaints within a 30-day period. In addition, Telefónica Panamá is required to provide to ASEP a registry of requests filed by customers that were not resolved within a 30-day period due to a lack of capacity of Telefónica Panamá's system or any other reason attributable to Telefónica Panamá;
- establish permanent attention centers for its customers, in accordance with the service demand. Further, the concessionaire shall have an efficient system to receive and process customers' complaints;
- provide an emergency customer service free of charge, that will enable the subscribers to reach out to any security or emergency institution;
- register with ASEP any agreements entered into with other telecommunication service providers in connection with International Roaming or any other regulated telecommunication agreement;
- file a system development report on a biannual basis;
- have the capacity to render the Roaming service in all its areas of coverage;
- comply with the service quality standards set forth therein and any other standards issued by ASEP;
- undertake annual statistical studies to determine the satisfaction of its customers with the service being provided (such studies to be made available to the ASEP no later than 60 days after their completion);
- provide to ASEP reports indicating the performance and behavior of its systems, on a biannual basis;
- inform ASEP of the assigned frequencies and their condition (including the radio electric spectrum), annually;
- notify ASEP in the event the concessionaire requires the implementation of new technologies;
- undertake to interconnect its system with other telecommunication networks or systems authorized by ASEP;
- have in place an action plan for national emergencies that must be updated periodically, and the concessionaire shall keep 20 devices at ASEP's disposal to be used for emergency situations, special events, or oversight;
- maintain a $2,500,000 surety in order to guarantee the continued compliance of its obligations set forth therein, which must be renewed on a yearly basis;
- comply with the minimum development plan which includes a list of locations and public roads and highways in which the service must be provided;
- ensure compatibility of the system with other telecommunications systems;
- only modify the telecommunication system when the modification observably improves the technology that was originally used and ensure that the technology is sufficiently tested, and handsets are available for it;
- undertake actions to modernize the equipment that is part of its contract;

- Telefónica Panamá must avoid any action or activity that could restrict free competition or undertake any activity that could be considered a predatory business practice in any market where other concessionaires participate;

- the Contract can be assigned, in the five years after the Contract is perfected, following a request by the concessionaire to ASEP, ASEP's approval and the subsequent authorization by Panama's Cabinet Counsel;

- the operating partner of the concessionaire can be substituted, in the five years after the Contract is perfected, provided that (i) anything that would affect the operating partners' ability to continue to operate the concession must be justified to ASEP, (ii) authorized by a resolution of Panama's Cabinet Counsel; (iii) the current operating partner remains the owner of no less than 10.0% of the concessionary's shares; and (iv) Panama's Cabinet Counsel shall be responsible for establishing the period of time in which this substitution is to take place; and

- additionally, the concessionaire must notify ASEP of any modification to its ownership composition within 30 days of such modification.

Pursuant to the Contract, ASEP is also authorized to carry out any investigations necessary in the event that it determines that Telefónica Panamá is no providing services to clients consistent with the terms and conditions established in the Contract.

In the event that Telefónica Panamá is unable to comply with its obligations under the Contract, the Company may be subject to fines, public admonition or the cancellation of the Contract pursuant to an administrative resolution.

The Contract can be unilaterally cancelled by ASEP in the following cases:

- the total or partial assignment of the concession or control of the concessionaire without complying with the requirements of the Contract;

- the occurrence of a creditor arrangement (*concurso de acreedores*) bankruptcy or liquidation;

- any other non-compliance with the Contract;

- non-payment for more than three months of the economic contributions required under the Contract; and

- the total or partial interruption without justification of the services provided.

On June 24, 2019, Panama's Cabinet Counsel authorized the substitution of Telefónica Panamá's operating partner from Telefónica S.A. to Millicom International Cellular by means of Cabinet Decree No.53 published in the Official Gazette No. 28806-A of June 28, 2019. Previously and as prescribed by applicable law, ASEP had confirmed that legal, economic and technical requirements for the substitution of the operating partner were met. As further prescribed by the Contract, on September 30, 2019, we completed the required filings to notify ASEP of Telefónica Panamá's shareholder change.

***Administrative Intervention and Indemnification***

Pursuant to Law No. 31, ASEP is entitled to intervene in the administration of any concessionaire that has been granted a Type A license either in the public interest or to ensure the continued provision of concession services. This intervention can be put in place for as long as is required to correct any issue. Pursuant to Executive Decree No. 73, ASEP must notify a Type A concessionaire of its impending intervention and provide them with a 120 days period to correct any failing or other matter affecting the concessionaire's ability to provide the necessary services.

The Contract may be terminated unilaterally by ASEP, if and when it intervenes in order to rescue the concession in the public interest. The termination of the concession will require that the government indemnify Telefónica Panamá on the basis of a fair market price to be agreed upon by the company and Panama's Cabinet Counsel. In the event that the parties are unable to agree on a price within 60 calendar days, the parties will name an investment bank or valuation firm of recognized international prestige. If the parties are unable to agree on a bank or valuation firm in 30 days, then the parties must seek arbitration. For further information see "Risk Factors—Certain Risks Relating to Panama—The remedies available to holders of the Notes may be limited in bankruptcy under Panamanian Law."

***Type B License Requirements***

Without prejudice to the provisions set forth in the resolutions conferring telecom concessions to licensees, pursuant to Panamanian law, some of the general obligations of Type B telecom licensees are the following:

- operate its network and carry out its services on a regular, efficient, and continuous manner;
- pay an annual fee to ASEP for the use of the radioelectric spectrum, to the extent it is necessary to carry out the services authorized therein;
- pay the respective regulatory fee to ASEP;
- provide ASEP with information pertaining to technical specifications of the services it provides;
- deliver the respective reports, including affidavits; technical, commercial and statistical forms; and audited financial statements, within the 90 days following the close of the financial year;
- not interrupt the services intentionally and without ASEP's prior approval;
- communicate to its clients of any interruption of its services with a reasonable prior notice;
- notify ASEP within two business days of any interruption that affects ten percent (10.0%) or more of its customers (which percentage may vary depending on the specific license) and exceeds eight hours, in a 24-hour period;
- comply with the service quality standards issued by ASEP;
- keep its facilities in appropriate conditions that enable an efficient operation;
- publish its prices in two (2) local newspapers at least thirty (30) days before their entry into effect; and such prices shall be available to its customers. This obligation shall be applicable to any modifications to current prices; and
- preserve the inviolability of the telecommunications channeled through its systems and shall not authorize the disclosure of their content or existence without prior consent of its customers, or upon order of competent authority.

Type B Licenses issued pursuant to Law No. 31 may be terminated for a number of reasons including: (i) the unauthorized modification of the concession terms; (ii) the transfer, sale or pledging of the assets used to provide services in violation of the concession; (iii) the sale or transfer of all or part of the shares of the concessionaire in violation of the concessions; (iv) entry into bankruptcy; (v) a technical or financial inability to meet their obligations under the concession; or (v) the significant and unjustified interruption in the provision of services under the concession.

## Management

***Board of Directors***

| Name | Age | Position |
|---|---|---|
| Mauricio Ramos | 50 | Chairman of the Board |
| Salvador Escalon | 44 | Vice Chairman |
| Esteban Iriarte | 47 | Secretary and Director |
| Timothy Pennington | 58 | Treasurer and Director |
| Nicolás González-Revilla Paredes | 48 | Director (Minority Shareholders) |

*Mauricio Ramos.*

Mr. Ramos has been a director since December 13, 2018, following the Millicom Acquisition. He holds a Bachelor of Arts in Economics, a Bachelor of Law and a Postgraduate Diploma in Financial Law from the Universidad de Los Andes, in Bogotá, Colombia. Mr. Ramos has served as Chief Executive Officer of Millicom since joining the company in April 2015. Prior to joining Millicom, he was President of Liberty Global's Latin American division, a position he held from 2006 until February 2015. During his career at Liberty Global, Mr. Ramos held several leadership roles, including positions as Chairman and CEO of VTR in Chile, Chief Financial Officer of Liberty's Latin American division and President of Liberty Puerto Rico. Mr. Ramos is also a Member of the Board of Directors of Charter Communications (U.S.). Prior to joining Millicom, Mr. Ramos was President of the Latin American Division of Liberty Global, a position he held from 2006 to February 2015. Since then, he has served as CEO of Millicom International Cellular, S.A.

*Salvador Escalon.*

Mr. Escalon has been a director since December 13, 2018, following the Millicom Acquisition. He has a PhD degree from Columbia Law School and a Bachelor's Degree Business Administration in Finance and International Business from the International University of Florida, United States. He joined Millicom as Associate General Counsel for Latin America in April 2010. In this position, he successfully led legal legacies for the merger of Millicom's Colombian operations with UNE-EPM Telecomunicaciones S.A., as well as the acquisition of Cablevisión Paraguay. He currently leads Millicom's legal team and advises the Board of Directors and senior management in legal, governance and compliance matters.

*Timothy Pennington.*

Mr. Pennington has been a director since December 13, 2018, following the Millicom Acquisition. He holds a Bachelor's Degree (with honors) in Economics and Social Studies from the University of Manchester, England. He also has experience in corporate finance, first as a Director in the specialized Finance Department of Samuel Montagu & Co. Limited, and then as Executive Director of HSBC Investment Bank and CFO in other corporations. He is currently the Chief Financial Officer of Millicom.

*Esteban Iriarte.*

Mr. Iriarte has been a director since December 13, 2018, following the Millicom Acquisition. He holds a Bachelor's Degree in Business Administration from Pontificia Universidad Católica Argentina and an MBA from Universidad Austral in Buenos Aires. Since 2016, he has also served as Executive Vice President, Chief Operating Officer, Latin America for the Millicom group and is based in Miami, Florida. Previously, he held positions at Amnet, TEPAL and Sura Asset Management, among others.

*Nicolás González-Revilla Paredes.*

Mr. González-Revilla Paredes has been a director since December 13, 2018. He holds a degree in Marketing from Boston College, Massachusetts, USA and an MBA in Business Administration from INCAE, Costa Rica. In September 3, 2019, Mr. González-Revilla was elected to serve on the board of the Panama Canal Authority (Autoridad del Canal de Panama), a position which he was appointed to on September 17, , 2019. Mr. González-Revilla Paredes was responsible for the integral operation of Cable Onda from 2004 until 2019. Previously he served as Commercial Director of Cable Onda since 1999. From 1996 to 1998 he was General Manager of Telsat, S.A. Previously, he was a finance consultant for Merrill Lynch, Panama.

***Corporate Policies***

Millicom has established for its subsidiaries certain corporate governance-related policies, based on the policies applicable to companies listed in the United States, which are communicated to our board of directors (the "Board"). We are currently in the process of evaluating and implementing Millicom's corporate governance policies. These policies address:

- input by the board on our strategic and operating plans;
- oversight by the Board of annual performance evaluations for our management, including our Chief Executive Officer;
- our information policy regarding who is authorized to speak on the Company's behalf;
- annual assessments by Millicom's board of directors of our Board's performance; and
- monitoring by Millicom's board of directors of any director conflicts of interest.

***Committees***

Pursuant to our by-laws, our Board may appoint two or more of its members to create committees delegated to undertake activities related to the development of our business. However, there are currently no committees within our Board.

***Internal Audit***

Our internal audits are conducted by Millicom's Internal Audit Team, which reports any findings directly to Millicom's Audit Committee. Millicom's Audit Committee convenes at least four times a year and special meetings may be convened as required. Currently, Millicom's Audit Committee is comprised of four members, all of whom are independent non-executive directors of Millicom.

***Nomination***

Millicom has established policies and procedures related to the nomination and compensation of members of our Board. The members of the Board are selected by Millicom senior management from a pool of different directors and executive officers involved in other Millicom operations. Our only directors who are not Millicom employees are Nicolás Revilla Paredes and the alternate director, Miguel Heras Castro.

***Executive Officers***

| Name | Age | Position |
|---|---|---|
| Rodrigo Diehl | 44 | Chief Executive Officer |
| David García | 47 | Vice President of Finance |
| Gaspar Tarté | 58 | Vice President B2B |
| Roderick Arosemena | 49 | Vice President B2BC |
| Víctor Inchausti | 48 | Director Engineering and Operations |
| Lía Rachel Chong Torok | 46 | HR Director |
| Marcelina Aponte de Lee | 48 | Income and Insurance Director |
| Celia T. Ríos | 48 | IT Director |
| Manuel García | 49 | Marketing Director |
| Odilie Guerrero | 45 | Legal Counsel |

*Rodrigo Diehl*

Mr. Diehl has been the Chief Executive Officer of Cable Onda since January 7, 2019. He has a Bachelor´s Degree in Business Administration from Buenos Aires University, and an MBA from the Harvard Business School. From June 2003 until October 2016, he was a Partner at the Consulting Firm McKinsey & Co., and he later became Executive Vice President for Millicom, a position he held from October 2016 until December 2018.

*David Garcia*

Mr. Garcia has been the Chief Financial Officer since March 2019. He has a Bachelor´s Degree in Economics from the Universidad Complutense de Madrid, a Master's Degree in Control and Administration of Finance from the Escuela de Organización Industrial de Madrid and an MBA from the Manchester Business School. Since January 1998 he held various positions in the European telecommunications company Vodafone. In 2009 he moved from Finance Manager to Head of Financial Control and Deputy Director of Finance at Vodafone United Kingdom and in September 2012 he was promoted to Finance Director (CFO) of Vodafone Hungary, where he served until March 2019, when he became our Vice President of Finance.

*Gaspar Tarte*

Mr. Tarte has been the Vice President of our B2B business since 2016. He has a Bachelor´s Degree in Electronic Engineering from the Santa María la Antigua Catholic University and a Master's Degree in Business Administration. He has previously been head of the National Secretariat of Science, Technology and Innovation (2004-2009) and General Manager of the GBM Panama (1995-2004). He currently directs and develops our strategy of products and services oriented to the business, government and commercial market.

*Roderick Arosemena*

Mr. Arosemena has been the Vice President of our B2C business since January 2019. He has a Bachelor´s Degree in Graphic Design from the University of Panama, and also studied Marketing at the University of Las Sabanas (Panama Branch). He currently directs and develops the strategy of products and services oriented to the B2C residential market, the portfolio of clients including sales and retention, and new business models of Cable Onda.

*Victor Inchausti*

Mr. Inchausti has been Engineering and Operations Director since 2010. He has a Bachelor´s degree in Civil Engineering from the University of Florida, a Master's Degree in Civil and Industrial Engineering from Texas A&M and a diploma in Finance and Business Administration from ADEN Panamá and Stetson University in Florida. Previously, he was Director of Service and Customer Service of Elektra Noreste, Commercial Manager of Kia Motors of Honduras, and held several positions in Distribuidora de Productos del Petroleo, S.A. de C.V. (DIPPSA) in Honduras (now PUMA ENERGY Honduras) and Esso Standard Oil.

*Lia Rachel Chong Torok*

Ms. Chong Torok has been Human Resources Director since 2014. She holds a degree in Industrial Engineering, and a Post Graduate Degree in Executive Management from the Technological University of Panama. From 2008 to 2011 she held the position of Human Resources and Administration Manager for Panama and Central America of Sony Interamerican, S.A., then served as HR Manager for Panama and Central America of AIG Seguros Panama, S.A. from 2011 to 2014.

*Marcelina Aponte de Lee*

Ms. Aponte de Lee has been Revenue Assurance Director since 2013. She holds a degree in Accounting from the University of Panama, a Post Graduate degree in Strategic Management and a Master's Degree in Business Administration with an emphasis in Finance from the Latin American University of Science and Technology. She currently directs the area of Revenue Assurance and Corporate Security, which includes billing, interconnection, collections, revenue assurance and physical security of Cable Onda.

*Celia T. Rios*

Ms. Rios has served as IT Director since April 2019. She has a Bachelor's Degree in Systems Engineering from the Technological University of Panama, a Master´s Degree in Computer Management from the Latin University of Panama, and a Diploma in Project Management from the Santa María La Antigua University. She currently serves as the Director of the IT of Cable Onda, and previously served as Deputy Director of IT for 18 months.

*Manuel Garcia*

Mr. Garcia has served as Marketing Director since 2017. He has a Bachelor's Degree in Communication Sciences from the Autonomous University of Guadalajara and a Master's Degree in Business Administration from Tecnologico de Monterrey. He started at Cable Onda as Marketing Manager in 2004 and later held the position of Deputy Marketing Director, before being promoted to Director of Marketing.

*Odilie Guerrero*

Ms. Guerrero has served as Legal Counsel since March 1, 2004, and is directing the Legal and Regulatory Affairs of Cable Onda. She has a Law and Political Science Degree from the Santa Maria La Antigua University. A Degree in Senior Management and a Master's Degree in Business Administration with emphasis in Finance, both from Universidad Latina de Panama. She also has a Customer Experience Management Certification.

***Compensation***

Overall compensation for executive officers was $12.0 million for the year ended December 31, 2018. Members of the Board of Directors that are Millicom employees are not remunerated by Cable Onda since December 2018. Before December 2018, members of the Board of Directors were paid $500 per session.

## Principal Shareholders

We are an indirect, wholly owned subsidiary of Millicom International Cellular S.A., a Luxembourg *société anonyme*. Millicom is an international company providing communications, information, entertainment, solutions and financial services in emerging markets using various combinations of mobile and fixed-line telephony, cable and broadband businesses in 15 countries in Central America, South America and Africa. In Central and South America, Millicom operates in Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, Bolivia, Colombia and Paraguay.

As of June 30, 2019, our shareholders were as follows:

| Shareholder | Amount of Shares | Percentage |
|---|---|---|
| Millicom LIH, S.A.[1] | 194,685 | 80.0% |
| Medios de Comunicación, Ltd. | 24,574 | 10.1% |
| TeleCarrier International, Limited. | 12,696 | 5.2% |
| Tenedora Activa, S.A. | 7,053 | 2.9% |
| IGP Trading Corp. | 3,862 | 1.6% |
| Nicolás González Revilla P. | 486 | 0.2% |
| Total | **243,356** | **100%** |

(1) An indirect wholly owned subsidiary of Millicom.

According to publicly available information, as of June 30, 2019, the principal shareholders of Millicom were as follows:

| Shareholder | Amount of shares | Percentage |
|---|---|---|
| Kinnevik AB | 37,835,438 | 37.2% |
| Dodge & Cox | 7,935,067 | 7.8% |
| Nordea Funds Oy | 4,756,809 | 3.9% |

## Certain Relationships and Related Party Transactions

### *Value Creation Services Agreement*

In general, Millicom subsidiaries are party to value creation services agreements with Millicom, pursuant to which Millicom has agreed to provide its subsidiaries with a variety of services including use of know-how and trademarks, assistance with business strategy, training, research, marketing and negotiations. The subsidiaries pay a fee to Millicom for the services provided. Cable Onda has not yet executed any such value creation services agreement, but we expect to do so in the near future as part of the integration process with Millicom.

Millicom has informed us that its value creation agreements with its subsidiaries, including the agreement that we expect to enter into with Millicom, reflect market terms that would be agreed in an arms-length negotiation between unaffiliated parties.

### *Intercompany Agreements*

We will eventually participate in a Millicom group cash deposit arrangement with BNP Paribas and J.P. Morgan, pursuant to which a portion of our cash will be held in a deposit account with BNP Paribas pursuant to the terms of the Millicom Group notional cash pooling arrangement and with J.P. Morgan pursuant to the terms of the Millicom Group physical cash pooling agreement. The amount of our cash contributed to this cash pooling arrangement would be limited from time to time to cash from operations that we expect will be distributed as a dividend at the end of the relevant period, and the terms of this deposit are favorable in terms of rates to us given the size of Millicom's relationship with BNP Paribas and J.P. Morgan. In certain circumstances, BNP Paribas and J.P. Morgan can use our deposit with them to cover any unsatisfied negative balance maintained by Millicom. As we have not yet entered into the cash pooling arrangement, no such offset has occurred. We are comfortable with this arrangement given the levels of Millicom deposits with BNP Paribas and the relationship between these deposits and expected upcoming dividend payments to be made to Millicom. From time to time in the ordinary course, we may enter into additional cash pooling arrangements with Millicom and its subsidiaries.

In August 2019, we executed the Intercompany Bridge Loan Agreement for purposes of financing the Telefónica Panamá Acquisition. This loan matures on November 12, 2019 and bears a 4% interest rate. From time to time, we may enter into additional loan arrangements with Millicom or its subsidiaries. See "Description of Notes."

On September 10, 2019, we executed an intercompany loan agreement for $3.0 million between us, as lender, and Telefónica Panamá, as borrower. This intercompany loan agreement is subject to a 4.65% interest rate and is due on December 10, 2019.

In April 2018, we executed a commercialization agreement with Corporación Medcom, S.A. ("Medcom"), whereby we assigned to Medcom commercialization rights of advertising space in the paid content transmitted by us; and Medcom agreed to pay an annual fee of $0.5 million, half of which shall be payable in cash and the remainder shall be payable in kind, by granting us advertising rights to Medcom's open TV and radio channels. On the other hand, Medcom shall receive as consideration for services rendered, the difference resulting from subtracting the amounts paid to us, from the total amount collected during each year, while this contract remains in force. This agreement expires on December 31, 2028.

In April 2018, we executed a programming / transmission rights agreements with Medcom (each a "Medcom Transmission Rights Agreement" and collectively the "Medcom Transmission Rights Agreements"), pursuant to which Medcom assigned to us transmission rights of contents of all products, names and contents of the programs transmitted through the ECO, COS, COS FC, TELEMETRO AND RPC channels, each of which expire on December 31, 2028. Further, we agreed to pay Medcom the following fees for such services:

- **ECO**: $2.0 million, which shall be payable through monthly installments of $0.2 million, plus the applicable taxes.
- **COS** and **COS FC**: $5.6 million, which shall be payable through monthly installments of $0.5 million, plus the applicable taxes.

- **TELEMETRO** and **RPC**: $1.0 million, which shall be payable through monthly instalments of $0.08 million plus the applicable taxes.

Under the Medcom Transmission Rights Agreements, Medcom may choose to terminate the agreement in the event of our non-compliance with the terms therein. As a result of such termination, we are required to pay the full value of the fees still outstanding under any cancelled agreement (except for the Medcom Transmission Rights Agreement of Telemetro and RPC which can only be terminated in the event of non-payment).

In May 2018, we executed a content license rights agreement of “OYE” with Medcom. Pursuant to this agreement, we have the right to retransmit, on a non-exclusive basis, the content offered by the channel to our authenticated subscribers, in standard definition and high definition formats, through cable television, Direct to home and MMDS. We agreed to pay Medcom an annual fee of $60,000, which shall be payable in monthly instalments of $5,000, plus the applicable taxes. This agreement expires on December 31, 2028.

We have entered into lease agreements with Medcom, Metrovisión Bienes Raíces, S.A., Cable Capitol, Ltd. and Costa del Este Infraestructure, Inc., covering communication tower space, real estate, including our principal place of business.

We also have two interconnection agreements currently in effect between the Issuer and Telefónica Panamá. Pursuant to the agreements, each party is given access to the other counterparty’s network. Each of these agreements may not be assigned without prior written consent, are subject to ASEP´s supervision and are governed by Panamanian law. These agreements are also subject to customary dispute resolution and termination provisions.

## Description of Notes[2]

In this "Description of Notes" section, "Company" or "Issuer" refers to Cable Onda, S.A. and any successor obligor on the Notes. You can find the definitions of certain terms used in this description under "—Certain Definitions."

The Company will issue the Notes under an indenture (the "Indenture") among the Company, Citibank, N.A., as Trustee (the "Trustee"), note registrar, transfer agent and principal paying agent, and Banque Internationale à Luxembourg SA, as Luxembourg paying agent (the "Luxembourg Paying Agent").

The following is a summary of the material provisions of the Indenture. Because this is a summary, it may not contain all the information that is important to you. You should read the Indenture in its entirety. A copy of the Indenture is available as described under "Where You Can Find More Information."

The Indenture will not be qualified under, nor be subject to or include any of the provisions of, the U.S. Trust Indenture Act of 1939, as amended (the "TIA"). Consequently, the holders of the Notes generally will not be entitled to the protections provided under such TIA to holders of debt securities issued under a qualified indenture, including those requiring the Trustee to resign in the event of certain conflicts of interest and to inform the holders of the Notes of certain relationships between it and the Issuer.

### General

The Notes mature on , 20 . The Company will issue the Notes in the aggregate principal amount of $ million in this offering. The Notes bear interest at % per annum, payable semiannually in arrears on each and commencing ,2020 to holders of record on the or immediately preceding the interest payment date. Interest will be computed on the basis of a 360-day year of twelve 30-day months. The Notes will be payable only in U.S. Dollars.

### Additional Notes

Subject to the covenants described below, the Company may issue additional Notes under the Indenture having the same terms in all respects as the Notes offered hereby except that interest will accrue on the additional Notes from their date of issuance, *provided*, *however*, that unless such additional Notes are issued under a separate CUSIP number, such additional Notes must be fungible with the Notes for U.S. federal income tax purposes. The Notes offered hereby and any additional Notes would be treated as a single class for all purposes under the Indenture, and will vote together as one class on all matters with respect to the Notes. For purposes of this "Description of Notes" whether or not expressly stated, reference to the Notes includes additional Notes except as otherwise indicated.

### Ranking of the Notes; Structural Subordination

The Notes will constitute unsecured unsubordinated obligations of the Company, ranking equally in right of payment with all the existing and future unsecured unsubordinated obligations of the Company, other than all obligations granted preference under applicable law. The Notes will be effectively subordinated to all of the Company's secured indebtedness with respect to the value of the Company's assets securing that indebtedness. The Notes will not be guaranteed by any person or entity.

The Company may conduct operations through or from subsidiaries and joint ventures in the future. Claims of creditors of subsidiaries or joint ventures, including trade creditors, secured creditors and creditors holding debt and guarantees issued by those subsidiaries or joint ventures, and claims of preferred and minority stockholders (if any) of those subsidiaries or joint ventures generally will have priority with respect to the assets and earnings of those subsidiaries and joint ventures over the claims of the Company's creditors, including holders of the Notes. The Notes therefore will be structurally subordinated to creditors (including trade creditors) of the Company's subsidiaries. Although the Indenture will limit the Company's and the Company's Restricted Subsidiaries' Incurrence of Debt and Redeemable Stock, the limitation is subject to a number of significant exceptions. Moreover, the Indenture does not impose any limitation on the Incurrence by the Company's Restricted Subsidiaries of liabilities that are not considered

[2] **NTD:** Final changes to be confirmed. Any conforming changes to be reflected in the next draft.

Debt or Redeemable Stock under the Indenture. See "—Limitation on Debt." Except as described below, the Notes will not be guaranteed by any of the Company's current or future Subsidiaries.

**Optional Redemption**

Except as described below, the Notes are not redeemable at the Company's option. The Company is not, however, prohibited from acquiring the Notes by means other than a redemption, whether pursuant to a tender offer, open market purchase or otherwise, so long as the acquisition does not otherwise violate the terms of the Indenture.

In each case below, the Company may make any redemption or redemption notice subject to the satisfaction of conditions precedent. If such redemption or notice is subject to satisfaction of one or more conditions precedent, such notice shall state that, in the Company's discretion, the redemption date may be delayed until such time (but no more than 60 days after the date of the notice of redemption) as any or all such conditions shall be satisfied, or such redemption may not occur and such notice may be rescinded in the event that any or all such conditions shall not have been satisfied by the redemption date, or by the redemption date so delayed. In addition, the Company may provide in such notice that payment of the redemption price and performance of the Company's obligations with respect to such redemption may be performed by another Person.

If a redemption date is not a Business Day, payment may be made on the next succeeding day that is a Business Day, and no interest shall accrue on any amount that would have been otherwise payable on such redemption date if it were a Business Day for the intervening period. If the optional redemption date is on or after an interest Record Date and on or before the related interest payment date, the accrued and unpaid interest, if any, will be paid to the Person in whose name the Note is registered at the close of business on such Record Date and no additional interest will be payable to holders whose Notes will be subject to redemption.

**Early Redemption with Make-Whole Premium prior to , 20**

The Notes will be redeemable, upon not less than 10 nor more than 60 days' prior notice, at any time and from time to time, prior to , 20 in whole or in part, at the Company's option at a redemption price equal to the greater of (i) 100% of the principal amount of the Notes to be redeemed and (ii) the sum of the present values of the Remaining Scheduled Payments of principal and interest on the Notes to be redeemed (exclusive of interest accrued to the redemption date) discounted to that redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate plus 50 basis points; plus accrued and unpaid interest on the principal amount of the Notes being redeemed to, but not including, the date of redemption and any additional amounts payable in respect of such interest. Notwithstanding the foregoing, payments of interest on the Notes will be payable to the holders of those Notes registered as such at the close of business on the relevant Record Dates according to the terms and provisions of the Indenture. In connection with such optional redemption, the following defined terms apply:

"**Comparable Treasury Issue**" means the United States Treasury security selected by the Independent Investment Banker that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities with a maturity of , .

"**Comparable Treasury Price**" means, with respect to any redemption date, (i) the average of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) on the third Business Day preceding that redemption date, as set forth in the daily statistical release designated H.l5 (or any successor release) published by the Board of Governors of the U.S. Federal Reserve System and designated "Selected Interest Rates (Daily) – H.15" or (ii) if such release (or any successor release) is not published or does not contain such prices on such Business Day, the average of the Reference Treasury Dealer Quotations for that redemption date.

"**Independent Investment Banker**" means one of the Reference Treasury Dealers appointed by the Company to act as the "Independent Investment Banker."

"**Reference Treasury Dealer**" means Goldman Sachs & Co. LLC, J.P. Morgan Securities LLC, BNP Paribas Securities Corp., Morgan Stanley & Co. LLC and Scotia Capital (USA) Inc. or any of their respective affiliates which are primary United States Government Security dealers; *provided*, *however*, that if any of the foregoing shall cease to be a primary US Government Securities dealer in New York City (a "**Primary Treasury Dealer**"), the Company shall substitute therefor another nationally recognized investment banking firm that is a Primary Treasury Dealer.

“**Reference Treasury Dealer Quotation**” means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by the Independent Investment Banker, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Independent Investment Banker by such Reference Treasury Dealer at 3:30 p.m., New York City time, on the third Business Day preceding that redemption date.

“**Remaining Scheduled Payments**” means, with respect to each Note to be redeemed, the sum of (i) the redemption price of such Note on , (the “First Redemption Date”), such redemption price being set forth in the table below, plus (ii) all required interest payments due on such Note through the First Redemption Date that would be due after the date on which such Note is being redeemed; *provided*, *however*, that, if that redemption date is not an interest payment date with respect to such Note, the amount of the next succeeding scheduled interest payment thereon will be reduced by the amount of interest accrued thereon to that redemption date.

“**Treasury Rate**” means, with respect to any redemption date of a Note, the rate per annum equal to the semiannual equivalent yield to the First Redemption Date (computed as of the third Business Day immediately preceding the redemption date of such Note) of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for that redemption date.

**Early Redemption on or after , 20**

At any time and from time to time on or after , 20 , upon not less than 10 nor more than 60 days’ prior notice, the Company may redeem the Notes, in whole or in part, at a redemption price equal to the applicable percentage of principal amount set forth below plus accrued and unpaid interest to the redemption date.

| 12 month period commencing on | Percentage |
|---|---|
| , 20 | % |
| , 20 | % |
| , 20 and thereafter | 100.000% |

**Optional Redemption upon Certain Tender Offers**

In connection with any tender offer or other offer to purchase all of the Notes, if holders of not less than 90% of the aggregate principal amount of the then Outstanding Notes validly tender and do not validly withdraw such Notes in such tender offer and the Company, or any third party making such tender offer in lieu of the Company, purchases all of the Notes validly tendered and not validly withdrawn by such holders, the Company or such third party will have the right upon not less than 10 nor more than 60 days’ notice following such purchase date, to redeem all Notes that remain Outstanding following such purchase at a price equal to the price paid to each other holder in such tender offer, plus, to the extent not included in the tender offer payment, accrued and unpaid interest, if any, thereon, to, but excluding, the date of such redemption.

**Optional Redemption prior to , 20 upon Equity Offerings of the Company**

At any time and from time to time prior to , 20 upon not less than 10 nor more than 60 days’ notice, the Company may on any one or more occasions redeem up to an aggregate amount of 40% of the original aggregate principal amount of Notes at a redemption price of % of their principal amount, plus accrued and unpaid interest, if any, to the redemption date (subject to the right of holders of record on the relevant Record Date to receive interest due on the relevant interest payment date), with the proceeds from one or more Equity Offerings or any sale of Qualified Capital Stock of any Subsidiary of the Company. The Company may only do this, however, if at least 50% of the aggregate principal amount of Notes that were initially issued would remain Outstanding immediately after the proposed redemption.

Any notice for such a redemption may be given prior to completing the Equity Offering or sale of Qualified Capital Stock.

**Redemption Procedures**

If fewer than all of the Notes are being redeemed, the Trustee will select the Notes to be redeemed pro rata, by lot or by any other method the Trustee deems fair and appropriate (or, in the case of Global Notes, based on a method as DTC may require), in denominations of $200,000 principal amount and integral multiples of $1,000 in excess thereof. Upon surrender of any Note redeemed in part, the holder will receive a new Note equal in principal amount to the unredeemed portion of the surrendered Note (or in the case of Global Notes, an appropriate book-entry adjustment will be made). Once notice of redemption is sent to the holders of the Notes, Notes called for redemption become due and payable at the redemption price on the redemption date, and, commencing on the redemption date, Notes redeemed will cease to accrue interest so long as the Company has deposited with the paying agent for the Notes funds in satisfaction of the redemption price pursuant to the Indenture.

Notice of redemption shall be mailed by first class mail (or in the case of Global Notes, sent in accordance with the applicable procedures of DTC) at least 10 but not more than 60 calendar days before the redemption date to each holder of Notes to be redeemed at its registered address. For so long as the Notes are registered with the SMV and listed on the PSE and/or the Luxembourg Stock Exchange and the rules of such Stock Exchange so require, the Company will comply with the then applicable publishing or notification requirements of any such Exchange, including causing a copy of such notice to be published in a daily newspaper with general circulation in Luxembourg, which is expected to be the Luxembourger Wort or on the website of the Luxembourg Stock Exchange (www.bourse.lu). In addition, the Company will communicate any relevant fact (*hecho relevante*) in Panama in the manner prescribed by applicable law. If any Note is to be redeemed in part only, the notice of redemption that relates to such Note shall state the portion of the principal amount thereof to be redeemed.

A new Note in a principal amount equal to the unredeemed portion thereof will be issued in the name of the holder thereof upon cancellation of the original Note or, in the case of Global Notes, an appropriate book-entry adjustment will be made to the principal amount of the Global Notes. On and after the redemption date, interest will cease to accrue on Notes or portions thereof called for redemption so long as the Company has deposited with the paying agent for the Notes funds in satisfaction of the redemption price pursuant to the Indenture. Notes called for redemption become due on the date fixed for redemption. In connection with any redemption, the Company will notify the Luxembourg Stock Exchange and the PSE of any change in the principal amount of Notes Outstanding.

Upon presentation of any Note redeemed in part only, the Company will execute and upon the written request of the Company, the Trustee will authenticate and deliver to the Company on the order of the holder thereof, at the Company's expense, a new Note or Notes, of authorized denominations, in principal amount equal to the unredeemed portion of the Note so presented.

Any Notes that are redeemed pursuant to the terms of the Notes will be cancelled. Any Notes that are purchased by the Company in the open market or otherwise may be cancelled, held or resold by the Company as it may determine.

**Additional Amounts**

The Company with respect to payments under the Notes, agrees that, if any deduction or withholding of any present or future taxes, levies, imposts or charges whatsoever imposed by or for the account of Panama, Luxembourg, or any political subdivision or taxing authority thereof or therein or imposed by or for account of any other jurisdiction in which the Issuer is doing business or from or through which payment is made or deemed made by or on behalf of the Issuer (including the jurisdiction of any paying agent for the Notes) or any political subdivision thereof or therein (a "Relevant Taxing Jurisdiction") with respect to the Notes shall be required, the Company will (subject to the limitations described below) pay such additional amounts in respect of principal (and premium, if any) and interest as may be necessary in order that the net amounts paid to such holders pursuant to the Notes after such deduction or withholding shall equal the respective amounts of principal (and premium, if any) and interest specified in the Notes; *provided*, *however*, that the Company shall not be required to make any payment of additional amounts for or on account of (i) any tax or governmental charge which would not be payable but for the fact that the holder or beneficial owner of a Note has a present or former connection to the Relevant Taxing Jurisdiction, including being a domiciliary, national or resident of, or engaging in business or maintaining a permanent establishment or being physically present in, Panama or such political subdivision or otherwise having some connection with Panama or such political subdivision other than the mere holding or ownership of such Notes or the collection of principal of (and premium, if any) and interest on such Notes or the enforcement of such Notes; (ii) any tax or other governmental charge that would not have been imposed but for the presentation of a Note (where presentation is required) for payment on a date more than 30 days after the date on which such payment became due and payable or the date on which payment thereof is duly provided for, whichever occurs later; (iii) any tax or other governmental charge that would not have been imposed but for a failure of the holder or beneficial owner of the Note to comply with any applicable certification, information, identification, documentation or other reporting requirements concerning the nationality, residence, identity or connection with Panama or any political subdivision thereof if such compliance is required as a precondition to relief or exemption from such tax or other governmental charge (including without limitation a certification that such holder or beneficial owner is not resident in Panama or any political subdivision thereof) to which it is entitled, *provided*, *however*, that this clause (iii) shall not apply if the Company shall not have provided the holder of the Note with written notice of the applicable requirement at least 30 days prior to the date that the holder of the Note is required to comply with such applicable requirement; (iv) any estate, inheritance, gift, sales, excise, transfer, capital gains or personal property tax; (v) any tax imposed in connection with a Note presented for payment by or on behalf of a holder or beneficial owner thereof who would have been able to avoid such tax by presenting the relevant Note to another paying agent, provided that such presentation in such other paying agent jurisdiction does not result in any material adverse tax effect to such holder or beneficial owner; (vi) any withholding or deduction imposed on or in respect of Sections 1471 through 1474 of the Internal Revenue Code of 1986, as amended ("FATCA"), any current or future regulations or official interpretations thereof, any intergovernmental agreement between the United States and another jurisdiction facilitating the implementation of FATCA, the laws of any Relevant Taxing Jurisdiction implementing FATCA or any such intergovernmental agreement, any agreement between either the Company and the United States or any authority thereof entered into for FATCA purposes, and any agreements entered into pursuant to Section 1471(b)(1) of the Code; or (vii) any combination of the above.

In addition, the Company shall not have any obligation to pay additional amounts to a holder that is a fiduciary or partnership or an entity that is not the sole beneficial owner of the payment of the principal or interest on a Note if the laws of the Relevant Taxing Jurisdiction require the payment to be included in the income of a beneficiary or settlor for tax purposes with respect to such fiduciary or a member of such partnership or a beneficial owner who would not have been entitled to the additional amounts had it been the holder of such Note.

**Tax Redemptions**

The Company may redeem the Notes, in whole but not in part, at its option, at 100% of the Outstanding principal amount thereof plus accrued and unpaid interest to the date of redemption and any additional amounts (as referred to under "—Additional Amounts") payable with respect thereto, if (i) as a result of a change in law (or any rules or regulations thereunder) or treaties of Panama or any political subdivision or taxing authority thereof or therein, or any amendment to or change in an official interpretation, application or administration of such laws, rules or regulations (including a decision of a court of competent jurisdiction or any rules of general applicability thereunder) (a "Change in Law") of Panama or any political subdivision or taxing authority thereof or therein, the Company has or will become obligated to pay additional amounts and (ii) such obligation cannot be avoided by the Company taking reasonable measures available to it; *provided*, *however*, that for this purpose reasonable measures shall not include any change in the Company's jurisdiction of organization or the location of its principal executive office, or the Incurrence of material out of pocket costs by it or its Affiliates. No such notice of redemption will be given earlier than 90 or later than 30 days prior to the earliest date on which the Company would be obligated to pay such additional amounts if a payment in respect of the Notes were then due.

Prior to the publication or sending of any notice of redemption of the Notes as described below, the Company must deliver to the Trustee (1) an Officer's Certificate stating that the Company is entitled to effect such redemption and (2) if the Trustee so requests, an opinion of legal counsel of recognized standing stating that the Company has or will become obligated to pay additional amounts due to a Change in Law. The Trustee will accept this certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent set forth in clauses (i) and (ii) above, upon which it will be conclusive and binding on the holders.

**No Mandatory Redemption; No Sinking Fund**

There will be no mandatory redemption or sinking fund payments for the Notes.

**Change of Control**

Within 60 days of the occurrence of a Change of Control Triggering Event, the Company will be required to make an Offer to Purchase all Outstanding Notes at a purchase price equal to 101% of their principal amount plus accrued interest and any additional amounts thereon to the date of purchase (subject to the right of holders of record on the relevant Record Date to receive interest due on the relevant interest payment date).

A "**Change of Control Triggering Event**" will be deemed to have occurred if a Change of Control has occurred and a Rating Decline occurs.

"**Change of Control**" means any event or circumstance, for whatever reason, whereby (i) any Person or group of Persons acting in concert (which does not have control of the Company at the date hereof) acquires control of the Company (whether directly or indirectly), *provided*, *however*, that this clause shall not be triggered if such control is acquired by a Person or Persons who are themselves directly or indirectly controlled by Millicom or if such control is acquired through the acquisition of control of Millicom or (ii) all or substantially all of the assets or business of the Company are sold. For the purpose of this definition, "control" of a Person means the holding of more than 50% of the Voting Shares of such Person, the power to appoint and/or remove all or a majority of the members of the board of directors of such Person or otherwise directly or indirectly to control or have the power to control the affairs and policies of such Person.

A "**Rating Decline**" will be deemed to have occurred if at any time from the earlier of the date of public notice of (i) a Change of Control or (ii) the Company's intention or the intention of any Person to effect a Change of Control until the end of the 90 day period following the occurrence of a Change of Control (which period shall in either event be extended so long as the rating of the Notes is under publicly announced consideration for possible downgrade by a Rating Agency), the rating of the Notes is decreased by either Rating Agency by two or more Gradations and such rating decline is expressly stated to be due to a Change of Control.

In the event that the Company makes an Offer to Purchase the Notes, the Company intends to comply with any applicable securities laws and regulations, including any applicable requirements of Section 14(e) of and Rule 14e-1 under the Exchange Act.

**Certain Covenants of the Company**

The Indenture will contain the covenants, among others, described below with respect to the Company. The accounting terms used in such covenants shall have the meanings assigned to them in accordance with IFRS, which are the accounting standards used by the Company in presenting its consolidated financial statements.

*Limitation on Debt*. The Company may not, and may not permit any of its Restricted Subsidiaries to, Incur any Debt, unless the Leverage Ratio for the most recently completed fiscal quarter for which financial statements are available would be less than 4.00 to 1.00; *provided* that the Company will not permit Telefónica Panamá to Incur any Debt under this paragraph unless Telefónica Panamá is a Subsidiary Guarantor.

Notwithstanding the foregoing limitation, the following Debt ("Permitted Debt") may be Incurred (*provided* that if Telefónica Panamá is not a Subsidiary Guarantor, it may not Incur Debt under clauses (vii) (other than Permitted Refinancing Debt with respect to Debt it could have itself Incurred) or (xii) below (other than guarantees of Debt it could have itself Incurred)):

(i) any direct or indirect obligations owed in connection with the payment obligations on the Notes;

(ii) Debt (other than Debt described in another clause of this paragraph) outstanding, committed or mandated on the date of the Indenture;

(iii) Pari Passu Debt of the Company and Debt of its Subsidiaries under Credit Facilities and any Permitted Refinancing Debt in respect thereof, in an aggregate principal amount at any one time outstanding that does not exceed an amount equal to the greater of (a) $50.0 million (or the U.S. Dollar Equivalent of any other currency) and (b) 6.0% of Total Assets, plus, (1) any accrual or accretion of interest that increases the principal amount of Debt under Credit Facilities and (2) in the case of any refinancing of Debt permitted under this clause (iii) or any portion thereof, the aggregate amount of fees, underwriting discounts and commissions, premiums and other costs and expenses Incurred in connection with such refinancing;

(iv) Debt owed by the Company to any of its Restricted Subsidiaries or Debt owed by any of the Restricted Subsidiaries to the Company or any other of the Restricted Subsidiaries; *provided*, *however*, that upon either (a) the transfer or other disposition by the Company or such Restricted Subsidiary of any Debt so permitted to a Person other than the Company or any of its Restricted Subsidiaries or (b) such Restricted Subsidiary ceasing to be the Company's Restricted Subsidiary, the provisions of this clause (iv) shall no longer be applicable to such Debt and such Debt shall be deemed to have been Incurred at the time of such transfer or other disposition;

(v) Acquired Debt;

(vi) Shareholder Loans or Intergroup Subordinated Loans;

(vii) Permitted Refinancing Debt of the Company or any Restricted Subsidiary Incurred in exchange for or the proceeds of which are used to refinance or refund or replace, or any extension or renewal of (including, in each case, successive refinancings, extensions and renewals), Debt of the Company or any Restricted Subsidiary Incurred pursuant to the first paragraph of this "Limitation on Debt" covenant or clauses (i), (ii), (v) or this clause (vii) of this definition of Permitted Debt, as the case may be;

(viii) Debt of the Company or any Restricted Subsidiary represented by letters of credit in order to provide security for workers' compensation claims, health, disability or other employee benefits, payment obligations in connection with self-insurance or similar requirements of the Company or any Restricted Subsidiary in the ordinary course of business;

(ix) customary indemnification, adjustment of purchase price or similar obligations, in each case, Incurred in connection with the disposition of any assets of the Company or any Restricted Subsidiary, and earn-out provisions or contingent payments in respect of purchase price or adjustment of purchase price or similar obligations in acquisition agreements other than Guarantees of Debt Incurred by any Person acquiring all or any portion of such assets for the purpose of financing such acquisition; *provided* that the maximum aggregate liability in respect of each such Incurrence of such Debt will at no time exceed the gross proceeds actually received by the Company or any Restricted Subsidiary in connection with the related disposition;

(x) obligations in respect of (a) customs, VAT or other tax guarantees, (b) bid, performance, completion, guarantee, surety and similar bonds, including Guarantees or obligations of the Company or any Restricted Subsidiary with respect to letters of credit supporting such obligations and (c) the financing of insurance premiums, in each case, in the ordinary course of business and not related to Debt for borrowed money;

(xi) Debt of the Company or any Restricted Subsidiary arising from the honoring by a bank or other financial institution of a check, draft or similar instrument including, but not limited to, electronic transfers, wire transfers, netting services and commercial card payments, drawn against insufficient funds; *provided* that such Debt is extinguished within five Business Days of Incurrence;

(xii) guarantees by the Company or any Restricted Subsidiary of Debt or any other obligation or liability of the Company or any Restricted Subsidiary (other than of any Debt Incurred in violation of this covenant); *provided*, *however*, that if the Debt being guaranteed is subordinated in right of payment to the Notes or any Guarantee of the Notes, then such guarantee shall be subordinated substantially to the same extent as the relevant Debt guaranteed;

(xiii) Debt arising under borrowing facilities provided by a special purpose vehicle notes issuer to the Company or any Restricted Subsidiary in connection with the issuance of notes or other similar debt securities intended to be supported primarily by the payment obligations of the Company or any Subsidiary of the Company in connection with any vendor financing platform;

(xiv) Debt consisting of Interest Rate, Currency or Commodity Price Agreements;

(xv) Debt consisting of (a) mortgage financings, asset backed financings, Purchase Money Obligations or other financings, Incurred for the purpose of financing all or any part of the purchase price or cost of design, construction, installation or improvement (including, without limitation, in respect of tenant improvement) of property (real or personal), plant, equipment or other assets (including, without limitation, network assets) used or useful in the business of the Company or a Restricted Subsidiary or (b) Debt otherwise Incurred to finance the purchase, lease, rental or cost of design, development, construction, installation or improvement (including, without limitation, in respect of tenant improvement) of property (real or personal), plant, equipment or other assets (including, without limitation, network assets) used or useful in the business of the Company or a Restricted Subsidiary, whether through the direct purchase of assets or the Capital Stock of any Person owning such assets, and any Permitted Refinancing Debt in respect thereof, in an aggregate outstanding principal amount which, when taken together with the principal amount of all other Debt Incurred pursuant to this clause (xv) will not exceed the greater of (1) \$20.0 million and (2) 2.0% of Total Assets at any time outstanding; or

(xvi) Debt not otherwise permitted to be Incurred pursuant to clauses (i) through (xv) above, which, together with any other outstanding Debt Incurred pursuant to this clause (xvi), including any Permitted Refinancing Debt in respect thereof, has an aggregate principal amount at any time outstanding not in excess of the greater of \$65.0 million and 8.0% of Total Assets, plus, in the case of any refinancing of Debt permitted under this clause (xvi) or any portion thereof, the aggregate amount of fees, underwriting discounts and commissions, premiums and other costs and expenses Incurred in connection with such refinancing.

The Company will not incur any Debt (including Permitted Debt) that is contractually subordinated in right of payment to any other Debt of the Company unless such Debt is also contractually subordinated in right of payment to the Notes on substantially identical terms; *provided*, *however*, that no Debt will be deemed to be contractually subordinated in right of payment to any other Debt of the Company solely by virtue of being unsecured or by virtue of being secured with different collateral or by virtue of being secured on a junior priority basis or by virtue of the application of waterfall or other payment ordering provisions affecting different tranches of Debt.

For the purposes of determining compliance with this covenant, in the event that an item of Debt meets the criteria of more than one of the types of Permitted Debt or is entitled to be Incurred pursuant to the first sentence of "—Limitation on Debt," the Company in its sole discretion may classify and from time to time reclassify such item of Debt or any portion thereof and only be required to include the amount of such Debt as one of such types.

For the purposes of determining compliance with any covenant in the Indenture or whether an Event of Default has occurred, in each case, where Debt is denominated in a currency other than U.S. Dollars, the amount of such Debt will be the U.S. Dollar Equivalent determined on the date of such Incurrence; *provided*, *however*, that if any such Debt that is denominated in a different currency is subject to an Interest Rate, Currency or Commodity Price Agreement with respect to U.S. Dollars covering principal and premium, if any, payable on such Debt, the amount of such Debt expressed in U.S. Dollars will be adjusted to take into account the effect of such an agreement.

*Limitation on Restricted Payments*. The Company may not, and may not permit any of its Restricted Subsidiaries to, directly or indirectly,

(i) declare or pay any dividend or make any distribution in respect of the Company's Capital Stock, excluding any dividends or distributions by the Company payable solely in shares of the Company's Capital Stock (other than Redeemable Stock) or in options, warrants or other rights to acquire the Company's Capital Stock (other than Redeemable Stock);

(ii) purchase, redeem, or otherwise acquire or retire for value (a) any of the Company's or Restricted Subsidiary's Capital Stock or (b) any options, warrants or other rights to acquire shares of the Company's or Restricted Subsidiary's Capital Stock (in respect of (a) and (b) above, in each case, other than (1) from the Company or any of its Restricted Subsidiaries and (2) any such acquisition of the shares or rights to acquire shares of a Restricted Subsidiary by the Company or another Restricted Subsidiary);

(iii) redeem, repurchase, defease or otherwise acquire or retire for value prior to any scheduled maturity, repayment or sinking fund payment the Company's Debt which is subordinate in right of payment to the

Notes (other than any direct or indirect obligations by the Company for the sole purpose of effectuating payments on the Notes); or

(iv) make any Investment, other than Permitted Investments;

(each of clauses (i) through (iv) being a "Restricted Payment"),

unless, at the time of and after giving pro forma effect to such Restricted Payment:

(1) no Default or Event of Default shall have occurred and be continuing or would result from such Restricted Payment; and

(2) after giving pro forma effect to such Restricted Payment as if such Restricted Payment had been made at the beginning of the applicable fiscal quarter period, the Company could Incur at least $1.00 of additional Debt pursuant to the first paragraph of "–Limitation on Debt"; and

(3) upon giving effect to such Restricted Payment, the aggregate amount of all Restricted Payments from the date of the Indenture (excluding Restricted Payments permitted by clauses (B), (C), (E), (F), (G), (I), (J), (K), (L) and (M) of the second succeeding paragraph) is less than the sum, without duplication, of:

   (a) the difference of (I) 100% of cumulative Consolidated EBITDA from January 1, 2019 through the last day of the last full fiscal quarter ended immediately prior to the date of such Restricted Payment for which the Company's quarterly or annual financial statements are available minus (II) the product of 1.5 times cumulative Consolidated Interest Expense from January 1, 2019 through the last day of the last full fiscal quarter ended immediately prior to such Restricted Payment for which the Company's quarterly or annual financial statements are available; plus

   (b) the net reduction in the Company's Investments in any Unrestricted Subsidiary resulting from payments of interest on Debt, dividends, return of capital, repayments of loans or advances, payments of fees or other transfers of assets, in each case to the Company or any of its Restricted Subsidiaries from such Unrestricted Subsidiary (except to the extent that any such payment is included in the calculation of Consolidated EBITDA) or from re-designations of Unrestricted Subsidiaries as Restricted Subsidiaries; *provided* that the amount included in this clause (b) shall not exceed the amount of Investments previously made by the Company and its Restricted Subsidiaries in such Unrestricted Subsidiary; plus

   (c) the cash return, after the Issue Date, on any other Investment made after the Issue Date pursuant to this paragraph, as a result of any sale for cash, repayment, redemption, liquidating distribution or other cash realization (except to the extent that any such cash return is included in the calculation of Consolidated EBITDA), not to exceed the amount of such Investment so made, plus

   (d) an amount not to exceed the sum of the aggregate net proceeds received by the Company after the date of the Indenture, including the fair market value of property other than cash (determined in good faith by the Company's Board of Directors as evidenced by a resolution of the Board of Directors filed with the Trustee), from contributions of capital or the issuance and sale (other than to any of the Company's Restricted Subsidiaries) of the Company's Capital Stock (other than Redeemable Stock or Excluded Contributions), options, warrants or other rights to acquire the Company's Capital Stock (other than Redeemable Stock) or the Company's Debt or Debt of any of its Restricted Subsidiaries that has been converted into or exchanged for the Company's Capital Stock (other than Redeemable Stock and other than by or from any of the Company's Restricted Subsidiaries) after the date of the Indenture; *provided* that any such net proceeds received by the Company from an employee stock ownership plan financed by loans from the Company or any of its Subsidiaries shall be included only to the extent such loans have been repaid with cash on or prior to the date of determination; minus

   (e) any of the Company's or its Restricted Subsidiaries' deposits withdrawn and acquired by the depositary institution (and not returned to the Company or one of its Restricted Subsidiaries) as the result of any netting or set-off arrangement entered into by the Company or any of its Restricted Subsidiaries (except to the extent such deposits are used to satisfy obligations solely of the Company or its Restricted Subsidiaries).

Prior to the making of any Restricted Payment (other than with respect to an Investment in an amount not to exceed $5.0 million) the Company shall deliver to the Trustee an Officer's Certificate setting forth the computations by which the determination required by clauses (2) and (3) above were made and stating that no Default or Event of Default has occurred and is continuing or would result from such Restricted Payment.

Notwithstanding the foregoing,

(A) the Company may pay any dividend on Capital Stock of any class within 60 days after the declaration thereof if, on the date when the dividend was declared, the Company could have paid such dividend in accordance with the foregoing provision;

(B) the Company and any of the Restricted Subsidiaries may refinance any Debt as permitted under "—Limitation on Debt" above in exchange for or out of the net proceeds of the sale of (other than from or to any of the Restricted Subsidiaries or from or to an employee stock ownership plan financed by loans from the Company or any of the Restricted Subsidiaries) shares of the Company's Capital Stock (other than Redeemable Stock) or the subordinated obligations of the Company or any Restricted Subsidiary permitted to be Incurred pursuant to "—Limitation on Debt" and that, in each case, constitutes Permitted Refinancing Debt; *provided*, however, that such exchange or repurchase must be made within 90 days of the issuance of Capital Stock or such subordinated obligations;

(C) the Company and any of the Restricted Subsidiaries may purchase, redeem, acquire or retire any shares of its Capital Stock solely in exchange for or out of the net proceeds of (i) the substantially concurrent sale (other than from or to any of the Restricted Subsidiaries or from or to an employee stock ownership plan financed by loans from the Company or any of the Restricted Subsidiaries) of shares of the Company's Capital Stock (other than Redeemable Stock), (ii) an Asset Disposition to the extent of Excess Proceeds of an Asset Disposition or (iii) a Sale/Leaseback Transaction of Tower Equipment that would have been an Asset Disposition but for the proviso in clause (a) of the Asset Disposition definition, *provided* that the Company makes an Offer to Purchase Outstanding Notes prior to reliance on this provision at 100% of their principal amount plus accrued interest to the date of purchase and then to the extent of such Excess Proceeds of an Asset Disposition;

(D) the Company and any of the Restricted Subsidiaries may make loans to employees in connection with such employees' exercise of options to purchase Capital Stock or otherwise in the ordinary course of business;

(E) Restricted Payments that are made with Excluded Contributions;

(F) the Company and any of its Restricted Subsidiaries may repurchase or fund the repurchase of shares of the Company or Millicom held by employees or former employees of the Company or any Restricted Subsidiary in an amount not to exceed $5.0 million in any twelve month period;

(G) the Company and any of its Restricted Subsidiaries may cause a distribution of shares of any Unrestricted Subsidiary;

(H) the Company or any Restricted Subsidiary may pay a Dividend on Capital Stock of any class with the proceeds of any public Equity Offering or any public sale of Qualified Capital Stock of the Company in an amount not to exceed 6.0% of the Market Capitalization of the Company at the time of such public Equity Offering or public sale of Qualified Capital Stock if after giving pro forma effect to such Restricted Payment as if such Restricted Payment had been made at the beginning of the applicable fiscal quarter period the Company could Incur at least $1.00 of additional Debt pursuant to the first paragraph of "—Limitation on Debt";

(I) the Company and any Restricted Subsidiary may make Restricted Payments, including the purchase of Receivables and the payment of fees, in connection with any Qualified Receivables Transaction;

(J) the Company and any Restricted Subsidiary may engage in cash management and pooling transactions with Millicom and its Subsidiaries in the ordinary course of business;

(K) the Company and any Restricted Subsidiary may repay Intergroup Subordinated Loans so long as no Default or Event of Default shall have occurred and be continuing or would result from such Restricted Payment;

(L) the Company and any Restricted Subsidiary may make Restricted Payments to Millicom or any Subsidiary thereof so long as the proceeds thereof are transferred to the Company or any Restricted Subsidiary within three (3) days of the making of such Restricted Payment and do not exceed 10.0% of Total Assets; and

(M) the Company and any of the Restricted Subsidiaries may make Restricted Payments not otherwise permitted hereby in an aggregate amount not to exceed the greater of $50.0 million and 6.0% of Total Assets.

*Limitation on Dividend and Other Payment Restrictions Affecting Subsidiaries*. The Company may not, and may not permit any of its Restricted Subsidiaries to, directly or indirectly, create or otherwise cause or suffer to exist or become effective any encumbrance or restriction on the ability of any such Restricted Subsidiary

(i) to pay dividends (in cash or otherwise) or make any other distributions in respect of its Capital Stock to the Company or any other of its Restricted Subsidiaries or pay any Debt or other obligation owed to the Company or any other such Restricted Subsidiary;

(ii) to make loans or advances to the Company or any other of the Restricted Subsidiaries; or

(iii) to transfer any of its property or assets to the Company or any other of the Restricted Subsidiaries.

Notwithstanding the foregoing, the Company may, and may permit any of its Restricted Subsidiaries to, suffer to exist any such encumbrance or restriction

(1) pursuant to any agreement in effect on the date of the Indenture;

(2) pursuant to an agreement relating to any Debt Incurred by a Person prior to the date on which such Person became such a Restricted Subsidiary and outstanding on such date and not Incurred in anticipation of becoming such a Restricted Subsidiary which encumbrance or restriction is not applicable to any Person, or the properties or assets of any Person, other than the Person so acquired;

(3) pursuant to an agreement by which the Company or a Restricted Subsidiary obtains financing; *provided* that (a) such restriction is not materially more restrictive than customary provisions in comparable financing agreements and (b) the Company's management determines that at the time such agreement is entered into such restriction will not materially impair the Company's ability to make payments on the Notes;

(4) pursuant to an agreement effecting a renewal, refunding or extension of Debt Incurred pursuant to an agreement referred to in clauses (1), (2) or (3) above; *provided*, *however*, that the provisions contained in such renewal, refunding or extension agreement relating to such encumbrance or restriction are no more restrictive in any material respect than the provisions contained in the agreement the subject thereof, as determined in good faith by the Company's management;

(5) in the case of clause (iii) above, restrictions contained in any security agreement (including a capital lease) securing Debt of the Company or any of the Company's Restricted Subsidiaries otherwise permitted under the Indenture, but only to the extent such restrictions restrict the transfer of the property subject to such security agreement;

(6) in the case of clause (iii) above, customary nonassignment provisions entered into in the ordinary course of business in leases to the extent such provisions restrict the transfer or subletting of any such lease;

(7) pursuant to customary restrictions contained in asset sale agreements limiting the transfer of property subject to such agreements pending the closing of such sales or pursuant to customary restrictions in share purchase agreements otherwise permitted under the Indenture for the sale of Subsidiaries on such sold Subsidiaries;

(8) customary restrictions pursuant to joint venture agreements or similar documents that restrict the transfer of ownership interests in or the payment of dividends or distributions from such joint venture or similar Person or agreements entered into in the ordinary course of business; *provided further* that the Company's Board of Directors determines that, at the time such encumbrance or restriction arises or is agreed to, it will not materially impair the Company's ability to make payments on the Notes; or

(9) if such encumbrance or restriction is the result of applicable law or regulation.

*Limitation on Liens Securing the Company's or any Restricted Subsidiary's Debt*. The Company shall not, and shall not permit any of its Restricted Subsidiaries to, Incur or suffer to exist any Lien (other than Permitted Liens) on or with respect to any property or assets now owned or hereafter acquired to secure any of the Company's or any Restricted Subsidiary's Debt unless the Notes are equally and ratably secured by such Lien; *provided* that, if the Debt secured by such Lien is subordinated or junior in right of payment to the Notes, then the Lien securing such Debt shall be subordinate or junior in priority to the Lien securing the Notes.

*Limitation on Guarantees of the Company's Subordinated Debt.* The Company may not permit any of its Restricted Subsidiaries, directly or indirectly, to assume, Guarantee or in any other manner become liable with respect to any of the Company's Debt that is expressly by its terms subordinated or junior in right of payment to any other of the Company's Debt.

*Limitation on Asset Dispositions*. The Company may not, and may not permit any of its Restricted Subsidiaries to, make any Asset Disposition in one or more related transactions unless:

(i) the Company or such Restricted Subsidiary, as the case may be, receives consideration for such disposition at least equal to the fair market value for the assets sold or disposed of as determined by the Company's senior management or Board of Directors in good faith;

(ii) unless the Asset Disposition is a Permitted Asset Swap, at least 75% of the consideration for such disposition consists of (a) cash or Cash Equivalents, (b) the assumption of the Company's or any Restricted Subsidiary's Debt or other liabilities (including Debt or liabilities that are subordinated to the Notes) or Debt or other liabilities of such Restricted Subsidiary relating to such assets and, in each case, the Company or the Restricted Subsidiary, as applicable, is released from all liability on the Debt assumed or (c) any Capital Stock or assets of the kind referred to in clauses (iii)(a)(4) or (5) of this "—Limitation on Asset Dispositions," or any combination thereof; and

(iii) (a) within 365 days of such Asset Disposition, the Net Available Proceeds are applied (at the Company or applicable Restricted Subsidiary's option):

(1) to repay, redeem, retire or cancel outstanding Senior Secured Debt;

(2) first, to redeem Notes or purchase Notes pursuant to an offer to all holders of the Notes at a purchase price equal to at least 100% of the principal amount thereof, plus accrued and unpaid interest and second, to the extent any Net Available Proceeds from such Asset Disposition remain, to any other use as determined by the Company or the applicable Subsidiary of the Company that is not otherwise prohibited by the Indenture;

(3) to repurchase, prepay, redeem or repay Pari Passu Debt; *provided* that the Company makes an offer to all holders of the Notes on a pro rata basis to purchase their Notes in accordance with the provisions set forth below for an Excess Proceeds Offer;

(4) to acquire all or substantially all of the assets of, or any Capital Stock of, another Related Business, if, after giving effect to any such acquisition of Capital Stock, the Related Business is or becomes a Subsidiary of the Company;

(5) to make a capital expenditure or acquire other assets (other than Capital Stock and cash or Cash Equivalents), rights (contractual or otherwise) and properties, whether tangible or

intangible (including ownership interests) that are used or intended for use in connection with a Related Business;

(6) to the extent permitted, to redeem Notes as provided under "—Optional Redemption"; or

(7) any combination of the foregoing subclauses (1) through (6) of this clause (iii)(a); or

(b) enter into a binding commitment to apply the Net Available Proceeds pursuant to subclauses (4) and (5) of clause (a); *provided* that such binding commitment (or any subsequent binding commitment replacing the initial binding commitment that is entered into within 180 days following the aforementioned 365-day period) shall be treated as a permitted application of the Net Available Proceeds from the date of such commitment until the earlier of (x) the date on which such acquisition or expenditure is consummated and (y) the 180$^{th}$ day following the expiration of the aforementioned 365-day period.

For purposes of this paragraph, any securities, notes or other obligations received by the Company or any such Restricted Subsidiary from such transferee that are promptly converted by the recipient thereof into cash, Cash Equivalents or readily marketable securities (to the extent of the cash, Cash Equivalents or readily marketable securities received in that conversion), shall be deemed cash.

The amount of such Net Available Proceeds not so used as set forth in the paragraph above constitutes "Excess Proceeds." Pending the final application of any such Net Available Proceeds, the Company may temporarily reduce revolving credit borrowings or otherwise use such Net Available Proceeds in any manner that is not prohibited by the terms of the Indenture.

When the aggregate amount of Excess Proceeds exceeds $30.0 million, the Company will, within 15 Business Days of the end of the applicable period in clause (iii) of this "Limitation on Asset Dispositions" covenant, make an offer to purchase (an "Excess Proceeds Offer") from all holders of the Notes and from the holders of any Pari Passu Debt, to the extent required by the terms thereof, on a *pro rata* basis, in accordance with the procedures set forth in the Indenture or the agreements governing any such Pari Passu Debt, the maximum principal amount (expressed as a minimum amount of $200,000 and integral multiples of $1,000 in excess thereof) of the Notes and any such Pari Passu Debt that may be purchased with the amount of the Excess Proceeds. The offer price as to each Note and any such Pari Passu Debt will be payable in cash in an amount equal to (solely in the case of the Notes) 100% of the principal amount of such Note and (solely in the case of Pari Passu Debt) no greater than 100% of the principal amount (or accreted value, as applicable) of such Pari Passu Debt, plus, in each case, accrued and unpaid interest, if any, to the date of purchase.

To the extent that the aggregate principal amount of Notes and any such Pari Passu Debt tendered pursuant to an Excess Proceeds Offer is less than the aggregate amount of Excess Proceeds, the Company may use the amount of such Excess Proceeds not used to purchase Notes and Pari Passu Debt for purposes that are not otherwise prohibited by the Indenture. If the aggregate principal amount of Notes and any such Pari Passu Debt validly tendered and not withdrawn by holders thereof exceeds the aggregate amount of Excess Proceeds, the Notes and any such Pari Passu Debt to be purchased will be selected by the security registrar or the paying agent on a pro rata basis (based upon the principal amount of Notes and the principal amount or accreted value of such Pari Passu Debt tendered by each holder as provided or calculated by the Company or, in the case of Global Notes, based on a method as DTC may require). Upon completion of each such Excess Proceeds Offer, the amount of Excess Proceeds will be reset to zero.

If the Company is obliged to make an Excess Proceeds Offer, the Company will purchase the Notes and Pari Passu Debt, at the option of the holders thereof, in whole or in part in a minimum amount of $200,000 and integral multiples of $1,000 in excess thereof on a date that is not later than 60 days from the date the notice of the Excess Proceeds Offer is given to such holders, or such later date as may be required under the Exchange Act.

If the Company is required to make an Excess Proceeds Offer, the Company will comply with the applicable tender offer rules, including Rule 14e-1 under the Exchange Act and any other applicable securities laws and regulations, including the requirements of any applicable securities exchange on which Notes are then listed. To the extent that the provisions of any securities laws or regulations conflict with the provisions of this "Limitation on Asset Dispositions" covenant, the Company will comply with such securities laws and regulations and will not be deemed to have breached its obligations described in this "Limitation on Asset Dispositions" covenant by virtue thereof.

*Transactions with Affiliates*. The Company may not, and may not permit any of its Restricted Subsidiaries to, enter into any transaction that involves in excess of $10.0 million with any of the Company's Affiliates (other than the Company or any of the Restricted Subsidiaries), either directly or indirectly, unless such transaction is on terms no less favorable to the Company or such Restricted Subsidiary than those that could be obtained in a comparable arm's length transaction with an entity that is not an Affiliate of the Company or such Restricted Subsidiary. For any such transaction that involves in excess of $20.0 million, a majority of the members of the Company's Board of Directors shall determine that such transaction satisfies the above criteria and shall evidence such a determination by a Board Resolution filed with the Trustee.

The foregoing restriction shall not apply to:

(i) reasonable and customary payments to or on behalf of the Company's directors, officers or employees or any of the directors, officers or employees of the Company's Restricted Subsidiaries, or in reimbursement of reasonable and customary payments or reasonable and customary expenditures made or Incurred by such Persons as directors, officers or employees;

(ii) any Restricted Payment permitted under "–Limitation on Restricted Payments";

(iii) any loan or advance by the Company or any of its Restricted Subsidiaries to employees of any of them in the ordinary course of business;

(iv) transactions with customers, suppliers, purchasers or sellers of goods or services, in each case in the ordinary course of business and otherwise in compliance with the Indenture;

(v) any transaction with a Receivables Entity effected as part of a Qualified Receivables Transaction, acquisitions of Permitted Investments in connection with a Qualified Receivables Transaction, and other Investments in Receivables Entities consisting of cash or Securitization Obligations;

(vi) the payment to Millicom or any Subsidiary of Millicom of all reasonable expenses Incurred by Millicom or any Subsidiary of Millicom in connection with its direct or indirect Investment in the Company, its Subsidiaries and unpaid amounts accrued for prior periods;

(vii) the payment to Millicom and its Related Parties of Value Creation Fees of up to the greater of $50.0 million and 6.0% of Total Assets per annum;

(viii) the issuance of shares or Intergroup Subordinated Loans;

(ix) transactions with Affiliates in their capacity as holders of indebtedness of the Company or any Restricted Subsidiary.

(x) Cash Management Loans;

(xi) any transaction under any tax sharing agreement or arrangement and payments pursuant thereto between or among Millicom, any Subsidiary of Millicom, the Company, a Restricted Subsidiary or any other Person not otherwise prohibited by the Indenture and any payments or other transactions pursuant to a tax sharing agreement between the Company or a Restricted Subsidiary and any other Person with which the Company or any of the Restricted Subsidiaries files a consolidated tax return or with which the Company or any of the Restricted Subsidiaries is part of a group for tax purposes (including a fiscal unity) or any tax advantageous group contribution made pursuant to applicable legislation; *provided* that any such payments or other transactions pursuant to a tax sharing agreement under this clause (xi) does not exceed the taxes that would be payable by the Company and its Subsidiaries on a stand-alone basis or as a stand-alone tax group, reduced by any such taxes paid by the Company and/or any of its Subsidiaries; and

(xii) contributions to the common equity capital of the Company or the issue or sale of Capital Stock of the Company.

*Payment of Taxes*. The Company will pay or discharge or cause to be paid or discharged, before the same becomes delinquent, (1) all taxes, assessments and governmental charges levied or imposed upon the Company or any of its Restricted Subsidiaries, or the Company's or any of its Restricted Subsidiaries' income, profits or property, and (2) all material lawful claims for labor, materials and supplies which, if unpaid, might by law become a lien upon the Company's property, or the Restricted Subsidiaries' property; *provided*, *however*, that the Company shall not be required to pay or discharge or cause to be paid or discharged any such tax, assessment, charge or claim whose amount, applicability or validity is being contested in good faith by appropriate proceedings, except where failure to pay or discharge such taxes, assessments, governmental charges or claims would not, singly or in the aggregate, have a material adverse effect.

*Provision of Financial Information*. The Company will furnish to the Trustee and the holders of the Notes, in English, without cost to each holder:

(i) within 120 days after the end of each fiscal year (which fiscal year ends December 31), the Company's audited financial statements for the two most recent years (including income statements, balance sheets, cash flow statements and statements of changes in stockholders' equity) and related notes thereto prepared in accordance with IFRS, consistently applied, together with a "Management's Discussion and Analysis of Financial Condition and Results of Operations" section with scope and content substantially similar to the corresponding section of this offering memorandum (after taking into consideration any changes to the Company's business and operations after the Issue Date) and, with respect to the annual financial information, a report thereon by the Company's certified independent accountants together with a certificate of the chief financial officer of the Company stating that, to the best of such officer's knowledge after due inquiry, the Company during such period has kept, observed, performed and fulfilled each and every covenant and condition contained in the Indenture and that such officer has obtained no knowledge of any Default or Event of Default or, if applicable, describing any failure to keep, observe, perform or fulfill any such covenant or condition and/or describing any such Default or Event of Default and the Company's response(s) thereto;

(ii) within 60 days after the end of each of the first three fiscal quarters of each fiscal year, quarterly reports attaching the Company's unaudited consolidated financial statements for the period then ended and the comparable period in the prior year (including income statements, balance sheets, cash flow statements and statements of changes in stockholders' equity) prepared in accordance with IFRS, together with footnote disclosure and a summary "Management's Discussion and Analysis of Financial Condition and Results of Operations" section (after taking into consideration any changes to the Company's business and operations after the Issue Date); and

(iii) any other information, report and/or notice of relevant fact (*notificación de hecho relevante*) delivered by the Company to the SMV and/or the PSE.

In addition, so long as the Notes remain Outstanding and during any period during which the Company is not subject to Section 13 or 15(d) of the U.S. Exchange Act nor exempt therefrom pursuant to Rule 12g3-2(b), the Company will furnish to holders and prospective purchasers of the Notes upon their request, the information required to be delivered pursuant to Rule 144A(d)(4) under the U.S. Securities Act.

So long as the Notes are listed on the Luxembourg Stock Exchange, copies of the information and reports referred to in clauses (i) and (ii) of the first paragraph of "—Provision of Financial Information" will be available during normal business hours at the offices of the paying agent in Luxembourg.

*Reporting and Payments to Regulatory, Stock Exchange and Clearing Agency*. The Company will deliver, pay or notify, as applicable, to the PSE and the SMV the following: (i) within 90 days after the end of each fiscal year, the Company's audited financial statements together with its annual report (*informe annual de actualización de la compañía*), for the previous fiscal year; (ii) within 60 days after the end of each of the first three fiscal quarters of each fiscal year, the Company's unaudited quarterly financial statements together with its quarterly report (*informe de actualización trimestral*) within the timeframes prescribed by applicable law, for the previous fiscal quarter; (iii) notification of any material events of importance to noteholders (*hechos relevantes*); (iv) pay the annual supervision fee and any applicable fees and expenses; (v) pay any applicable fees and expenses to Latinclear; and (vi) prepare or deliver any additional report or information required by applicable law, regulation or PSE rules. So long as the Notes are listed on the PSE, copies of these reports will be made available to investors through the PSE website.

*Limitation on Lines of Business*. The Company, together with its Restricted Subsidiaries, shall not primarily engage in any business other than in a Related Business.

*Unrestricted Subsidiaries*. The Company may designate any of its Restricted Subsidiaries to be an "Unrestricted Subsidiary," in which event such Subsidiary and each other Person that is then or thereafter becomes a Subsidiary of such Subsidiary will be deemed to be an Unrestricted Subsidiary. "Unrestricted Subsidiary" means (1) any Subsidiary of the Company designated as such by the Company's Board of Directors as set forth below and (2) any Subsidiary of an Unrestricted Subsidiary. The Board of Directors may designate any of the Company's Subsidiaries to be an Unrestricted Subsidiary *provided* (i) no Default with respect to any Debt of such Subsidiary or any Subsidiary (other than any Unrestricted Subsidiary) of such Subsidiary (including any right which the holders thereof may have to take enforcement action against such Subsidiary) would permit (upon notice, lapse of time or both) any holder of Debt to declare a Default on such Debt or cause the payment thereof to be accelerated or payable prior to its Stated Maturity, and (ii) if the Subsidiary to be so designated has total assets in excess of $250,000, the Company could make a Restricted Payment as a Permitted Investment in an amount equal to the fair market value of the Company's Investment in such Subsidiary pursuant to the "–Limitation on Restricted Payments" covenant and such amount is thereafter treated as a Restricted Payment for the purpose of calculating the aggregate amount available for Restricted Payments thereunder. On the Issue Date, no Subsidiaries of the Company will be Unrestricted Subsidiaries.

*Subsidiary Guarantors*. If any or all of the Subsidiaries of the Company represent more than 20%, in the aggregate, of any financial parameter set forth in Rule 1-02(w) of Regulation S-X under the Securities Act of 1933, as amended in effect on the date hereof, then all such Subsidiaries shall become Subsidiary Guarantors within 5 Business Days; *provided*, *however*, that any Subsidiary with total assets of less than $250,000 shall not be considered in this calculation nor shall any such Subsidiary be required to become a Subsidiary Guarantor as a result of this provision; *provided*, *further*, that Telefónica Panamá shall not be required to become a Subsidiary Guarantor as a result of this provision.

*Release from Certain Covenants*. If on any date the Notes have an Investment Grade rating from both Rating Agencies and no Event of Default has occurred and is continuing, and notwithstanding that the Notes may later cease to have such Investment Grade ratings, the Company and its Restricted Subsidiaries shall be released from their obligations to comply with clause (iii) of "Merger, Consolidations and Certain Sales of Assets of the Company," "—Limitation on Debt," "—Limitation on Restricted Payments," "—Limitation on Dividend and Other Payment Restrictions Affecting Subsidiaries" and "—Limitation on Asset Dispositions." There can be no assurance that the Notes will ever achieve or maintain an Investment Grade rating.

**Limited Condition Transaction**

In connection with any action being taken in connection with a Limited Condition Transaction, for purposes of determining compliance with any provision of the Indenture which requires that no Default or Event of Default, as applicable, has occurred, is continuing or would result from any such action, as applicable, such condition shall, at the option of the Company, be deemed satisfied, so long as no Default or Event of Default, as applicable, exists on the date the definitive agreement (or other relevant definitive documentation) for such Limited Condition Transaction is entered into. For the avoidance of doubt, if the Company has exercised its option under the first sentence of this paragraph, and any Default or Event of Default occurs following the date such definitive agreement for a Limited Condition Transaction is entered into and prior to the consummation of such Limited Condition Transaction, any such Default or Event of Default shall be deemed to not have occurred or be continuing for purposes of determining whether any action being taken in connection with such Limited Condition Transaction is permitted hereunder.

In connection with any action being taken in connection with a Limited Condition Transaction for purposes of:

(i) determining compliance with any provision of the Indenture which requires the calculation of any financial ratio or test, including the Leverage Ratio; or

(ii) testing baskets set forth in the Indenture (including baskets measured as a percentage of Total Assets);

in each case, at the option of the Company (the Company's election to exercise such option in connection with any Limited Condition Transaction, an "LCT Election"), the date of determination of whether any such action is permitted hereunder, shall be deemed to be the date the definitive agreement (or other relevant definitive documentation) for such Limited Condition Transaction is entered into (the "LCT Test Date"); *provided*, *however*, that the Company shall be entitled to subsequently elect, in its sole discretion, the date of consummation of such Limited Condition Transaction instead of the LCT Test Date as the applicable date of determination, and if, after giving pro forma effect to the Limited Condition Transaction and the other transactions to be entered into in connection therewith (including any Incurrence of Debt and the use of proceeds thereof), as are appropriate and consistent with the pro forma adjustment provisions set forth in the definition of "Consolidated EBITDA" and "Leverage Ratio," the Company or any of its Restricted Subsidiaries could have taken such action on the relevant LCT Test Date in compliance with such ratio, test or basket, such ratio, test or basket shall be deemed to have been complied with.

If the Company has made an LCT Election and any of the ratios, tests or baskets for which compliance was determined or tested as of the LCT Test Date are exceeded as a result of fluctuations in any such ratio, test or basket, including due to fluctuations in Consolidated EBITDA or Total Assets, of the Company and its Restricted Subsidiaries at or prior to the consummation of the relevant transaction or action, such baskets or ratios will not be deemed to have been exceeded as a result of such fluctuations. If the Company has made an LCT Election for any Limited Condition Transaction, then in connection with any subsequent calculation of any ratio, test or basket availability under the Indenture (including with respect to the Incurrence of Debt or Liens, or the making of Asset Dispositions, acquisitions, mergers, the conveyance, lease or other transfer of all or substantially all of the assets of the Company or any of its Restricted Subsidiaries or the designation of an Unrestricted Subsidiary) on or following the relevant LCT Test Date and prior to the earlier of the date on which such Limited Condition Transaction is consummated or the definitive agreement for such Limited Condition Transaction is terminated or expires without consummation of such Limited Condition Transaction, any such ratio, test or basket shall be calculated on a pro forma basis assuming such Limited Condition Transaction and other transactions in connection therewith (including any Incurrence of Debt and the use of proceeds thereof) have been consummated.

**Merger, Consolidations and Certain Sales of Assets of the Company**

The Company may not, in a single transaction or a series of related transactions, (a) consolidate with or merge into any other Person or permit any other Person to consolidate with or merge into the Company or (b) directly or indirectly, convey, transfer, sell, lease or otherwise dispose of all or substantially all of the Company's assets to any other Person, unless:

(i) in a transaction in which the Company does not survive or in which the Company sells, leases or otherwise disposes of all or substantially all of its assets, the Company's successor entity (a) shall expressly assume, by a supplemental indenture executed and delivered to the Trustee in form satisfactory to the Trustee, all of the Company's obligations under the Indenture and (b) is organized under the laws of (1) Panama or (2) the United States of America or any State thereof or the District of Columbia or (3) any other country if such successor entity undertakes, in such supplemental indenture, to pay such additional amounts in respect of principal (and premium, if any) and interest as may be necessary in order that the net amounts paid pursuant to the Notes after deduction or withholding of any present or future withholding taxes, levies, imports or charges whatsoever imposed by or for the account of such country or any political subdivision or taxing authority thereof or therein shall equal the respective amounts of principal (and premium, if any) and interest specified in the Notes;

(ii) immediately after giving effect to such transaction and treating any Debt which becomes the Company's obligation or that of any of its Restricted Subsidiaries as a result of such transaction as having been Incurred by the Company or such Restricted Subsidiary at the time of the transaction, no Default or Event of Default shall have occurred and be continuing;

(iii) immediately after giving effect to such transaction and treating any Debt which becomes the Company's obligation, or that of any of its Restricted Subsidiaries, as a result of such transaction as having been Incurred at the time of the transaction, (a) the Company (including any successor entity) could Incur at least $1.00 of additional Debt pursuant to the first paragraph under "–Limitation on Debt" or (b) the Leverage Ratio would not be greater than such ratio before giving effect to such transaction; *provided, however,* that this clause (iii)(b) will not apply if the Person merged or consolidated with or into the Company is a Subsidiary of Millicom incorporated in Panama and the transaction is carried out on terms not materially less favorable to the Company than those that might be obtained at the time from Persons that are not Affiliates of the Company. This clause (iii) will not apply if, in the good faith determination of the Company's Board of

Directors, which determination shall be evidenced by a Board Resolution, the principal purpose of such transaction is to change the Company's jurisdiction of incorporation; and

(iv) certain other conditions are met.

The Indenture will provide that upon any consolidation or merger in which the Company is not the continuing corporation or any transfer (excluding any lease) of all or substantially all of the assets of Company in accordance with the foregoing, the successor entity shall succeed to, and be substituted for, and may exercise every right and power of, the Company under the Notes and the Indenture with the same effect as if such successor entity had been named as such.

**Events of Default**

The following will be Events of Default under the Indenture:

(i) failure to pay principal of (or premium if any, on) any Note when due;

(ii) failure to pay any interest (including additional amounts) on any Note when due, continued for 15 days;

(iii) default in the payment of principal and interest on Notes required to be purchased pursuant to an Offer to Purchase as described under "–Change of Control" and "–Certain Covenants of the Company–Limitation on Asset Dispositions" when due and payable;

(iv) failure to perform or comply with the provisions described under "–Merger, Consolidations and Certain Sales of Assets" and "–Certain Covenants of the Company–Limitation on Debt";

(v) failure of the Company to perform any other of the covenants or agreements under the Indenture or the Notes which failure continues for 60 days after written notice to the Company by the Trustee or holders of at least 25% in aggregate principal amount of Outstanding Notes;

(vi) default or defaults under the terms of any instrument evidencing or securing the Company's debt or debt of any Material Subsidiary having an outstanding principal amount of $25.0 million individually or in the aggregate which default or defaults results in the acceleration of the payment of such indebtedness or constitutes the failure to pay such indebtedness when due at Stated Maturity after giving effect to the expiration of any applicable grace periods and such failure to make any payment has not been waived or the Stated Maturity of such debt has not been extended;

(vii) the rendering of a final judgment or judgments (not subject to appeal) against the Company or any Material Subsidiary in an aggregate amount in excess of $25.0 million which remains undischarged or unstayed for a period of 60 days after the date on which the right to appeal has expired; and

(viii) certain events of bankruptcy, intervention, administration, insolvency, reorganization or liquidation affecting the Company or any Material Subsidiary.

**Acceleration of the Notes**

If an Event of Default specified in clause (viii) above shall occur, the maturity of all Outstanding Notes shall automatically be accelerated and the principal amount of the Notes, together with any premium, accrued interest or additional amounts thereon, shall be immediately due and payable. If any other Event of Default shall occur and be continuing, the Trustee or the holders of not less than 25% of the aggregate principal amount of the Notes then Outstanding may, by written notice to the Company (and to the Trustee if given by holders), declare the principal amount of the Notes, together with accrued interest thereon, immediately due and payable. The right of the holders to give such acceleration notice shall terminate if the event giving rise to such right shall have been cured before such right is exercised. Any such declaration may be annulled and rescinded by written notice from the Trustee or the holders of a majority of the aggregate principal amount of the Notes then Outstanding to the Company if all amounts then due with respect to the Notes are paid (other than amount due solely because of such declaration) and all other Defaults with respect to the Notes are cured.

Subject to the provisions of the Indenture relating to the duties of the Trustee, in case the Company shall fail to comply with its obligations under the Indenture or the Notes and such failure shall be continuing, the Trustee will be under no obligation to exercise any of its rights or powers under the Indenture at the request or direction of any of the holders, unless such holders shall have offered to the Trustee indemnity and/or security satisfactory to it. The holders of a majority in aggregate principal amount of the Outstanding Notes will have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee, to the extent such action does not conflict with the provisions of the Indenture or applicable law or would involve the Trustee in personal liability or be unduly prejudicial to the holders not taking part in such direction, instruction or other communication (it being understood that the Trustee shall have no duty to ascertain whether or not such actions or forbearances are or would be unduly prejudicial to such holders).

No holder of any Note will have any right to institute any proceeding with respect to the Indenture or the Notes or for any remedy thereunder, unless (i) such holder has previously given to the Trustee written notice of a continuing Event of Default, (ii) the holders of at least 25% in aggregate principal amount of the Outstanding Notes shall have made a written request to the Trustee to institute proceedings in respect of such Event of Default in its own name as Trustee, (iii) such holder or holders have offered to the Trustee indemnity and/or security satisfactory to it, (iv) the Trustee for 60 days after receipt of such notice has failed to institute any such proceeding and (v) no direction inconsistent with such request shall have been given to the Trustee during such 60 day period by the holders of a majority in principal amount of the Outstanding Notes. However, such limitations do not apply to a suit individually instituted by a holder of a Note for enforcement of payment of the principal of, or interest on, such Note on or after respective due dates expressed in such Note.

**Listing**

The Notes will be registered with the SMV and listed on the PSE. Promptly after such a listing, the Company will notify the Trustee, which will, in turn, provide notice thereof to each of the holders of the Notes. Upon registration of the Notes with the SMV and the listing of the Notes on the PSE, the Company will comply with the reporting and other requirements set forth in the Panamanian securities law applicable to companies who have registered their securities with the SMV, as well as any corresponding requirements of the PSE.

The Company will apply to list the Notes on the Official List of the Luxembourg Stock Exchange for trading on the Euro MTF Market of the Luxembourg Stock Exchange. Each of the Company, the Trustee and the Luxembourg Paying Agent (without the need for any approvals, consents or instructions from any holders of the Notes, but in accordance with all other provisions applicable thereto) are authorized to join in the execution of any amendment (including amendment and restatement) of the Indenture or the Notes to the extent required to provide such listing. Promptly after such a listing, the Company will so notify the Trustee, which will provide notice thereof to each of the holders of the Notes.

In the event that the Notes are admitted to listing on the Luxembourg Stock Exchange, the Company will use commercially reasonable efforts to maintain such listing. If the Company determines that it is unduly burdensome to maintain a listing on the Luxembourg Stock Exchange, the Company may delist the Notes from the Luxembourg Stock Exchange and, in the event of such delisting, the Company will use commercially reasonable efforts to seek an alternative admission to listing, trading and/or quotation for the Notes on a different section of the Luxembourg Stock Exchange or by such other listing authority, stock exchange and/or quotation system inside or outside the European Union as the Company may decide. Although the Company cannot assure you as to the liquidity that may result from a listing on the Luxembourg Stock Exchange, delisting the Notes from the Luxembourg Stock Exchange may have a material effect on the ability of holders of the Notes to resell the Notes in the secondary market.

**Modification and Waivers**

The Company, the Trustee and the Luxembourg Paying Agent may, without the consent of the holders of the Notes, amend, waive or supplement the Indenture or the Notes for certain specific purposes, including, among other things, curing ambiguities, defects or inconsistencies, or making any other provisions with respect to matters or questions arising under the Indenture or the Notes or making any other change that will not adversely affect the interest of any holder of the Notes in any material respect.

Modifications and amendments of the Indenture or the Notes may be made by the Company, the Trustee and the Luxembourg Paying Agent with the consent of the holders of a majority in aggregate principal amount of the Outstanding Notes; *provided*, *however*, that no such modification or amendment may, without the consent of the holders of 90% of the aggregate principal amount of the then Outstanding Notes affected thereby:

(i) change the Stated Maturity of the principal of, or any installment of interest on, any Note,

(ii) reduce the principal amount of, (or premium) or interest on, any Note,

(iii) change the place or currency of payment of principal of (or premium), or interest on, any Note,

(iv) impair the right to institute suit for the enforcement of any payment on or with respect to any Note,

(v) reduce the above stated percentages of Outstanding Notes necessary to modify or amend the Indenture,

(vii) reduce the percentage of aggregate principal amount of Outstanding Notes necessary for waiver of compliance with certain provisions of the Indenture or for waiver of certain Defaults, or

(viii) following the sending of any Offer to Purchase, modify any Offer to Purchase for the Notes required under the "–Certain Covenants of the Company–Limitation on Asset Dispositions" or the "–Change of Control" covenants contained in the Indenture in a manner adverse to the holders thereof.

Amendments to the terms of the Notes and/or the Indenture shall comply with the above listed requirements, as well as the Agreement No. 4-2003 of April 11, 2003 of the SMV.

The holders of a majority in aggregate principal amount of the Outstanding Notes, on behalf of all holders of Notes, may waive compliance by the Company with certain restrictive provisions of the Indenture. Subject to certain rights of the Trustee, as provided in the Indenture, the holders of a majority in aggregate principal amount of the Outstanding Notes, on behalf of all holders of the Notes, may waive any past Default under the Indenture, except a Default in the payment of principal, premium or interest or a Default arising from failure to purchase any Note tendered pursuant to an Offer to Purchase.

**Satisfaction and Discharge of the Indenture**

The Indenture will be discharged and will cease to be of further effect as to all Notes issued thereunder, when:

(i) either:

(a) all Notes that have been authenticated, except lost, stolen or destroyed Notes that have been replaced or paid and Notes for the payment of which money has been deposited in trust and thereafter repaid to the Company, have been delivered to the Trustee for cancellation; or

(b) all Notes that have not been delivered to the Trustee for cancellation have become due and payable by reason of the sending of a notice of redemption or otherwise or will become due and payable within one year and the Company has irrevocably deposited or caused to be deposited with the Trustee as trust funds in trust solely for the benefit of the holders, cash in U.S. Dollars, non-callable Government Securities, or a combination of cash in U.S. Dollars and non-callable Government Securities, in each case, in amounts as will be sufficient, without consideration of any reinvestment of interest, to pay and discharge the entire Debt on the Notes not delivered to the Trustee for cancellation for principal, premium and additional amounts, if any, and accrued interest to the date of maturity or redemption;

(ii) the Company has paid or caused to be paid all sums payable by it under the Indenture; and

(iii) the Company has delivered irrevocable instructions to the Trustee under the Indenture to apply the deposited money toward the payment of the Notes at maturity or on the redemption date, as the case may be.

In addition, the Company must deliver an Officer's Certificate and an opinion of counsel to the Trustee stating that all conditions precedent to satisfaction and discharge have been satisfied; *provided* that any such counsel may rely on any Officer's Certificate as to matters of fact (including as to compliance with the foregoing clauses (i), (ii) and (iii)).

**Defeasance**

The Indenture will provide that, at the option of the Company, (i) if applicable, the Company will be discharged from any and all obligations in respect of the Outstanding Notes , or (ii) if applicable, the Company may omit to comply with certain restrictive covenants, and such omission shall not be deemed to be an Event of Default under the Indenture and the Notes, in either case, upon irrevocable deposit with the Trustee, in trust, of money and/or Government Securities which will provide money in an amount sufficient in the opinion of a nationally recognized firm of independent certified public accountants to pay the principal of and premium, if any, and each installment of interest, if any, on the Outstanding Notes. With respect to clause (ii), the obligations under the Indenture other than with respect to such covenants and certain Events of Default shall remain in full force and effect. Such trust may only be established if, among other things (a) with respect to clause (i), the Company has received from, or there has been published by, the U.S. Internal Revenue Service a ruling or there has been a change in law, which in the Opinion of Counsel provides that holders of the Notes will not recognize gain or loss for U.S. federal income tax purposes as a result of such deposit, defeasance and discharge and will be subject to U.S. federal income tax on the same amount, in the same manner and at the same times as would have been the case if such deposit, defeasance and discharge had not occurred; or, with respect to clause (ii), the Company has delivered to the Trustee an Opinion of Counsel to the effect that the holders of the Notes will not recognize gain or loss for U.S. federal income tax purposes as a result of such deposit and defeasance and will be subject to U.S. federal income tax on the same amount, in the same manner and at the same times as would have been the case if such deposit and defeasance had not occurred; (b) no Default or Event of Default shall have occurred or be continuing (other than resulting from the borrowing of funds to be applied to such deposit); (c) the Company has delivered to the Trustee an Opinion of Counsel to the effect that such deposits shall not cause the Trustee or the trust so created to be subject to the U.S. Investment Company Act of 1940, as amended; and (d) certain other customary conditions precedent are satisfied.

**No Liability of Directors, Officers, Employees, Incorporators, Members and Stockholders**

None of the directors, officers, employees, incorporators, members or stockholders, as such, of the Company will have any liability for any of the Company's obligations under the Notes or the Indenture or for any claim based on, in respect of, or by reason of, such obligations. Each holder of Notes by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes.

This waiver may not be effective to waive liabilities under the U.S. federal securities laws and it is the view of the Commission that such a waiver is against public policy.

**Notices**

Notice regarding the redemption of or an Offer to Purchase the Notes will be (i) if global Notes are Outstanding, provided to the depositary for such global Notes as the registered owner thereof or (ii) in the case of definitive Notes, mailed to holders by first class mail at their respective addresses as they appear on the registration books of the security registrar.

In addition to the foregoing, all notices to holders of the Notes will, if and so long as the Notes are listed on the Luxembourg Stock Exchange and the rules of such Stock Exchange so require, be published in a daily newspaper having general circulation in Luxembourg (which is expected to be the *Luxembourger Wort*) or on the website of the Luxembourg Stock Exchange (www.bourse.lu) and be provided to the Luxembourg Stock Exchange. If and so long as the Notes are listed on any other securities exchange, notices will also be given in accordance with any applicable requirements of such securities exchange. If and for so long as any Notes are represented by one or more global Notes and ownership of book-entry interests therein are shown on the records of The Depository Trust Company or any successor or other clearing agency appointed by the book-entry depositary at the Company's request, notices will also be delivered to each such clearing agency for communication to the owners of such book-entry interests. Notices given by publication will be deemed given on the first date on which publication is made and notices given by first class mail, postage prepaid, will be deemed given five calendar days after mailing.

**Concerning the Trustee**

Except during the continuance of an Event of Default, the Trustee need perform only those duties that are specifically set forth in the Indenture and no others, and no implied covenants or obligations will be read into the Indenture against the Trustee. In case an Event of Default has occurred and is continuing, the Trustee shall exercise those rights and powers vested in it by the Indenture, and use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs. No provision of the Indenture will require the Trustee to expend or risk its own funds or otherwise Incur any financial liability in the performance of its duties thereunder, or in the exercise of its rights or powers, unless it receives indemnity and/or security satisfactory to it against any loss, liability or expense.

**Governing Law**

The Indenture and the Notes shall be governed by and construed in accordance with the laws of the State of New York.

**Submission to Jurisdiction; Waivers**

The Company will irrevocably and unconditionally:

(i) submit itself and its property in any legal action or proceeding relating to the Indenture to which it is a party, or for recognition and enforcement of any judgment in respect thereof, to the general jurisdiction of the Courts of the State of New York, sitting in the Borough of Manhattan, The City of New York, the courts of the United States of America for the Southern District of New York, appellate courts from any thereof and courts of its own corporate domicile, with respect to actions brought against it as defendant;

(ii) consent that any such action or proceeding may be brought in such courts and waive any objection that it may now or hereafter have to the venue of any such action or proceeding in any such court or that such action or proceeding was brought in an inconvenient court and agrees not to plead or claim the same;

(iii) waive, to the fullest extent permitted by applicable law, any and all right to trial by jury in any legal proceeding arising out of or relating to the Indenture or the Notes or the transactions contemplated hereby; and

(iv) appoint CT Corporation System, currently having an office at 28 Liberty Street, New York, New York 10005, as its agent to-receive on its behalf service of all process in any such action or proceeding, such service being hereby acknowledged by the Company to be effective and binding in every respect.

**Settlement, Clearing and Registration of the Notes**

**Global Notes**

The Notes will be registered with the SMV and will be offered by the Company through the PSE in a public auction process. As a result, on the Local Trading Date, the Initial Purchasers will submit a bid to purchase the Notes through the PSE.

On such date, any local broker will be permitted to submit a bid to purchase the Notes and the Company will be permitted to present its offer to sell the Notes on the PSE. Any such bids to purchase the Notes are required to be for the full aggregate principal amount of the offering. On the same date, during any applicable trading sessions, (i) the first session of the primary market that takes place between 8:00 a.m. and 9:00 a.m. (Panama time) and is solely available on the PSE for certain issuances of securities in respect of which settlement takes place totally or partially in the international markets, or (ii) at the regular trading session that takes place between 10:00 a.m. and 3:00 p.m. (Panama time), the Initial Purchasers will submit their bid to purchase the Notes through BG Valores, which bid shall be for all the Notes.

If the Initial Purchasers shall not have placed and secured the highest (and in case of equality, earliest) bid price for the Notes, we will withdraw any offer to sell the Notes on the Issue Date on the PSE and any such offer shall immediately be withdrawn and cancelled and be of no further force or effect.

The Notes will be represented by Regulation S Global Notes (as defined below) and Restricted Global Notes (as defined below) (each sometimes referred to herein as a "**Global Note**" and together referred to herein as the "**Global Notes**"). The Notes will be issued in denominations of $200,000 and integral multiples of $1,000 in excess thereof. For purposes of listing the Securities with the PSE, prior to the issuance of such Global Notes, the Company will issue one or more global temporary notes on the Local Trading Date (the "**Temporary Notes**") and deposit them with Latinclear. Upon issuance of the Global Notes, the Temporary Notes shall, pursuant to their terms and the terms in the Indenture, be immediately deemed without effect and shall be replaced by the Global Notes.

Notes sold outside the United States in reliance on Regulation S will be represented by one or more Global Notes in definitive, fully registered form without interest coupons (collectively, the "Regulation S Global Note") and will be deposited with the Trustee, as custodian for DTC, and registered in the name of DTC or its nominee for the accounts of Euroclear and Clearstream (as indirect participants in DTC).

Notes sold in reliance on Rule 144A under the Securities Act initially will be represented by one or more Global Notes in definitive, fully registered form without interest coupons (collectively, the "Restricted Global Note") and will be deposited with the Trustee, as custodian for DTC and registered in the name of DTC or its nominee.

The Notes will be subject to certain restrictions on transfer and will bear a legend to that effect as described under "Notice to Investors." Beneficial interests in the Regulation S Global Note may be transferred to a person who takes delivery in the form of an interest in the Restricted Global Note only upon receipt by the Trustee of a written certification from the transferor (in the form provided in the Indenture) to the effect that such transfer is being made to a person that the transferor reasonably believes is a qualified institutional buyer in a transaction meeting the requirements of Rule 144A and in accordance with any applicable securities laws of any state of the United States or any other jurisdiction. Beneficial interests in the Restricted Global Note may be transferred to a person who takes delivery in the form of an interest in the Regulation S Global Note only upon receipt by the Trustee of a written certification from the transferor (in the form provided in the Indenture) to the effect that such transfer is being made in accordance with Rule 903 or Rule 904 of Regulation S under the Securities Act.

Ownership of beneficial interests in a Global Note will be limited to persons who have accounts with DTC ("DTC participants") or persons who hold interests through DTC participants. The Company expects that under procedures established by DTC:

- upon deposit of each Global Note with DTC's custodian, DTC will credit portions of the principal amount of the Global Note to the accounts of the DTC participants designated by the Initial Purchasers; and

- ownership of beneficial interests in each Global Note will be shown on, and transfer of ownership of those interests will be effected only through, records maintained by DTC (with respect to interests of DTC participants) and the records of DTC participants (with respect to other owners of beneficial interests in each Global Note).

Beneficial interests in a Global Note may be credited within DTC to Euroclear Bank S.A./N.V. ("Euroclear"), Clearstream Banking, société anonyme ("Clearstream, Luxembourg") and Latinclear on behalf of the owners of such interests.

Investors may hold their interests in a Global Note directly through DTC, Euroclear, Clearstream, Luxembourg or Latinclear, if they are participants in those systems, or indirectly through organizations that are participants in those systems.

Beneficial interests in a Global Note may not be exchanged for Notes in physical, certificated form except in the limited circumstances described below.

**Book-Entry Procedures for the Global Notes**

All interests in the Global Notes will be subject to the operations and procedures of DTC, Euroclear, Clearstream, Luxembourg and Latinclear. The Company provides the following summaries of those operations and procedures solely for the convenience of investors. The operations and procedures of each settlement system are controlled by that settlement system and may be changed at any time. Neither the Company, the Trustee, the security registrar, the paying agents nor the transfer agents is responsible for those operations or procedures.

DTC has advised that it is:

- a limited purpose trust company organized under the New York State Banking Law;
- a "banking organization" within the meaning of the New York State Banking Law;
- a member of the U.S. Federal Reserve System;
- a "clearing corporation" within the meaning of the New York Uniform Commercial Code; and
- a "clearing agency" registered under Section 17A of the Exchange Act.

DTC was created to hold securities for its participants and to facilitate the clearance and settlement of securities transactions between its participants through electronic book-entry changes to the accounts of its participants. DTC's participants include securities brokers and dealers, including the Initial Purchasers; banks and trust companies; clearing corporations; and certain other organizations.

Indirect access to DTC's system is also available to others such as banks, brokers, dealers and trust companies; these indirect participants clear through or maintain a custodial relationship with a DTC participant, either directly or indirectly. Investors who are not DTC participants may beneficially own securities held by or on behalf of DTC only through DTC participants or indirect participants in DTC.

So long as DTC or its nominee is the registered owner of a Global Note, DTC or its nominee will be considered the sole owner or holder of the Notes represented by that Global Note for all purposes under the Indenture. Except as provided below, owners of beneficial interests in a Global Note:

- will not be entitled to have Notes represented by the Global Note registered in their names;
- will not receive or be entitled to receive physical, certificated Notes; and
- will not be considered the registered owners or holders of the Notes under the Indenture for any purpose, including with respect to the giving of any direction, instruction or approval to the Trustee under the Indenture.

As a result, each investor who owns a beneficial interest in a Global Note must rely on the procedures of DTC to exercise any rights of a holder of Notes under the Indenture (and, if the investor is not a participant or an indirect participant in DTC, on the procedures of the DTC participant through which the investor owns its interest).

Payments of principal, premium, if any, and interest with respect to the Notes represented by a Global Note will be made by the Trustee to DTC's nominee as the registered holder of the Global Note. Neither the Company, the Trustee, the security registrar nor the paying agents or transfer agents will have any responsibility or liability for the payment of amounts to owners of beneficial interests in a Global Note, for any aspect of the records relating to or payments made on account of those interests by DTC, or for maintaining, supervising or reviewing any records of DTC relating to those interests.

Payments by participants and indirect participants in DTC to the owners of beneficial interests in a Global Note will be governed by standing instructions and customary practices and will be the responsibility of those participants or indirect participants and not of DTC, its nominee or the Company.

Transfers between participants in DTC will be effected under DTC's procedures and will be settled in same-day funds. Transfers between participants in Euroclear, Clearstream, Luxembourg or Latinclear will be effected in the ordinary way under the rules and operating procedures of those systems.

Cross-market transfers between DTC participants, on the one hand, and Euroclear, Clearstream, Luxembourg or Latinclear participants, on the other hand, will be effected within DTC through the DTC participants that are acting as depositaries for Euroclear, Clearstream, Luxembourg and Latinclear. To deliver or receive an interest in a Global Note held in a Euroclear, Clearstream, Luxembourg or Latinclear account, an investor must send transfer instructions to Euroclear, Clearstream, Luxembourg or Latinclear, as the case may be, under the rules and procedures of that system and within the established deadlines of that system. If the transaction meets its settlement requirements, Euroclear, Clearstream, Luxembourg or Latinclear, as the case may be, will send instructions to its DTC depositary to take action to effect final settlement by delivering or receiving interests in the relevant Global Notes in DTC, and making or receiving payment under normal procedures for same-day funds settlement applicable to DTC. Euroclear, Clearstream, Luxembourg and Latinclear participants may not deliver instructions directly to the DTC depositaries that are acting for Euroclear, Clearstream, Luxembourg or Latinclear.

Because of time zone differences, the securities account of a Euroclear or Clearstream, Luxembourg participant that purchases an interest in a Global Note from a DTC participant will be credited on the business day for Euroclear or Clearstream, Luxembourg immediately following the DTC settlement date. Cash received in Euroclear or Clearstream, Luxembourg from the sale of an interest in a Global Note to a DTC participant will be received with value on the DTC settlement date but will be available in the relevant Euroclear or Clearstream, Luxembourg cash account as of the business day for Euroclear or Clearstream, Luxembourg following the DTC settlement date.

DTC, Euroclear, Clearstream, Luxembourg and Latinclear have agreed to the above procedures to facilitate transfers of interests in the Global Notes among participants in those settlement systems. However, the settlement systems are not obligated to perform these procedures and may discontinue or change these procedures at any time. Neither the Company nor the Trustee will have any responsibility for the performance by DTC, Euroclear, Clearstream, Luxembourg or Latinclear or their participants or indirect participants of their obligations under the rules and procedures governing their operations.

**Certificated Notes**

Beneficial interests in a Global Note may not be exchanged for Notes in physical, certificated form unless:

- DTC notifies the Company at any time that it is unwilling or unable to continue as depositary for the Global Note and a successor depositary is not appointed within 90 days;
- DTC ceases to be registered as a clearing agency under the Exchange Act and a successor depositary is not appointed within 90 days;
- The Company, at its option, notifies the Trustee in writing that it elects to cause the issuance of certificated Notes; or
- certain other events provided in the Indenture should occur, including the occurrence and continuance of an Event of Default with respect to the Notes.

In all cases, certificated Notes delivered in exchange for a Global Note will be registered in the names, and issued in any approved denominations, requested by the depositary.

**Mutilated, Destroyed and Lost Notes**

In case any certificated Note becomes mutilated, defaced, destroyed, lost or stolen, the Company will execute and, upon the written request of the Company, the Trustee will authenticate and deliver a new certificated Note of like tenor (including the same date of issuance) and equal principal or liquidation preference amount, registered in the same manner and dated the date of its authentication in exchange and substitution for the certificated Note (upon surrender and cancellation thereof), as the case may be, or in lieu of and substitution for such certificated Note. In case such certificated Note is destroyed, lost or stolen, the applicant for a substituted certificated Note will furnish to the Company, the Trustee, the paying agent and the security registrar, as applicable, security and/or indemnity as may be required by them to save each of them harmless, and, in every case of destruction, loss or theft of the Note, the applicant will also furnish to the Company satisfactory evidence of the destruction, loss or theft of such certificated Note, as the case may be, and of the ownership thereof. Upon the issuance of any such certificated Note, the Company, the Trustee, the paying agent and the security registrar, as applicable, may require the payment by the registered holder thereof of a sum sufficient to cover fees and expenses connected therewith.

**Certain Definitions**

"**Acquired Debt**" means Debt of the Company or its Subsidiary:

(i) Incurred and outstanding on the date on which a Subsidiary (a) was acquired by the Company or any of its Subsidiaries or (b) is merged, consolidated, amalgamated or otherwise combined with (including pursuant to any acquisition of assets and assumption of related liabilities) the Company or its Subsidiary; or

(ii) Incurred to provide all or part of the funds utilized to consummate the transaction or series of related transactions pursuant to which such Person became a Subsidiary of the Company or was otherwise acquired by the Company or its Subsidiary;

*provided* that, after giving pro forma effect to the transactions by which such Person became a Subsidiary of the Company or is merged, consolidated, amalgamated or otherwise combined with the Company or its Subsidiary, (a) the Company would have been able to Incur $1.00 of additional Debt pursuant to the first paragraph of "–Certain Covenants of the Company–Limitation on Debt"; or (b) the Leverage Ratio would not be greater than such ratio before giving effect to such transactions.

Acquired Debt shall be deemed to have been Incurred, with respect to clause (i) on the date such Person becomes a Subsidiary of the Company and, with respect to clause (ii) on the date of consummation of such acquisition of assets.

"**Affiliate**" of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, "**control**" when used with respect to any specified Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "**controlling**" and "**controlled**" have meanings correlative to the foregoing.

"**Asset Disposition**" means any transfer, conveyance, sale, lease or other disposition by the Company or any Restricted Subsidiary (including a consolidation or merger or other sale of any such Restricted Subsidiary with, into or to another Person in a transaction in which such Restricted Subsidiary ceases to be a Restricted Subsidiary of the Company, but excluding a disposition by a Restricted Subsidiary of the Company to the Company or a Restricted Subsidiary of the Company which is an 80% or more owned Subsidiary of the Company) of (i) shares of Capital Stock (other than directors' qualifying shares and shares to be held by third parties to satisfy applicable legal requirements) or other ownership interests of a Restricted Subsidiary of the Company, (ii) substantially all of the assets of the Company or any Restricted Subsidiary representing a division or line of business or (iii) other assets or rights of the Company or any Restricted Subsidiary outside of the ordinary course of business; *provided* that the term "**Asset Disposition**" shall not include:

(a) any disposition of Tower Equipment, including any Sale/Leaseback Transaction in connection therewith; *provided* that any cash or Cash Equivalents received in connection with such disposition or Sale/ Leaseback Transaction must be applied in accordance with the covenant described under the heading "—Certain Covenants of the Company—Limitation on Asset Dispositions";

(b) a transfer of assets between or among the Company and any of its Restricted Subsidiaries;

(c) the issuance of Capital Stock by a Subsidiary of the Company to the Company or to another Subsidiary of the Company;

(d) dispositions of assets of the Company or any Restricted Subsidiary, or the issuance or sale of Capital Stock of any Restricted Subsidiary in a single transaction or series of related transactions with an aggregate fair market value in any calendar year for all such dispositions, issuances or sales under this clause (d) of less than the greater of $25.0 million and 3.0% of Total Assets (with unused amounts in any calendar year being carried over to the next succeeding year);

(e) any disposition of Capital Stock of a Subsidiary of the Company pursuant to an agreement or other obligation with or to a Person (other than the Company or its Subsidiary) from whom such Subsidiary was acquired or from whom such Subsidiary acquired its business and assets (having been newly formed in connection with such acquisition), made as part of such acquisition and in each case comprising all or a portion of the consideration in respect of such sale or acquisition;

(f) the sale, lease or other transfer of products, services, accounts receivable, inventory or other assets in the ordinary course of business and any sale or other disposition of damaged, surplus, worn-out or obsolete assets;

(g) dispositions in connection with Permitted Liens;

(h) disposals of assets, rights or revenue not constituting part of the Related Business and other disposals of non-core assets acquired in connection with any acquisition permitted under the Indenture;

(i) licenses and sublicenses of the Company or any of its Subsidiaries in the ordinary course of business;

(j) any surrender or waiver of contract rights or settlement, release, recovery on or surrender of contract, tort or other claims in the ordinary course of business;

(k) the disposition of receivables in connection with the compromise, settlement or collection thereof in the ordinary course of business or in bankruptcy or similar proceedings;

(l) the granting of Liens not prohibited by the covenant described under the heading "—Certain Covenants of the Company—Limitation on Liens Securing the Company's Debt";

(m) a transfer or disposition of assets that is governed by the provisions of the Indenture described under the heading "—Merger, Consolidations and Certain Sales of Assets of the Company";

(n) a transfer or disposition of assets that is governed by the provisions of the Indenture described under the heading "—Certain Covenants of the Company —Limitation on Restricted Payments";

(o) the sale or other disposition of cash or Cash Equivalents;

(p) the foreclosure, condemnation or any similar action with respect to any property or other assets;

(q) sales of accounts receivable and related assets or an interest therein of the type specified in the definition of "Qualified Receivables Transaction" to a Receivables Entity, and Investments in a Receivables Entity consisting of cash or Securitization Obligations;

(r) any disposition or expropriation of assets or Capital Stock which the Company or any of its Subsidiaries is required by, or made in response to concerns raised by, a regulatory authority or court of competent jurisdiction;

(s) any disposition of Capital Stock, Debt or other securities of an Unrestricted Subsidiary;

(t) any disposition of assets to a Person who is providing services related to such assets, the provision of which have been or are to be outsourced by the Company or any of its Subsidiaries to such Person;

(u) any disposition of Investments in joint ventures to the extent required by, or made pursuant to, customary buy/sell arrangements between the joint venture parties set forth in joint venture arrangements and similar binding agreements; *provided* that any cash or Cash Equivalents received in such disposition is applied in accordance with the requirements set forth under the heading "—Certain Covenants of the Company—Limitation on Asset Dispositions";

(v) contractual arrangements under long-term contracts with customers entered into by the Company or a Restricted Subsidiary in the ordinary course of business which are treated as sales for accounting purposes; *provided* that there is no transfer of title in connection with such contractual arrangement;

(w) any sale or disposition with respect to property built, repaired, improved, owned or otherwise acquired by the Company or any of its Subsidiaries pursuant to customary Sale/Leaseback Transactions, asset securitizations and other similar financings permitted by the Indenture;

(x) any dispositions constituting the surrender of tax losses by the Company or any of its Subsidiaries (1) to the Company or a Subsidiary of the Company; (2) in order to eliminate, satisfy or discharge any tax liability of any Person that was formerly a Subsidiary of the Company which has been disposed of pursuant to a disposal permitted by the terms of the Indenture, to the extent that the Company or a Subsidiary of the Company would have a liability (in the form of an indemnification obligation or otherwise) to one or more Persons in relation to such tax liability if not so eliminated, satisfied or discharged; and

(y) Permitted Asset Swaps.

"**Beneficial Owner**" has the meaning assigned to such term in Rule 13d-3 and Rule 13d-5 under the Exchange Act, except that in calculating the Beneficial Ownership of any particular "person" (as that term is used in Section 13(d)(3) of the Exchange Act), such "person" will be deemed to have Beneficial Ownership of all securities that such "person" has the right to acquire by conversion or exercise of other securities, whether such right is currently exercisable or is exercisable only after the passage of time. The terms "**Beneficially Owns**" and "**Beneficially Owned**" have a corresponding meaning.

"**Board Resolution**" means a copy of a resolution of the Board of Directors of the Company certified by the President and Secretary of the Company to have been duly adopted by the Board of Directors or a committee thereof and to be in full force and effect on the date of such certification, and delivered to the Trustee.

"**Business Day**" means each Monday, Tuesday, Wednesday, Thursday and Friday which is not a day on which banking institutions in the Borough of Manhattan, the City of New York, in London, England, or in Panama are authorized or obligated by law or executive order to close.

"**Capital Lease Obligation**" of any Person means the obligation to pay rent or other payment amounts under a lease of real or personal property of such Person which is required to be classified and accounted for as a capital lease on the face of a balance sheet of such Person in accordance with IFRS. The Stated Maturity of such obligation shall be the date of the last payment of rent or any other amount due under such lease prior to the first date upon which such lease may be terminated by the lessee without payment of a penalty. The principal amount of Debt represented by such obligation shall be the capitalized amount thereof that would appear on the face of a balance sheet of such Person in accordance with IFRS.

"**Capital Stock**" of any Person means any and all shares, interests, participation or other equivalents (however designated) of corporate stock or other equity participation, including partnership interests, whether general or limited, of such Person.

"**Cash Equivalents**" means, with respect to any Person:

(i) (a) Government Securities and (b) any direct obligations of, or obligations guaranteed by, a member of the European Union for the payment of which obligations or guarantee the full faith and credit of such member of the European Union is pledged and which have a remaining weighted average life to maturity of not more than one year from the date of Investment therein;

(ii) term deposit accounts (excluding current and demand deposit accounts), certificates of deposit and Eurodollar time deposits and money market deposits and bankers' acceptances, in each case, issued by or with (a) any of the lenders under the Revolving Credit Facility, (b) any bank located in Panama and any of its respective Affiliates, *provided*, in each case in this subclause (b), that any such bank or Affiliate has no less than an Investment Grade international rating or higher by at least one nationally recognized statistical rating organization (as defined in Rule 436 under the Securities Act), (c) a bank or trust company which is organized under the laws of the United States of America, any state thereof, the United Kingdom, Panama, Switzerland, Canada, Australia or any member state of the European Union, and which bank or trust company has capital, surplus and undivided profits aggregating in excess of $100.0 million (or the foreign currency equivalent thereof) and has outstanding debt which is rated "A3/A-" (or such similar equivalent rating) or higher by at least one nationally recognized statistical rating organization (as defined in Rule 436 under the Securities Act), or (d) any money market fund sponsored by a U.S. registered broker dealer or mutual fund distributor;

(iii) repurchase obligations with a term of not more than seven days for underlying securities of the types described in clauses (ii)(a) and (b) entered into with any financial institution meeting the qualifications specified in clause (ii)(b) above;

(iv) commercial paper having one of the two highest ratings obtainable from either of the Rating Agencies and in each case maturing within 365 days after the date of acquisition;

(v) money market mutual funds at least 95% of the assets of which constitute Cash Equivalents of the types described in clauses (i) through (iv) of this definition;

(vi) with respect to any Person organized under the laws of, or having its principal business operations in, a jurisdiction outside the United States, the United Kingdom or the European Union, those Investments that are of the same type as investments in clauses (i), (iii) and (iv) of this definition except that the obligor thereon is organized under the laws of the country (or any political subdivision thereof) in which such Person is organized or conducting business; and

(vii) up to $2.0 million in aggregate of other Investments held by the Company or its Restricted Subsidiaries.

"**Cash Management Loans**" means Debt arising in connection with cash management and cash pooling arrangements between the Restricted Group and Millicom and its Subsidiaries in the ordinary course of business.

"**Commission**" means the Securities and Exchange Commission, as from time to time constituted, created under the Exchange Act, or, if at any time after the execution of the Indenture such Commission is not existing and performing the duties now assigned to it under the TIA, then the body performing such duties at such time.

"**Common Stock**" of any Person means Capital Stock of such Person that does not rank prior, as to the payment of dividends or as to the distribution of assets upon any voluntary or involuntary liquidation, dissolution or winding up of such Person, to shares of Capital Stock of any other class of such Person.

"**Consolidated EBITDA**" means, for any period, operating profit or loss of the Restricted Group, as such amount is determined in accordance with IFRS, plus the sum of the following amounts, in each case, without double counting (losses shall be added (as a positive number) and gains shall be deducted, in each case, to the extent such amounts were included in calculating operating profit):

(i) depreciation and amortization expenses;

(ii) the net loss or gain on the disposal and impairment of assets;

(iii) share-based compensation expenses;

(iv) at the Company's option, other non-cash charges reducing operating profit (*provided* that if any such non-cash charge represents an accrual of or reserve for potential cash charges in any future period, the cash payment in respect thereof in such future period shall reduce operating profit to such extent, and excluding amortization of a prepaid cash item that was paid in a prior period) less other non-cash items of income increasing operating income (excluding any such non-cash item of income to the extent it represents (a) a receipt of cash payments in any future period, (b) the reversal of an accrual or reserve for a potential cash item that reduced operating income in any prior period and (c) any non-cash gains with respect to cash actually received in a prior period so long as such cash did not increase operating income in such prior period);

(v) any material extraordinary, one-off, non-recurring, exceptional or unusual gain, loss, expense or charge, including any charges or reserves in respect of any restructuring, redundancy, relocation, refinancing, integration or severance or other post-employment arrangements, signing, retention or completion bonuses, transaction costs, acquisition costs, disposition costs, business optimization, information technology implementation or development costs, costs related to governmental investigations and curtailments or modifications to pension or postretirement benefits schemes, litigation or any asset impairment charges or the financial impacts of natural disasters (including fire, flood and storm and related events);

(vi) at the Company's option, the effects of adjustments in its consolidated financial statements pursuant to IFRS (including inventory, property, equipment, software, goodwill, intangible assets, in process research and development, deferred revenue and debt line items) attributable to the application of recapitalization accounting or acquisition accounting, as the case may be, in relation to any consummated acquisition or joint venture Investment or the amortization or write-off or write-down of amounts thereof, net of taxes;

(vii) any reasonable expenses, charges or other costs related to any Equity Offering, Investment, acquisition, disposition, recapitalization or the Incurrence of any Debt, in each case, as determined in good faith by a responsible financial or accounting officer of the Company;

(viii) any gains or losses on associates;

(ix) any unrealized gains or losses due to changes in the fair value of equity Investments;

(x) any unrealized gains or losses due to changes in the fair value of Interest Rate, Currency or Commodity Price Agreements;

(xi) any unrealized gains or losses due to changes in the carrying value of put options in respect of Capital Stock of, or voting rights with respect to, any Subsidiary of the Company, joint venture or associate;

(xii) any unrealized gains or losses due to changes in the carrying value of call options in respect of Capital Stock of, or voting rights with respect to, any Subsidiary of the Company, joint venture or associate;

(xiii) any net foreign exchange gains or losses;

(xiv) at the Company's option, any adjustments to reduce the impact of the cumulative effect of a change in accounting principles and changes as a result of the adoption or modification of accounting policies;

(xv) accruals and reserves that are established or adjusted within twelve months after the closing date of any acquisition that are so required to be established or adjusted as a result of such acquisition in accordance with IFRS;

(xvi) any expenses, charges or losses to the extent covered by insurance or indemnity and actually reimbursed, or, so long as the Company or a Restricted Subsidiary has made a determination that there exists reasonable evidence that such amount will in fact be reimbursed by the insurer or indemnifying party and only to the extent that such amount is in fact reimbursed within 365 days of the date of the insurable or indemnifiable event (net of any amount so added back in any prior period to the extent not so reimbursed within the applicable 365-day period);

(xvii) the amount of proceeds received from business interruption insurance and reimbursements of any expenses and charges that are covered by indemnification or other reimbursement provisions in connection with any acquisition, Investment or any sale, conveyance, transfer or other disposition of assets;

(xviii) any net gain (or loss) realized upon any Sale/Leaseback Transaction that is not sold or otherwise disposed of in the ordinary course of business, determined in good faith by a responsible financial or accounting officer of the Company;

(xix) the amount of loss on the sale or transfer of any assets in connection with an asset securitization program, receivables factoring transaction or other receivables transaction (including, without limitation, a Qualified Receivables Transaction); and

(xx) Specified Legal Expenses.

For the purposes of calculating Consolidated EBITDA for any period, as of such date of determination:

(1) if, since the beginning of such period the Company or any Restricted Subsidiary has made any Asset Disposition or disposed of any company, any business, or any group of assets constituting an operating unit of a business (any such disposition, a "**Sale**"), including any Sale occurring in connection with a transaction causing a calculation to be made hereunder, then Consolidated EBITDA for such period will be reduced by an amount equal to the Consolidated EBITDA (if positive) attributable to the assets which are the subject of such Sale for such period or increased by an amount equal to the Consolidated EBITDA (if negative) attributable thereto for such period;

(2) if, since the beginning of such period the Company or any Restricted Subsidiary (by merger or otherwise) will have made an Investment in any Person that thereby becomes a Restricted Subsidiary, or otherwise acquires any company, any business, or any group of assets constituting an operating unit of a business (any such Investment or acquisition, a "**Purchase**"), including any such Purchase occurring in connection with a transaction causing a calculation to be made hereunder, then Consolidated EBITDA for such period will be calculated after giving pro forma effect thereto as if such Purchase occurred on the first day of such period;

(3) if, since the beginning of such period any Person (that became a Restricted Subsidiary or was merged with or into the Company or any Restricted Subsidiary since the beginning of such period) will have made any Sale or any Purchase that would have required an adjustment pursuant to clauses (1) or (2) above if made by the Company or a Restricted Subsidiary since the beginning of such period, Consolidated EBITDA for such period will be calculated after giving *pro forma* effect thereto as if such Sale or Purchase occurred on the first day of such period, including anticipated synergies and cost savings as if such Sale or Purchase occurred on the first day of such period;

(4) whenever *pro forma* effect is applied, the pro forma calculations will be as determined in good faith by a responsible financial or accounting officer of the Company (including in respect of anticipated synergies and cost savings) as though the full effect of synergies and cost savings were realized on the first day of the relevant period and shall also include the reasonably anticipated full run rate cost savings effect (as calculated in good faith by a responsible financial or chief accounting officer of the Company) of cost savings programs that have been initiated by the Company or its Subsidiaries as though such cost savings programs had been fully implemented on the first day of the relevant period; *provided* that if the aggregate amount of such anticipated synergies and cost savings exceed 5.0% of Consolidated EBITDA (calculated without reference to the applicable Purchase or Sale), such amounts are confirmed by a reputable, independent third party advisor;

(5) for the purposes of determining the amount of Consolidated EBITDA under this definition denominated in a foreign currency, the Issuer may, at its option, calculate the U.S. Dollar equivalent amount of such Consolidated EBITDA based on either (i) the weighted average exchange rates for the relevant period used in the consolidated financial statements of the Issuer for such relevant period or (ii) the relevant currency exchange rate in effect on the Issue Date; and

(6) the amount of any fees payable by any person in the Restricted Group to another person in the Restricted Group or Millicom or any of its Subsidiaries in connection with any services rendered (including, without limitation, any Value Creation Fees and similar fees) shall be excluded.

For the purpose of calculating the Consolidated EBITDA of the Company, any Joint Venture Consolidated EBITDA shall be added to the amount determined in accordance with the foregoing.

"**Consolidated Interest Expense**" means for any period the consolidated interest expense included in a consolidated income statement (without deduction of interest income) of the Company and its Restricted Group for such period calculated on a consolidated basis in accordance with IFRS, including without limitation or duplication (or, to the extent not so included, with the addition of):

(i) the amortization of Debt discounts;

(ii) any payments or fees with respect to letters of credit, bankers' acceptances or similar facilities;

(iii) fees with respect to interest rate swap or similar agreements or foreign currency hedge, exchange or similar agreements;

(iv) Preferred Stock dividends (other than with respect to Redeemable Stock) declared paid or payable;

(v) accrued Redeemable Stock dividends whether or not declared or paid; and

(vi) interest on Debt guaranteed by the Company or any member of its Restricted Group.

The term "**Consolidated Interest Expense**" shall not include:

(a) interest on Capital Lease Obligations; or

(b) interest on Debt owed to Millicom or any Subsidiary of Millicom.

"**Credit Facility**" means, a debt facility, arrangement, instrument, trust deed, note purchase agreement, indenture, purchase money financing, commercial paper facility or overdraft facility with banks or other institutions or investors providing for revolving credit loans, term loans, receivables financing (including through the sale of receivables to such institutions or to special purpose entities formed to borrow from such institutions against such receivables), letters of credit or other Debt, in each case, as amended, restated, modified, renewed, refunded, replaced, restructured, refinanced, repaid, increased or extended, in whole or in part from time to time, and in each case, including all agreements, instruments and documents executed and delivered pursuant to or in connection with the foregoing (including, but not limited to, any notes and letters of credit issued pursuant thereto and any guarantee and collateral agreement, patent and trademark security agreement, mortgages or letter of credit applications and other guarantees, pledges, agreements, security agreements and collateral documents). Without limiting the generality of the foregoing, the term "**Credit Facility**" shall include any agreement or instrument (i) changing the maturity of any Debt Incurred thereunder or contemplated thereby, (ii) adding Subsidiaries of the Company as additional borrowers or guarantors thereunder, (iii) increasing the amount of Debt Incurred thereunder or available to be borrowed thereunder or (iv) otherwise altering the terms and conditions thereof.

"**Debt**" means (without duplication), with respect to any Person, whether recourse is to all or a portion of the assets of such Person and whether or not contingent:

(i) the principal of and premium, if any, in respect of every obligation of such Person for money borrowed;

(ii) the principal of and premium, if any, in respect of every obligation of such Person evidenced by bonds, debentures, notes or other similar instruments;

(iii) every reimbursement obligation of such Person with respect to letters of credit, bankers' acceptances or similar facilities issued for the account of such Person (but only to the extent such obligations are not reimbursed within 30 days following receipt by such Person of a demand for reimbursement); and

(iv) the principal component of every obligation of the type referred to in clauses (i) through (iii) of another Person and all dividends of another Person the payment of which, in either case, such Person has Guaranteed or is responsible or liable for, directly or indirectly, as obligor, Guarantor or otherwise to the extent not otherwise included in the Debt of such Person.

The "amount" or "principal amount" of Debt at any time of determination as used herein represented by (1) any Debt issued at a price that is less than the principal amount at maturity thereof, shall be the amount of the liability in respect thereof determined in accordance with IFRS, (2) any Redeemable Stock, shall be the maximum fixed redemption or repurchase price in respect thereof; and (3) any amount of Debt that has been cash-collateralized, to the extent so cash-collateralized, shall be excluded from any calculation of Debt. Notwithstanding anything else to the contrary, for all purposes under the Indenture, the amount of Debt Incurred, repaid, redeemed, repurchased or otherwise acquired by a Subsidiary of the Company shall equal the liability in respect thereof determined in accordance with IFRS and reflected on the Company's consolidated statement of financial position.

The term "**Debt**" shall not include:

(a) Cash Management Loans;

(b) any liability of the Company or any of its Subsidiaries attributable to a synthetic instrument or any other arrangement or agreement to the extent such obligation under the relevant instrument, arrangement or agreement has not come due but is classified as a financial liability in accordance with IFRS and recorded as a current liability on the Company's consolidated statement of financial position;

(c) any Restricted MFS Cash;

(d) any liability of the Company attributable to a put option or similar instrument, arrangement or agreement entered into after the Issue Date granted by the Company relating to an interest in any other entity, in each case to the extent such option has not been exercised or such obligation under the relevant instrument, arrangement or agreement has not come due but is classified as a financial liability in accordance with IFRS, and recorded as a current liability on the Company's consolidated statement of financial position;

(e) any standby letter of credit, performance bond or surety bond provided by the Company or any of its Subsidiaries that is customary in the Related Business to the extent such letters of credit or bonds are not drawn upon or, if and to the extent drawn upon, are honored in accordance with their terms;

(f) any deposits or prepayments received by the Company or a Subsidiary of the Company from a customer or subscriber for its service and any other deferred or prepaid revenue;

(g) any obligations to make payments in relation to earn outs;

(h) Debt which is in the nature of equity (other than Redeemable Stock) or equity derivatives;

(i) Capital Lease Obligations or operating leases;

(j) Receivables sold or discounted, whether recourse or non-recourse, including for the avoidance of doubt any debt in respect of Qualified Receivables Transactions, including without limitation guarantees by a Receivables Entity of the obligations of another Receivables Entity;

(k) pension obligations or any obligation under employee plans or employment agreements;

(l) any "parallel debt" obligations to the extent that such obligations mirror other Debt;

(m) any payments or liability for assets acquired or services supplied deferred (including trade payables) in accordance with the terms pursuant to which the relevant assets were or are to be acquired or services were or are to be supplied;

(n) the principal component or liquidation preference of all obligations of such Person with respect to the redemption, repayment or other repurchase of any Redeemable Stock or, with respect to any Subsidiary, any Preferred Stock (including, in each case, any accrued dividends);

(o) any Debt (contingent or otherwise) which, when incurred, is without recourse to the Company or any Restricted Subsidiary, as applicable; and

(p) the net obligations of such Person under any Interest Rate, Currency or Commodity Price Agreement.

"**Default**" means an event that with the passing of time or the giving of notice, or both would constitute an Event of Default.

"**DTC**" means The Depository Trust Company.

"**Equity Offering**" means a sale of Qualified Capital Stock of the Company or a Holding Company of the Company pursuant to which the Net Cash Proceeds are contributed to the Company in the form of a subscription for, or a capital contribution in respect of, Qualified Capital Stock of the Company.

"**Exchange Act**" means the United States Securities Exchange Act of 1934, as amended.

"**Excluded Contributions**" means Net Cash Proceeds received by the Company from:

(i) contributions to its common equity capital;

(ii) any stockholder loans; or

(iii) the sale (other than to a Subsidiary of the Company or to any management equity plan or stock option plan or any other management or employee benefit plan or agreement of the Company or any of its Subsidiaries) of Capital Stock (other than Redeemable Stock) of the Company;

in each case designated as Excluded Contributions pursuant to an Officer's Certificate executed by the principal financial officer of the Company on the date such capital contributions are made or the date such equity interests are sold, as the case may be.

"**Fitch**" means Fitch Ratings, Inc. and its successors.

"**GAAP**" means generally accepted accounting principles in the United States.

"**Government Securities**" means direct obligations of, or obligations guaranteed by, the United States of America for the payment of which obligations or guarantee the full faith and credit of the United States is pledged and which have a remaining weighted average life to maturity of not more than one year from the date of Investment therein.

"**Gradation**" means a gradation within a Rating Category or a change to another Rating Category, which shall include: (i) "+" and "-" in the case of Fitch's current Rating Categories (e.g., a decline from BB+ to BB would constitute a decrease of one Gradation), (ii) 1, 2 and 3 in the case of Moody's current Rating Categories (e.g., a decline from Bal to Ba2 would constitute a decrease of one Gradation), or (iii) the equivalent in respect of successor Rating Categories of Fitch or Moody's or Rating Categories used by Rating Agencies other than Fitch and Moody's.

"**Guarantee**" by any Person means any obligation, contingent or otherwise, of such Person guaranteeing, or having the economic effect of guaranteeing, any Debt of any other Person (the "**primary obligor**") in any manner, whether directly or indirectly, and including, without limitation, any obligation of such Person:

(i) to purchase or pay (or advance or supply funds for the purchase or payment of) such Debt or to purchase (or to advance or supply funds for the purchase of) any security for the payment of such Debt;

(ii) to purchase property, securities or services for the purpose of assuring the holder of such Debt of the payment of such Debt; or

(iii) to maintain working capital, equity capital or other financial statement condition or liquidity of the primary obligor so as to enable the primary obligor to pay such Debt (and "**Guaranteed**," "**Guaranteeing**" and "**Guarantor**" shall have meanings correlative to the foregoing); *provided*, *however*, that the Guarantee by any Person shall not include endorsements by such Person for collection or deposit, in either case, in the ordinary course of business.

"**Holding Company**" means any Person (other than a natural person) which legally and Beneficially Owns more than 50% of the Voting Stock and/or Capital Stock of another Person, either directly or through one or more Subsidiaries.

"**IFRS**" means the International Financial Reporting Standards promulgated by the International Accounting Standards Board or any successor board or agency as in effect on the Issue Date; *provided* that the Company may, at any time, irrevocably elect by written notice to the Trustee to use IFRS as in effect from time to time, and, upon such notice, references herein to IFRS shall thereafter be construed to mean IFRS as in effect from time to time. The Company also may, at any time, irrevocably elect by written notice to the Trustee to use GAAP as in effect from time to time in lieu of IFRS and, upon such notice, references herein to IFRS shall thereafter be construed to mean GAAP as in effect from time to time.

"**Incur**" means, with respect to any Debt or other obligation of any Person, to create, issue, incur (by conversion, exchange or otherwise), assume, Guarantee or otherwise become liable in respect of such Debt or other obligation, including by acquisition of Subsidiaries (the Debt of any other Person becoming a Subsidiary of such Person being deemed for this purpose to have been incurred at the time such other Person becomes a Subsidiary), or the recording, as required pursuant to IFRS or otherwise, of any such Debt or other obligation on the balance sheet of such Person (and "**Incurrence**," "**Incurred**," "**Incurrable**" and "**Incurring**" shall have meanings correlative to the foregoing); *provided*, *however*, that a change in IFRS that results in an obligation of such Person that exists at such time becoming Debt shall not be deemed an Incurrence of such Debt.

"**Interest Rate, Currency or Commodity Price Agreement**" of any Person means any forward contract, futures contract, swap, option or other financial agreement or arrangement (including, without limitation, caps, floors, collars and similar agreements) relating to, or the value of which is dependent upon, interest rates, currency exchange rates or commodity prices or indices (excluding contracts for the purchase or sale of goods in the ordinary course of business).

"**Intergroup Subordinated Loans**" means (a) Debt of the Restricted Group owed to Millicom or any of its Subsidiaries (other than the Restricted Group) and (b) Debt of Millicom or any of its Subsidiaries (other than the Restricted Group) owed to any of the Restricted Group that, in each case, (1) will not have the benefit of any negative pledge covenant, collateral or security interest, (2) the terms of which provide that, in the event that (a) an installment of interest with respect to such Debt is not paid on the applicable interest payment date or (b) the principal of, or premium, if any, on any such Debt is not paid on the stated maturity or other date set for redemption, then the obligation to make such payment on such interest payment date, maturity date or other redemption date will not be a default under such Debt until after the maturity date of the Notes, and (3) the terms of which provide that no amount will be payable in bankruptcy, liquidation or any similar proceeding with respect to the Person Incurring such Debt until all claims of senior creditors of such Person, including, without limitation, the holders of the Notes, admitted in such proceeding have been satisfied.

"**Investment**" by any Person means any direct or indirect loan, advance or other extension of credit or capital contribution (by means of transfers of cash or other property to others or payments for property or services for the account or use of others, or otherwise) to, or purchase or acquisition of Capital Stock, bonds, notes, debentures or other securities or evidence of Debt issued by, any other Person, including any payment on a Guarantee of any obligation of such other Person, but shall not include (i) trade accounts receivable in the ordinary course of business on credit terms made generally available to the customers of such Person, or (ii) commission, travel, payroll, entertainment, relocation and similar advances to officers and employees and profit sharing and other employee benefit plan contributions made in the ordinary course of business.

"**Investment Grade**" means (i) BBB- or above in the case of Fitch (or its equivalent under any successor Rating Categories of Fitch), (ii) Baa3 or above, in the case of Moody's (or its equivalent under any successor Rating Categories of Moody's), and (iii) the equivalent in respect of the Rating Categories of any other Rating Agencies.

"**Issue Date**" means the date on which the Notes were initially issued, which is expected to be on or about , 2019.

"**Joint Venture Consolidated EBITDA**" means an amount equal to the product of (i) the Consolidated EBITDA of any joint venture (determined in good faith by a responsible financial or accounting officer of the Company on the same basis as provided for in the definition of "Consolidated EBITDA" (with the exception of clause (i) and the last sentence thereof) as if each reference to the "Company" in such definition was to such joint venture) whose financial results are not consolidated with those of the Company in accordance with IFRS and (ii) a percentage equal to the direct equity ownership percentage of the Company and/or its Subsidiaries in the Capital Stock of such joint venture and its Subsidiaries.

"**Leverage Ratio**," when used in connection with any Incurrence (or deemed Incurrence) of Debt, means the ratio of (i) the consolidated principal amount of Debt of the Company and its Restricted Group outstanding as of the most recent available quarterly or annual balance sheet, after giving pro forma effect to (a) the Incurrence of such Debt and any other Debt Incurred since such balance sheet date, (b) the receipt and application of the proceeds thereof and (c) (without duplication) the repayment, redemption or repurchase of any other Debt since such balance sheet date, to (ii) Consolidated EBITDA for the last four full fiscal quarters prior to the Incurrence of such Debt for which consolidated financial statements are available, determined on a pro forma basis as if any such Debt had been Incurred and the proceeds thereof had been applied, or such other Debt had been repaid, redeemed or repurchased, as applicable, at the beginning of such four fiscal quarter period.

"**Lien**" means, with respect to any property or assets, any mortgage, pledge, security interest, lien, charge, encumbrance, priority or other security agreement or preferential arrangement of any kind or nature whatsoever on or with respect to such property or assets (including, without limitation, any conditional sale or other title retention agreement having substantially the same economic effect as any of the foregoing).

"**Limited Condition Transaction**" means (i) any Investment or acquisition, in each case, by one or more of the Company and its Restricted Subsidiaries of any assets, business or Person whose consummation is not conditioned on the availability of, or on obtaining, third party financing and (ii) any redemption, repurchase, defeasance, satisfaction and discharge or repayment of Debt requiring irrevocable notice in advance of such redemption, repurchase, defeasance, satisfaction and discharge or repayment.

"**Local Trading Date**" means .

"**Market Capitalization**" means an amount equal to (i) the total number of issued and outstanding shares of Capital Stock of the Company on the date of the declaration of the relevant dividend, multiplied by (ii) the arithmetic mean of the closing prices per share of such Capital Stock for the 30 consecutive trading days immediately preceding the date of the declaration of such dividend.

"**Material Subsidiary**" means any Restricted Subsidiary of the Company constituting a "Significant Subsidiary" of the Company in accordance with Rule 1-02(w) of Regulation S-X under the Securities Act of 1933, as amended in effect on the date hereof.

"**Maturity**," when used with respect to any Note, means the date on which the principal of such Note becomes due and payable as therein provided or as provided in the Indenture, whether at the Stated Maturity or by declaration of acceleration, call for redemption or otherwise.

"**Millicom**" means Millicom International Cellular S.A. and its successors.

"**Moody's**" means Moody's Investors Service, Inc. and its successors.

"**Net Available Proceeds**" from any Asset Disposition means cash or readily marketable cash equivalents received (including by way of sale or discounting of a note, installment receivable or other receivable, but excluding any Related Assets and other consideration received in the form of assumption by the acquiror of Debt or other obligations relating to such properties or assets) therefrom by the Company or any Restricted Subsidiary, net of:

(i) all legal, title and recording tax expenses, commissions and other fees and expenses Incurred and all federal, state, provincial, foreign and local taxes required to be accrued as a liability as a consequence of such Asset Disposition;

(ii) all payments made by the Company or any Restricted Subsidiary, on any Debt which is secured by such assets in accordance with the terms of any Lien upon or with respect to such assets or which must by the terms of such Debt or Lien, or in order to obtain a necessary consent to such Asset Disposition or by applicable law, be repaid out of the proceeds from such Asset Disposition;

(iii) all distributions and other payments made to other equity holders in the Company's Restricted Subsidiaries, or joint ventures as a result of such Asset Disposition; and

(iv) appropriate amounts to be provided by the Company or any Restricted Subsidiary, as the case may be, as a reserve in accordance with IFRS, against any liabilities associated with such assets and retained by the Company or any Restricted Subsidiary, as the case may be, after such Asset Disposition, including, without limitation, liabilities under any indemnification obligations and severance and other employee termination costs associated with such Asset Disposition, in each case as determined by the Board of Directors, in its reasonable good faith judgment evidenced by a resolution of the Board of Directors filed with the Trustee; *provided*, *however*, that any reduction in such reserve within twelve months following the consummation of such Asset Disposition will be treated for all purposes of the Indenture and the Notes as a new Asset Disposition at the time of such reduction with Net Available Proceeds equal to the amount of such reduction.

"**Net Cash Proceeds,"** with respect to any issuance or sale of Capital Stock or any Incurrence of Debt, means the cash proceeds of such issuance or sale or such Incurrence net of attorneys' fees, accountants' fees, underwriters' or placement agents' fees, listing fees, discounts or commissions and brokerage, consultant and other fees, expenses and charges actually Incurred in connection with such issuance or sale or such Incurrence and net of taxes paid or payable (in the good faith determination of the Company) in connection with such issuance or sale or such Incurrence (including any repatriation of the proceeds of such sale or Incurrence).

"**Note Guarantee**" means a Guarantee of the Notes.

"**Offer to Purchase**" means a written offer (the "**Offer**") sent by the Company by first class mail, postage prepaid, to each holder at his address appearing in the Security Register (or, in the case of Global Notes, sent in accordance with the applicable procedures of DTC) on the date of the Offer offering to purchase up to the principal amount of Notes specified in such Offer at the purchase price specified in such Offer (as determined pursuant to the Indenture). Unless otherwise required by applicable law, the Offer shall specify an expiration date (the "**Expiration Date**") of the Offer to Purchase which shall be, subject to any contrary requirements of applicable law, not less than 30 days or more than 60 days after the date of such Offer and a settlement date (the "**Purchase Date**") for purchase of Notes within five Business Days after the Expiration Date. The Company shall notify the Trustee in writing at least 15 Business Days (or such shorter period as is acceptable to the Trustee) prior to the sending of the Offer of the Company's obligation to make an Offer to Purchase, and the Offer shall be sent by the Company or, at the Company's written request, by the Trustee in the name and at the expense of the Company. The Offer shall contain all instructions and materials necessary to enable such holders to tender Notes pursuant to the Offer to Purchase. The Offer shall also state:

(i) the Section of the Indenture pursuant to which the Offer to Purchase is being made;

(ii) the Expiration Date and the Purchase Date;

(iii) the aggregate principal amount of the Outstanding Notes offered to be purchased by the Company pursuant to the Offer to Purchase (including, if less than 100%, the manner by which such has been determined pursuant to the Section of the Indenture requiring the Offer to Purchase) (the "**Purchase Amount**");

(iv) the purchase price to be paid by the Company for each $1,000 aggregate principal amount of Notes accepted for payment (as specified pursuant to the Indenture) (the "**Purchase Price**");

(v) that the holder may tender all or any portion of the Notes registered in the name of such holder and that any portion of a Note tendered must be tendered in minimum amounts of $200,000 and integral multiples of $1,000 in excess thereof;

(vi) the place or places where Notes are to be surrendered for tender pursuant to the Offer to Purchase;

(vii) that interest on any Note not tendered or tendered but not purchased by the Company pursuant to the Offer to Purchase will continue to accrue;

(viii) that on the Purchase Date the Purchase Price will become due and payable upon each Note being accepted for payment pursuant to the Offer to Purchase and that interest thereon shall cease to accrue on and after the Purchase Date so long as the Company has deposited with the paying agent for the Notes funds in satisfaction of the Purchase Price pursuant to the Indenture;

(ix) that each holder electing to tender a Note pursuant to the Offer to Purchase will be required to surrender such Note at the place or places specified in the Offer prior to the close of business on the Expiration Date (such Note being, if the Company or the Trustee so requires, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Company and the Trustee duly executed by, the holder thereof or his attorney duly authorized in writing);

(x) that holders will be entitled to withdraw all or any portion of Notes tendered if the Company (or their paying agent) receives, not later than the close of business on the Expiration Date, a telegram, telex, facsimile transmission, letter or other communication acceptable to the Company setting forth the name of the holder, the principal amount of the Note the holder tendered; the certificate number of the Security the holder tendered and a statement that such holder is withdrawing all or a portion of his tender;

(xi) that (a) if Notes in an aggregate principal amount less than or equal to the Purchase Amount are duly tendered and not withdrawn pursuant to the Offer to Purchase, the Company shall purchase all such Notes and (b) if Notes in an aggregate principal amount in excess of the Purchase Amount are tendered and not withdrawn pursuant to the Offer to Purchase, the Company shall purchase Notes having an aggregate principal amount equal to the Purchase Amount on a pro rata basis (with such adjustments as may be deemed appropriate so that only Notes in denominations of $1,000 or integral multiples thereof shall be purchased and *provided* that Notes of $200,000 or less may only be redeemed in whole and not in part); and

(xii) that in the case of any holder whose Note is purchased only in part, the Company shall execute, and upon the written request of the Company, the Trustee shall authenticate and deliver to the holder of such Note without service charge, a new Note or Notes, of any authorized denomination as requested by such holder, in an aggregate principal amount equal to and in exchange for the unpurchased portion of the Note so tendered; *provided* that in the case of Notes represented by Global Notes, appropriate book-entry adjustments will be made to reflect any such purchase in part.

Any Offer to Purchase shall be governed by and effected in accordance with the Offer for such Offer to Purchase.

For so long as any Notes are listed on the Luxembourg Stock Exchange and the rules of such Stock Exchange so require, the Company will publish notices relating to the Offer to Purchase in a leading newspaper having a general circulation in Luxembourg, which is expected to be the *Luxembourger Wort*.

For so long as any Notes are listed on the PSE and the rules of such Stock Exchange so require, the Company will publish notices relating to the Offer to Purchase as prescribed by SMV and PSE regulations.

"**Officer's Certificate**" means a certificate signed by the President of the Board, any Director, the Chief Executive Officer, the Chief Operating Officer, any Senior Vice President, or the Secretary of the Board of the Company, and delivered to the Trustee.

"**Outstanding**," when used with respect to Notes, means, as of the date of determination, all Notes theretofore authenticated and delivered under the Indenture, *except*:

(i) Notes theretofore cancelled by the Trustee or delivered to the Trustee for cancellation;

(ii) Notes for whose payment or redemption money in the necessary amount has been theretofore deposited with the Trustee or any paying agent (other than the Company) in trust or set aside and segregated in trust by the Company (if the Company shall act as its own paying agent) for the holders of such Notes; *provided* that, if such Notes are to be redeemed, notice of such redemption has been duly given pursuant to the Indenture or provision therefor satisfactory to the Trustee has been made; and

(iii) Notes which have been paid or in exchange for or in lieu of which other Notes have been authenticated and delivered pursuant to the Indenture, other than any such Notes in respect of which there shall have been presented to the Trustee proof satisfactory to it that such Notes are held by a bona fide purchaser in whose hands such Notes are valid obligations of the Company;

*provided, however*, that in determining whether the holders of the requisite principal amount of the Outstanding Notes have given any request, demand, authorization, direction, notice, consent or waiver hereunder, Notes owned by the Company or any other obligor upon the Notes or any Affiliate of the Company or of such other obligor shall be disregarded and deemed not to be Outstanding, except that, in determining whether the Trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Notes which the Trustee knows to be so owned shall be so disregarded. Notes so owned which have been pledged in good faith may be regarded as Outstanding if the pledgee establishes to the satisfaction of the Trustee the pledgee's right so to act with respect to such Notes and that the pledgee is not the Company or any other obligor upon the Notes or any Affiliate of the Company or of such other obligor.

"**Pari Passu Debt**" means any Debt of the Company that ranks pari passu in right of payment to the Notes.

"**Permitted Asset Swap**" means the concurrent purchase and sale or exchange of related business assets or a combination of related business assets, cash and Cash Equivalents between the Company or any of its Subsidiaries and another Person.

"**Permitted Investments**" means:

(i) Investments in (a) Cash Equivalents or (b) deposit accounts, certificates of deposit and time deposits and money market deposits, bankers' acceptances and overnight bank deposits, in each case issued by or with a bank or trust company which is organized under the laws of the jurisdiction in which the Company or Restricted Subsidiary which makes such Investment operates; *provided* that in the case of this subclause (b), any such bank or trust company has no less than an Investment Grade international rating or higher by at least one nationally recognized statistical rating organization (as defined in Rule 436 under the Securities Act);

(ii) Investments by the Company or any Restricted Subsidiary in the Company or a Restricted Subsidiary that is primarily engaged in a Related Business;

(iii) Investments by the Company or any Restricted Subsidiary in a Person, if as a result of such Investment (a) such Person becomes a Restricted Subsidiary that is primarily engaged in a Related Business or (b) such Person is merged, consolidated or amalgamated into, or transfers or conveys all or substantially all of its assets to, or is liquidated into, the Company or a Restricted Subsidiary that is primarily engaged in a Related Business;

(iv) Investments acquired as consideration as permitted under "Limitation on Asset Dispositions";

(v) reasonable and customary payments to or on behalf of any of the directors, officers or employees of the Restricted Group or Millicom or any of its Subsidiaries, or in reimbursement of reasonable and customary payments or reasonable and customary expenditures made or Incurred by such Persons as directors, officers or employees;

(vi) Investments in customers and suppliers in the ordinary course of business which either (a) generate accounts receivable or (b) are accepted in settlement of bona fide disputes;

(vii) loans or advances to employees and officers (or loans to any direct or indirect parent, the proceeds of which are used to make loans or advances to employees or officers, or Guarantees of third-party loans to employees or officers) in the ordinary course of business;

(viii) stock, obligations or securities received in satisfaction of judgments, foreclosure of Liens or settlement of debts (whether pursuant to a plan of reorganization or similar arrangement or otherwise);

(ix) any Investment existing on the Issue Date;

(x) Investments in Interest Rate, Currency or Commodity Price Agreements not otherwise prohibited under the Indenture;

(xi) Investments in Millicom or any Subsidiary of Millicom for the purpose of acquiring any property so long as such acquired property is transferred to the Company or a Restricted Subsidiary within 60 days of such Investment;

(xii) Investments made pursuant to clauses (iii)(a)(4), (5) and (6) of "–Limitation on Asset Dispositions";

(xiii) Cash Management Loans;

(xiv) Intergroup Subordinated Loans; and

(xv) other Investments in Persons primarily engaged in a Related Business in an aggregate cumulative amount at any time outstanding not to exceed $20.0 million.

"**Permitted Liens**" means:

(i) Liens for taxes, assessments or governmental charges or levies on the property of the Company or any Restricted Subsidiary if the same shall not at the time be delinquent or thereafter can be paid without penalty, or are being contested in good faith and by appropriate proceedings promptly instituted and diligently concluded; *provided* that any reserve or other appropriate provision that shall be required in conformity with IFRS shall have been made therefor;

(ii) Liens imposed by law, such as statutory Liens of landlords', carriers', warehousemen's and mechanics' Liens and other similar Liens, on the property of the Company or any Restricted Subsidiary arising in the ordinary course of business or Liens arising solely by virtue of any statutory or common law (but not contractual) provisions relating to bankers' Liens, rights of set-off or similar rights and remedies as to deposit accounts or other funds maintained with a creditor depositary institution;

(iii) Liens on the property of the Company or any Restricted Subsidiary Incurred in the ordinary course of business to secure performance of obligations with respect to statutory or regulatory requirements, performance bids, trade contracts, letters of credit performance or return-of-money bonds, surety bonds or other obligations of a like nature and Incurred in a manner consistent with industry practice, in each case which are not Incurred in connection with the borrowing of money, the obtaining of advances or credit or the payment of the deferred purchase price of property and which do not in the aggregate impair in any material respect the use of property in the operation of the business of the Company and the Restricted Group taken as a whole;

(iv) Liens on property at the time the Company or any Restricted Subsidiary acquired such property, including any acquisition by means of a merger or consolidation with or into the Company or any Restricted Subsidiary; *provided*, *however*, that any such Lien may not extend to any other property of the Company or any Restricted Subsidiary;

(v) Liens on the property of a Person at the time such Person becomes a Restricted Subsidiary; *provided*, *however*, that any such Lien may not extend to any other property of the Company or any other Restricted Subsidiary that is not a direct or, prior to such time, indirect Subsidiary of such Person;

(vi) pledges or deposits by the Company or any Restricted Subsidiary under workmen's compensation laws, unemployment insurance laws or similar legislation, or good faith deposits in connection with bids, tenders, contracts (other than for the payment of Debt) or leases to which the Company or any Restricted Subsidiary is party, or deposits to secure public or statutory obligations of the Company or any Restricted Subsidiary or deposits for the payment of rent, in each case Incurred in the ordinary course of business;

(vii) utility easements, building restrictions and such other encumbrances or charges against real property as are of a nature generally existing with respect to properties of a similar character;

(viii) any provision for the retention of title to any property by the vendor or transferor of such property which property is acquired by the Company or a Restricted Subsidiary in a transaction entered into in the ordinary course of business of the Company or a Restricted Subsidiary and for which kind of transaction it is customary market practice for such retention of title provision to be included;

(ix) Liens arising by means of any judgment, decree or order of any court, to the extent not otherwise resulting in a Default hereunder so long as any appropriate legal proceedings which may have been duly initiated for the review of such judgment, decree or order have not been fully terminated or the period within which such proceedings may be initiated has not expired and any Liens that are required to protect or enforce rights in any administrative, arbitration or other court proceeding in the ordinary course of business;

(x) Liens securing any Credit Facility permitted under clause (iii) of the definition of "Permitted Debt" under the heading "—Certain Covenants of the Company—Limitation on Debt" or any Interest Rate, Currency or Commodity Price Agreement;

(xi) Liens on and pledges of the Capital Stock of any Unrestricted Subsidiary to secure Debt of that Unrestricted Subsidiary;

(xii) mortgages, liens, security interests, restrictions, encumbrances or any other matters of record that have been placed by any developer, landlord or other third party on property over which the Company or any Restricted Subsidiary has easement rights or on any real property leased by the Company or any Restricted Subsidiary or similar agreements relating thereto and any condemnation or eminent domain proceedings or compulsory purchase order affecting real property;

(xiii) Liens existing on the date of the Indenture;

(xiv) Liens in favor of the Company or any Restricted Subsidiary;

(xv) Liens on insurance policies and the proceeds thereof, or other deposits, to secure insurance premium financings in respect of the Company or any of its Restricted Subsidiaries;

(xvi) Liens arising from financing statement filings (or other similar filings in any applicable jurisdiction) regarding operating leases entered into by any Restricted Subsidiary of the Company in the ordinary course of business;

(xvii) Liens on goods (and the proceeds thereof) and documents of title and the property covered thereby securing Debt in respect of commercial letters of credit issued to facilitate the purchase, shipment or storage of such inventory or other goods;

(xviii) Liens on property of the Company or any Restricted Subsidiary of the Company to secure Debt Incurred by the Company or such Restricted Subsidiary pursuant to clauses (viii), (ix), (x), and (xi) of the definition of Permitted Debt;

(xix) Liens for the purpose of securing the payment of all or a part of the purchase price of Capital Lease Obligations or payments Incurred by the Company or its Subsidiaries to finance the acquisition, improvement or construction of, assets or property acquired or constructed in the ordinary course of business; *provided* that such Liens do not encumber any other assets or property of the Company or any Restricted Subsidiary other than such assets or property and assets affixed or appurtenant thereto;

(xx) Liens on the property of the Company or any Restricted Subsidiary to replace in whole or in part, any Lien described in the foregoing clauses (i) through (xix); *provided* that any such Lien is limited to all or part of the same property or assets (plus improvements, accessions, proceeds or dividends or distributions in respect thereof) that secured (or, under the written arrangements under which the original Lien arose, could secure) the Debt being refinanced or in respect of property that is the security for a Permitted Lien hereunder;

(xxi) any interest or title of a lessor under any Capital Lease Obligation or operating lease;

(xxii) Liens on any escrow account used in connection with an acquisition of property or Capital Stock of any Person or pre-funding a refinancing of Debt otherwise permitted by the Indenture;

(xxiii) Liens on the Company's and any of its Subsidiaries' deposits in favor of financial institutions arising from any netting or set-off arrangement substantially consistent with its current practice for the purpose of netting debt and credit balances substantially consistent with the Company's or the Subsidiaries' existing cash pooling arrangements;

(xxiv) Liens Incurred in the ordinary course of business of the Company or any of its Subsidiaries with respect to obligations that do not exceed the greater of $20.0 million or 3.0% of Total Assets at any one time outstanding and that do not in the aggregate materially detract from the value of the property of the Company and the

Restricted Subsidiaries, taken as a whole, or materially impair the use thereof in the operation of business by the Company or such Restricted Subsidiary;

(xxv) Liens over cash or other assets that secure collateralized obligations Incurred as Permitted Debt; *provided* that the amount of cash collateral does not exceed the principal amount of the Permitted Debt;

(xxvi) Liens on Receivables and related assets of the type described in the definition of "Qualified Receivables Transaction" Incurred in connection with a Qualified Receivables Transaction, and Liens on Investments in Receivables Entities;

(xxvii) Liens consisting of any right of set-off granted to any financial institution acting as a lockbox bank in connection with a Qualified Receivables Transaction;

(xxviii) Liens for the purpose of perfecting the ownership interests of a purchaser of Receivables and related assets pursuant to any Qualified Receivables Transaction;

(xxix) Liens arising in connection with other sales of Receivables permitted hereunder without recourse to the Company or any of its Subsidiaries;

(xxx) Liens securing Debt or other obligations of a Restricted Subsidiary owing to the Company or another Restricted Subsidiary;

(xxxi) Liens in respect of the ownership interests in, or assets owned by, any joint ventures or similar arrangements, other than joint ventures and similar arrangements that are Restricted Subsidiaries, securing obligations of such joint ventures or similar agreements;

(xxxii) any encumbrance or restriction (including, but not limited to, put and call arrangements) with respect to Capital Stock of any joint venture or similar arrangement pursuant to any joint venture or similar agreement;

(xxxiii) Liens for the benefit of the holders of the Notes; and

(xxxiv) Liens over rights under loan agreements relating to, or over notes or similar instruments evidencing, the on-loan of proceeds received by a Restricted Subsidiary from the issuance of Debt, which Liens are created to secure payment of such Debt.

"**Permitted Refinancing Debt**" means any renewals, extensions, substitutions, defeasances, discharges, refinancings or replacements (each, for purposes of this definition and clause (vii) of the definition of Permitted Debt, a "**refinancing**") of any Debt of the Company or a Restricted Subsidiary of the Company or pursuant to this definition, including any successive refinancings, as long as:

(i) such Permitted Refinancing Debt is in an aggregate principal amount (or if Incurred with original issue discount, an aggregate issue price) not in excess of the sum of: (a) the aggregate principal amount (or if Incurred with original issue discount, the aggregate accreted value plus all accrued interest) then outstanding of the Debt being refinanced; and (b) an amount necessary to pay any fees and expenses, including premiums and defeasance costs, related to such refinancing;

(ii) such Permitted Refinancing Debt has (a) a Stated Maturity that is either (1) no earlier than the Stated Maturity of the Debt being refinanced or (2) after the Stated Maturity of the Notes and (b) a Weighted Average Life to Maturity that is equal to or greater than the Weighted Average Life to Maturity of the Debt being refinanced; and

(iii) if the Debt being refinanced is subordinated in right of payment to the Notes, such Permitted Refinancing Debt is subordinated in right of payment to the Notes on terms at least as favorable to the holders of Notes as those contained in the documentation governing the Debt being refinanced; and

(iv) if the Company was the obligor on the Debt being refinanced, such Permitted Refinancing Debt is Incurred by the Company.

Permitted Refinancing Debt in respect of any Credit Facility or any other Debt may be Incurred from time to time after the termination, discharge or repayment of all or any part of such Credit Facility or other Debt.

"**Person**" means any natural person, corporation, company, voluntary association, partnership, limited liability company, joint venture, trust, unincorporated organization or Governmental Authority or other entity of whatever nature.

"**Preferred Stock**" of any Person means Capital Stock of such Person of any class or classes (however designated) that ranks prior, as to the payment of dividends or as to the distribution of assets upon any voluntary or involuntary liquidation, dissolution or winding up of such Person, to shares of Capital Stock of any other class of such Person.

"**PSE**" means the Panama Stock Exchange (*Bolsa de Valores de Panamá*).

"**Purchase Date**" has the meaning set forth in the definition of "Offer to Purchase."

"**Purchase Money Obligations**" means any Debt Incurred to finance or refinance the acquisition, leasing, construction or improvement of property (real or personal) or assets (including Capital Stock), and whether acquired through the direct acquisition of such property or assets or the acquisition of the Capital Stock of any Person owning such property or assets, or otherwise.

"**Qualified Capital Stock**" of any Person means any and all Capital Stock of such Person other than Redeemable Stock.

"**Qualified Receivables Transaction**" means any transaction or series of transactions that may be entered into by the Company or any of its Restricted Subsidiaries pursuant to which the Company or any of its Restricted Subsidiaries may sell, convey or otherwise transfer to (i) a Receivables Entity (in the case of a transfer by the Company or any of the Restricted Subsidiaries) and (ii) any other Person (in the case of a transfer by a Receivables Entity), or may grant a Lien in, any Receivables (whether now existing or arising in the future) of the Company or any of the Restricted Subsidiaries, and any assets related thereto including, without limitation, all collateral securing such Receivables, all contracts and all Guarantees or other obligations in respect of such accounts receivable, the proceeds of such Receivables and other assets which are customarily transferred, or in respect of which Liens are customarily granted, in connection with asset securitization involving Receivables and any Interest Rate, Currency or Commodity Price Agreement entered into by the Company or any such Restricted Subsidiary in connection with such Receivables.

"**Rating Agency**" means each of (i) Fitch and Moody's or (ii) if either Fitch or Moody's or both of them are not making ratings of the Notes publicly available, a nationally recognized U.S. rating agency or agencies, as the case may be, selected by the Company, which will be substituted for Fitch or Moody's or both, as the case may be.

"**Rating Category**" means (i) with respect to Fitch, any of the following categories (any of which may include a "+" or "-"): AAA, AA, A, BBB, BB, B, CCC, CC, C, R, SD and D (or equivalent successor categories); (ii) with respect to Moody's, any of the following categories (any of which may include a "1," "2" or "3"): Aaa, Aa, A, Baa, Ba, B, Caa, Ca, and C (or equivalent successor categories), and (iii) the equivalent of any such categories of Fitch or Moody's used by another Rating Agency, if applicable.

"**Receivable**" means a right to receive payment arising from a sale or lease of goods or the performance of services by a Person pursuant to an arrangement with another Person pursuant to which such other Person is obligated to pay for goods or services under terms that permit the purchase of such goods and services on credit and shall include, in any event, any items of property that would be classified as an "account," "chattel paper," "payment intangible" or "instrument" under the Uniform Commercial Code as in effect in the State of New York and any "supporting obligations" as so defined.

"**Receivables Entity**" means a Wholly Owned Subsidiary of the Company (or another Person in which the Company or any Subsidiary of the Company makes an Investment or to which the Company or any Subsidiary of the Company transfers Receivables and related assets) which engages in no activities other than in connection with the financing of Receivables and which is designated by the Board of Directors or senior management of the Company (as provided below) as a Receivables Entity:

(i) no portion of the Debt or any other obligations (contingent or otherwise) of which:

(a) is Guaranteed by the Company or any Subsidiary of the Company (excluding Guarantees of obligations (other than the principal of, and interest on, Debt) pursuant to Standard Securitization Undertakings);

(b) is recourse to or obligates the Company or any Subsidiary of the Company in any way other than pursuant to Standard Securitization Undertakings; or

(c) subjects any property or asset of the Company or any Subsidiary of the Company, directly or indirectly, contingently or otherwise, to the satisfaction thereof, other than pursuant to Standard Securitization Undertakings

except, in each such case, Permitted Liens as defined in clauses (xxvi) through (xxix) of the definition thereof;

(ii) with which neither the Company nor any Subsidiary of the Company has any material contract, agreement, arrangement or understanding (except in connection with a Purchase Money Note or Qualified Receivables Transaction) other than on terms not materially less favorable to the Company or such Subsidiary than those that might be obtained at the time from Persons that are not Affiliates of the Company, other than fees payable in the ordinary course of business in connection with servicing Receivables; and

(iii) to which neither the Company nor any Subsidiary of the Company has any obligation to maintain or preserve such entity's financial condition or cause such entity to achieve certain levels of operating results (other than those related to or incidental to the relevant Qualified Receivables Transaction).

Any such designation by the Board of Directors or senior management of the Issuer shall be evidenced to the Trustee by promptly filing with the Trustee a certified copy of the resolution of the Board of Directors of the Issuer giving effect to such designation or an Officer's Certificate certifying that such designation complied with the foregoing conditions.

"**Receivables Fees**" means reasonable distributions or payments made directly or by means of discounts with respect to any participation interest issued or sold in connection with, and other fees paid to a Person that is not a Receivables Entity in connection with, any Qualified Receivables Transaction.

"**Receivables Repurchase Obligation**" means any obligation of a seller of Receivables in a Qualified Receivables Transaction to repurchase Receivables arising as a result of a breach of a representation, warranty or covenant or otherwise, including as a result of a receivable or portion thereof becoming subject to any asserted defense, dispute, offset or counterclaim of any kind as a result of any action taken by, any failure to take action by or any other event relating to the seller.

"**Record Date**" means the          or          , as the case may be, immediately preceding an interest payment date.

"**Redeemable Stock**" of any Person means any Capital Stock of such Person that by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable) or otherwise (including upon the occurrence of an event) matures or is required to be redeemed (pursuant to any sinking fund obligation or otherwise) or is convertible into or exchangeable for Debt or is redeemable at the option of the holder thereof, in whole or in part, at any time prior to the final Stated Maturity of the Notes.

"**Related Assets**" means all assets, rights (contractual or otherwise) and properties, whether tangible or intangible (including ownership interests), used or intended for use in connection with a Related Business.

"**Related Business**" means any business in which the Company or its Subsidiaries are engaged, directly or indirectly, that consists primarily of, or are related to, operating, acquiring, developing or constructing any telecommunications services (including, without limitation, fixed and mobile telephony, broadband internet, network-related services, cable television, broadcast content, network-neutral services, electronic transactional, financial and commercial services related to the provision of telephony or internet services) and related businesses.

"**Related Person**" of any Person means any other Person directly or indirectly owning (i) 5% or more of the outstanding Common Stock of such Person (or, in the case of a Person that is not a corporation, 5% or more of the equity interest in such Person) or (ii) 5% or more of the combined voting power of the Voting Stock of such Person.

"**Restricted Cash**" means the amount of cash that would be stated as "restricted cash" on the consolidated statement of financial position of the Company as of such date in accordance with IFRS.

"**Restricted Group**," when used in respect of the Company, means the Company and the Restricted Subsidiaries, taken together on a consolidated basis.

"**Restricted MFS Cash**" means, as of any date of determination, an amount equal to any cash paid in or deposited by or held on behalf of any customer or dealer of, or any other third party in relation to, one or more of the Company's Subsidiaries engaged in the provision of mobile financial services and designated as "restricted cash" on the consolidated statement of financial position of the Company, together with any interest thereon.

"**Restricted Subsidiary**" means any Subsidiary of the Company, other than an Unrestricted Subsidiary; "**Restricted Subsidiaries**" means each Restricted Subsidiary, collectively.

"**Revolving Credit Facility**" means the facility agreement dated January 27, 2017, by and among Millicom International Cellular S.A., and The Bank of Nova Scotia, BNP Paribas, Citigroup Global Markets Limited, DNB Markets, a part of DNB Bank ASA, Sweden Branch ("**DNB**"), Goldman Sachs Bank USA, J.P. Morgan Limited, Nordea Bank AB (Publ), Standard Chartered Bank, the other Lenders party thereto, and DNB, acting as agent, relating to a credit facility initially providing for loans in a total aggregate principal amount of up to $600,000,000.

"**Sale/Leaseback Transaction**" means an arrangement relating to property now owned or hereafter acquired whereby the Company or a Restricted Subsidiary transfers such property to a Person and the Company or such Restricted Subsidiary leases it from such Person.

"**Securitization Obligation**" means any Debt or other obligation of any Receivables Entity.

"**Senior Secured Debt**" means, as of any date of determination, any Debt of the Company or any Restricted Subsidiary that is secured by a security interest in any assets of the Company or any of its Subsidiaries.

"**Shareholder Loans**" means Debt of the Company or a Subsidiary of the Company that is issued to and held by an equity owner of the Company or such Subsidiary, other than the Company or a Subsidiary of the Company, that, in each case, (1) will not have the benefit of any negative pledge covenant, collateral or security interest, (2) the terms of which provide that, in the event that (a) an installment of interest with respect to such Debt is not paid on the applicable interest payment date or (b) the principal of, or premium, if any, on any such Debt is not paid on the stated maturity or other date set for redemption, then the obligation to make such payment on such interest payment date, maturity date or other redemption date will not be a default under such Debt until after the maturity date of the Notes, and (3) the terms of which provide that no amount will be payable in bankruptcy, liquidation or any similar proceeding with respect to the Person Incurring such Debt until all claims of senior creditors of such Person, including, without limitation, the holders of the Notes, admitted in such proceeding have been satisfied.

"**SMV**" means the Panamanian Superintendency of Capital Markets (*Superintendencia de Mercado de Valores de Panamá*).

"**Specified Legal Expenses**" means, to the extent not constituting an extraordinary, non-recurring or unusual loss, charge or expense, all attorneys' and experts' fees and expenses and all other costs, liabilities (including all damages, penalties, fines and indemnification and settlement payments) and expenses paid or payable in connection with any threatened, pending, completed or future claim, demand, action, suit, proceeding, inquiry or investigation (whether civil, criminal, administrative, governmental or investigative).

"**Standard Securitization Undertakings**" means representations, warranties, covenants and indemnities entered into by the Company or any Subsidiary of the Company which are reasonably customary in a securitization of Receivables transactions, including, without limitation, those relating to the servicing of the assets of a Receivables Entity, it being understood that any Receivables Repurchase Obligation shall be deemed to be a Standard Securitization Undertaking.

"**Stated Maturity**," when used with respect to any security or any installment of interest thereon, means the date specified in such security as the fixed date on which the principal of such security or such installment of interest is due and payable, including pursuant to any mandatory redemption provision (but excluding any provision providing for the repurchase of such security at the option of the holder thereof upon the happening of any contingency beyond the control of the issuer unless such contingency has occurred).

"**Subsidiary**" of any Person means (i) a corporation more than 50% of the combined voting power of the outstanding Voting Stock of which is owned, directly or indirectly, by such Person or by one or more other Subsidiaries of such Person or by such Person and one or more Subsidiaries thereof or (ii) any other Person (other than a corporation) in which such Person, or one or more other Subsidiaries of such Person or such Person and one or more other Subsidiaries thereof, directly or indirectly, has at least a majority ownership and power to direct the policies, management and affairs thereof.

"**Subsidiary Guarantor**" means any Subsidiary of the Company that has provided a Note Guarantee and its respective successors until released from its obligations under its Note Guarantee and the Indenture in accordance with the terms of the Indenture, as amended and supplemented.

"**Telefónica Panamá**" means Telefónica Móviles Panamá, S.A. and its successors.

"**Total Assets**" means the consolidated total assets of the Company and its Subsidiaries as shown on the Company's most recent consolidated statement of financial position prepared on the basis of IFRS prior to the relevant date of determination calculated to give pro forma effect to any acquisitions (including through mergers or consolidations) and dispositions that have occurred subsequent to such period, including any such acquisitions to be made with the proceeds of Debt giving rise to the need to calculate Total Assets.

"**Tower Equipment**" means passive infrastructure related to telecommunications services, excluding telecommunications equipment, but including, without limitation, towers (including tower lights and lightning rods), power breakers, deep cycle batteries, generators, voltage regulators, main AC power, rooftop masts, cable ladders, grounding, walls and fences, access roads, shelters, air conditioners and BTS batteries owned by the Company or any Subsidiary of the Company.

"**U.S. Dollar Equivalent**" means with respect to any monetary amount in a currency other than U.S. Dollars, at any time of determination thereof, the amount of U.S. Dollars obtained by translating such other currency involved in such computation into U.S. Dollars at the spot rate for the purchase of U.S. Dollars with the applicable other currency as published in the Financial Times on the date that is two Business Days prior to such determination.

"**U.S. Dollars**" or "**$**" means the currency of the United States.

"**Unrestricted Subsidiary**" means (i) any Subsidiary designated as such by the Company's Board of Directors as set forth herein and (ii) any Subsidiary of an Unrestricted Subsidiary.

"**Value Creation Fees**" means any fees, royalties, management, consultancy or stewardship fees, service fees and any other fees paid by any of the Restricted Group to Millicom or any of its Subsidiaries (other than the Restricted Group).

"**Voting Stock**" of any Person means Capital Stock of such Person which ordinarily has voting power for the election of directors (or persons performing similar functions) of such Person, whether at all times or only so long as no senior class of securities has such voting power by reason of any contingency.

"**Weighted Average Life to Maturity**" means, when applied to any Debt or Preferred Stock at any date, the number of years obtained by dividing (i) the then outstanding principal amount of such Debt or liquidation preference of such Preferred Stock, as the case may be, into (ii) the total of the product obtained by multiplying (a) the amount of each then remaining installment, sinking fund, serial maturity or other required payments of principal or upon mandatory redemption, including payment at final maturity, in respect thereof, by (b) the number of years (calculated to the nearest one-twelfth) that will elapse between such date and the making of such payment.

"**Wholly Owned Subsidiary**" means (i) in respect of any Person, a Person, all of the Capital Stock of which (other than (a) directors' qualifying shares or an immaterial amount of shares required to be owned by other Persons pursuant to applicable law, regulation or to ensure limited liability and (b) in the case of a Receivables Entity, shares held by a Person that is not an Affiliate of the Company solely for the purpose of permitting such Person (or such Person's designee) to vote with respect to customary major events with respect to such Receivables Entity, including without limitation the institution of bankruptcy, insolvency or other similar proceedings, any merger or dissolution, and any change in charter documents or other customary events) is owned by that Person directly or (ii) indirectly by a Person that satisfies the requirements of clause (i).

## Taxation

***U.S. Federal Income Tax Considerations***

The following discussion is a summary of certain U.S. federal income tax consequences of acquiring, owning and disposing of the Notes. Except where otherwise noted, this discussion applies only to beneficial owners of Notes that purchase the Notes in this offering for cash at the "issue price" (generally, the first price at which a substantial amount of the Notes are sold to investors for cash (excluding sales to bondhouses, brokers, or similar organizations acting in the capacity of underwriters, placement agents or wholesalers)) and that hold the Notes as "capital assets" (generally, property held for investment). This discussion is based on the Internal Revenue Code of 1986, as amended (the "Code"), its legislative history, existing final, temporary and proposed U.S. Treasury regulations, administrative pronouncements by the Internal Revenue Service (the "IRS") and judicial decisions, all as of the date hereof and all of which are subject to change (possibly on a retroactive basis) and to different interpretations.

This discussion does not purport to address all U.S. federal income tax consequences that may be relevant to a particular holder and holders are urged to consult their own tax advisors regarding their specific tax situations. The discussion does not address the tax consequences that may be relevant to holders subject to special tax rules, including, for example:

- insurance companies;
- tax-exempt organizations;
- dealers in securities or currencies;
- traders in securities that elect the mark-to-market method of accounting with respect to their securities holdings;
- banks or other financial institutions;
- partnerships or other pass-through entities for or arrangements U.S. federal income tax purposes;
- U.S. Holders whose functional currency for U.S. federal income tax purposes is not the U.S. dollar;
- U.S. expatriates;
- controlled foreign corporations;
- passive foreign investment companies; or
- holders that hold the Notes as part of a hedge, straddle, conversion or other integrated transaction.

Further, this discussion does not address the U.S. federal estate and gift tax, any state, local and non-U.S. tax consequences of acquiring, owning and disposing of the Notes, or certain U.S. federal income tax consequences that may be applicable to holders' particular circumstances, such as alternative minimum tax consequences, the Medicare tax on net investment income, or the effects of Section 451(b) of the Code conforming the timing of certain income accruals to financial statements.

As used herein, the term "U.S. Holder" means a beneficial owner of the Notes that is, for U.S. federal income tax purposes:

- an individual who is a citizen or resident of the United States;
- a corporation, or any other entity taxable as a corporation, created or organized in or under the laws of the United States, any state thereof or the District of Columbia;
- an estate the income of which is subject to U.S. federal income tax regardless of its source; or

- a trust if (i) a court within the United States is able to exercise primary supervision over its administration and one or more U.S. persons have the authority to control all substantial decisions of the trust or (ii) the trust has an election in effect under current U.S. Treasury regulations to be treated as a U.S. person.

The term "Non-U.S. Holder" means a beneficial owner of a Note that is neither a U.S. Holder nor a partnership or other entity or arrangement treated as a partnership for U.S. federal income tax purposes.

If a partnership (or any other entity or arrangement treated as a partnership for U.S. federal income tax purposes) holds the Notes, the tax treatment of the partnership and a partner in such partnership generally will depend on the status of the partner and the activities of the partnership. Such partner or partnership should consult its own tax advisor as to its consequences of acquiring, owning and disposing of the Notes.

***Potential Contingent Payment Debt Instrument Treatment***

Certain debt instruments that provide for one or more payments in excess of stated interest or principal are subject to U.S. Treasury regulations governing contingent payment debt instruments. A payment is not treated as a contingent payment under these regulations if, as of the issue date of the debt instrument, there is only a remote likelihood that any contingencies causing the payment of such excess amounts will occur or such excess amounts, in the aggregate, are considered incidental. In certain circumstances as set forth in the Description of Notes, we may be required to pay amounts in excess of the stated interest or principal of the Notes. See, for example, "Description of Notes—Additional Amounts" and "Description of Notes—Change of Control." Although the issue is not free from doubt, we intend to take the position that the possibility of paying excess amounts is remote or that such amounts are incidental, and therefore the Notes are not subject to the rules governing contingent payment debt instruments. Our position will be binding on a holder unless such holder discloses its contrary position to the IRS in the manner that is required by applicable U.S. Treasury regulations. Our determination is not, however, binding on the IRS. It is possible that the IRS might take a different position from that described above, in which case the timing, character and amount of taxable income in respect of the Notes may differ adversely from that described herein. The remainder of this discussion assumes that the Notes will not be treated as contingent payment debt instruments.

***U.S. Holders***

*Payments of Interest*

This discussion assumes that the Notes will not be issued with more than a *de minimis* amount of original issue discount for U.S. federal income tax purposes. Interest paid to a U.S. Holder on a Note, including any amount withheld in respect of any taxes and any Additional Amounts, will be includible in such U.S. Holder's gross income as ordinary interest income at the time such payments are received or accrued in accordance with such U.S. Holder's usual method of tax accounting for U.S. federal income tax purposes. In addition, interest on the Notes will be treated as foreign source income for U.S. federal income tax purposes and generally will constitute "passive category" income for most U.S. Holders. Subject to generally applicable restrictions and conditions (including a minimum holding period requirement), a U.S. Holder generally will be entitled to a foreign tax credit in respect of any foreign income taxes withheld on interest payments on the Notes. Alternatively, the U.S. Holder may deduct such taxes in computing taxable income for U.S. federal income tax purposes provided that the U.S. Holder does not elect to claim a foreign tax credit for any foreign income taxes paid or accrued for the relevant taxable year. The rules governing the foreign tax credit are complex. U.S. Holders are urged to consult their tax advisors regarding the availability of the foreign tax credit under their particular circumstances.

*Sale, Exchange or Other Taxable Disposition*

Upon the sale, exchange or other taxable disposition (including a redemption) of a Note, a U.S. Holder generally will recognize taxable gain or loss equal to the difference, if any, between the amount realized on the sale, exchange or other taxable disposition (other than accrued but unpaid stated interest which will be taxable as ordinary income to the extent not previously included in gross income) and the U.S. Holder's adjusted tax basis in the Note. A U.S. Holder's adjusted tax basis in a Note generally will equal the cost of the Note to the U.S. Holder. Any such gain or loss generally will be capital gain or loss and will be long-term capital gain or loss if the Note has been held for more than one year at the time of its sale, exchange or other taxable disposition. Certain non-corporate U.S. Holders (including individuals) may be eligible for preferential rates of U.S. federal income tax in respect of long-term capital gains. The deductibility of capital losses is subject to limitations under the Code.

Any gain or loss realized on the sale, exchange or other taxable disposition of a Note generally will be treated as U.S. source gain or loss, as the case may be. If any gain from the sale, exchange or other taxable disposition of Notes is subject to foreign income tax, U.S. Holders may not be able to credit such tax against their U.S. federal income tax liability under the U.S. foreign tax credit limitations of the Code (because such gain generally would be U.S. source income) unless such income tax can be credited (subject to applicable limitations) against U.S. federal income tax due on other income that is treated as derived from foreign sources. Alternatively, the U.S. Holder may deduct such taxes in computing taxable income for U.S. federal income tax purposes *provided* that the U.S. Holder does not elect to claim a foreign tax credit for any foreign income taxes paid or accrued for the relevant taxable year.

*Information Reporting and Backup Withholding*

Backup withholding and information reporting requirements generally apply to payments of principal of, and interest on, a Note (including Additional Amounts, if any), and to proceeds of the sale, exchange or other taxable disposition (including redemption) of a Note, to U.S. Holders. Information reporting generally will apply to payments of principal of, and interest on, Notes (including Additional Amounts, if any), and to proceeds from the sale, exchange or other taxable disposition (including redemption) of Notes within the United States, or by a U.S. payor or U.S. middleman, to a U.S. Holder (other than an exempt recipient). Backup withholding will be required on payments made within the United States, or by a U.S. payor or U.S. middleman, on a Note to a U.S. Holder, other than an exempt recipient, if the U.S. Holder fails to furnish its correct taxpayer identification number or otherwise fails to comply with, or establish an exemption from, the backup withholding requirements.

Backup withholding is not an additional tax. A holder of Notes generally will be entitled to credit any amounts withheld under the backup withholding rules against its U.S. federal income tax liability or to obtain a refund of the amounts withheld provided the required information is furnished to the IRS in a timely manner.

*Specified Foreign Financial Asset Reporting*

In addition, certain U.S. Holders are required to report information relating to an interest in the Notes, subject to certain exceptions (including an exception for Notes held in accounts maintained by certain financial institutions). U.S. Holders should consult their tax advisors regarding the effect, if any, of this legislation on their ownership and disposition of the Notes.

The above description is not intended to constitute a complete analysis of all tax consequences relating to the ownership of Notes. Prospective purchasers of Notes should consult their own tax advisors concerning the tax consequences of their particular situations.

***Non-U.S. Holders***

*Payments of Interest*

Subject to the discussion below, including under "—Information Reporting and Backup Withholding," payments to a Non-U.S. Holder of interest generally will not be subject to U.S. federal income tax unless such interest is effectively connected with such Non-U.S. Holder's conduct of a trade or business in the United States.

If a Non-U.S. Holder is engaged in a trade or business in the United States and interest on the Notes is effectively connected with such Non-U.S. Holder's conduct of such trade or business, then, unless an applicable income tax treaty provides otherwise, such Non-U.S. Holder generally will be subject to U.S. federal income tax on that interest on a net income basis in the same manner as if such Non-U.S. Holder were a U.S. Holder, as described above (but without regard to the surtax on "net investment income"). In addition, a Non-U.S. Holder that is a corporation may be subject to a branch profits tax at a rate of 30.0% (or lower applicable income tax treaty rate) on its effectively connected earnings and profits, subject to adjustments.

*Sale, Exchange, or Other Taxable Disposition*

Subject to the discussion below, including under "—Information Reporting and Backup Withholding," any gain realized by a Non-U.S. Holder on a sale, exchange, retirement, redemption, or other taxable disposition of a Note generally will not be subject to U.S. federal income tax unless:

- that gain is effectively connected with the Non-U.S. Holder's conduct of a trade or business in the United States; or
- the Non-U.S. Holder is an individual who is present in the United States for 183 days or more in the taxable year of that disposition, and certain other conditions are met.

If a Non-U.S. Holder is described in the first bullet point above, unless an applicable income tax treaty provides otherwise, such Non-U.S. Holder generally will be subject to tax on the net gain derived from the sale, exchange, retirement, redemption, or other taxable disposition of the Note in the same manner as if such Non-U.S. Holder were a U.S. Holder, as described above (but without regard to the surtax on "net investment income"). A Non-U.S. Holder described in the first bullet point above that is a corporation may also be subject to a branch profits tax at a rate of 30.0% (or lower applicable income tax treaty rate) on its effectively connected earnings and profits, subject to adjustments.

If a Non-U.S. Holder is described in the second bullet point above, such Non-U.S. Holder will be subject to a 30.0% tax on the gain derived from the sale, exchange, retirement, redemption, or other taxable disposition of the Note, which may be offset by certain U.S. source capital losses, even though such Non-U.S. Holder is not considered a resident of the United States.

If any portion of the amount realized on a sale, exchange, retirement, redemption, or other taxable disposition of a Note is attributable to accrued but unpaid interest, such portion will be taxed as interest, as described above under "—Payments of Interest."

*Information Reporting and Backup Withholding*

In certain circumstances, a Non-U.S. Holder may be subject to information reporting and/or backup withholding tax (currently at a rate of 24.0%) on payments of interest on, and the proceeds from a disposition (including a retirement or redemption) of, the Notes, unless such Non-U.S. Holder certifies its non-U.S. status under penalty of perjury on a properly completed IRS Form W-8BEN or IRS Form W-8BEN-E (or appropriate successor form), as applicable, or otherwise establishes and satisfies the requirements of an exemption.

Backup withholding is not an additional tax. Any amounts withheld from a payment to a Non-U.S. Holder under the backup withholding rules generally will be allowed as a credit against such Non-U.S. Holder's U.S. federal income tax liability and may entitle such Non-U.S. Holder to a refund, provided that the required information is furnished to the IRS in a timely manner. Non-U.S. Holders should consult their tax advisors regarding the application of backup withholding, the availability of an exemption from backup withholding, and the procedure for obtaining such an exemption, if available.

***Material Panamanian Tax Consequences***

The following is a summary of income tax, stamp tax and certain other tax implications that may result under Panamanian law as a consequence of deriving income from the Notes and the transfer of the Notes by investors. This summary is based on the Panamanian Tax Code of 1956, as amended, other applicable tax laws, Law Decree No. 1 of 1999 (restated and amended from time to time) (''Panama Securities Law'') and decrees and regulations promulgated thereunder, interpretive rulings issued by tax authorities, and judicial decisions, all as in effect on the date hereof.

This summary is subject to changes in these laws, decrees, regulations, rulings and judicial decisions occurring after the date hereof, possibly with retroactive effect. This summary is intended as a descriptive summary only and is not a complete analysis or listing of all potential Panamanian income tax consequences to holders of the Notes.

The summary does not address the tax treatment of potential investors that may be subject to special income tax withholding rules. The summary is not intended as tax advice to any particular investor, nor does it purport to provide information at the level of detail or with attention to an investor's specific tax circumstances that might be provided by an investor's own tax advisor.

Prospective purchasers of the Notes are urged to consult their own tax advisors as to Panamanian and other tax consequences of acquiring, owning and transferring of the Notes.

***Taxation of Interests***

Interest payable on the Notes will be exempt from income tax or withholding requirements in Panama, provided that the Notes are registered with the SMV and are initially placed on an exchange or through an organized market. The Notes are registered with the SMV and listed on the PSE.

Accordingly, interest payments made on the Notes will be exempt from income tax or withholding requirements in Panama ; provided, however, that there can be no assurance that these tax benefits will not be changed or revoked by the Government in the future. Interest payments on Notes that are not initially placed on the PSE or another organized market are subject to a 5.0% income tax, which would have to be withheld by us.

***Taxation on Transfers***

Upon registration of the Notes with the SMV, any capital gains realized by a Noteholder on the sale or other transfer of Notes will be exempt from income tax in Panama, provided that the sale or transfer of the Notes is made through an exchange or other organized market in Panama or outside of Panama. The listing and negotiation of the Notes has been authorized by the PSE. Thus, any gains realized on the sale of the Notes on this exchange will be exempt from income tax in Panama.

If the Notes are not sold through a securities exchange or another organized market, pursuant to article 701(e) of the Panamanian Tax Code of 1956, as amended, which is regulated by Executive Decree No. 170 of October 27 of 1993 (as amended by Executive Decree No. 135 of February 6, 2012), and article 334 of the Panama Security Law (Decree Law 1 of 1999) (i) the seller will be subject to income tax in Panama on capital gains realized on the sale of the Notes calculated at a fixed rate of ten percent (10.0%) on the gain realized, and; (ii) the buyer will be obligated to withhold from the seller an amount equal to five percent (5.0%) of the aggregate proceeds of the sale, as an advance on the capital gains income tax payable by the seller, and the buyer will be required to deliver the withheld amount to the tax authorities within ten (10) business days following the date of withholding; and (iii) the seller will have the option of (1) considering the amount withheld by the buyer as definitive payment of the seller's obligation to pay income tax on capital gains; or (2) in the event the amount withheld by the buyer is greater than the amount of capital gains income tax payable by the seller, that is, ten percent (10.0%) of the capital gain actually realized on the sale, the seller shall have the option of filing a sworn affidavit before the tax authorities claiming a tax credit or refund of the amount paid in excess.

***Stamp and Other Taxes***

Upon registration of the Notes with the SMV, the Notes will not be subject to stamp, registration or similar taxes.

***Foreign Investors***

A person domiciled outside of Panama is not required to file a tax return in Panama, solely by reason of his or her investment in the Notes, provided that gains realized on the sale and disposition of the Notes are exempt from income tax as indicated above.

## Corporate Governance

On November 11, 2003, the SMV approved Agreement No. 12-2003 by means of which the guides and principles of corporate governance are recommended for all registered companies. Subsequently, in February 2004, the Board of Directors of the PSE approved the principles of disclosure of corporate governance practices for registered issuers.

The adoption of these recommendations is not mandatory. Nevertheless, issuers that are registered with the SMV are required to publicly reveal whether or not they are adopted.

Our Board of Directors has partially adopted the corporate governance recommendation as applicable to our business. Pursuant to item C, Section IX of article 7 of Agreement No. 2-2010, we have adopted the following principles and procedures of corporate governance:

- Decisions adopted at Board of Directors and shareholders meetings are documented in writing through minutes. The minutes will reflect the discussions that take place during such meetings and are prepared, approved and signed in the corresponding meeting. They are later kept in places designated for recordkeeping.
- There are information and communication policies with respect to our shareholders and third parties.
- The members of the Board of Directors must disclose any conflict of interest in any matter submitted for their consideration.
- There are policies to control risk.
- We maintain appropriate accounting records that reasonably reflect our financial position.
- Our assets are protected and we have procedures for the prevention and detection of fraud and other irregularities.
- We maintain internal control mechanisms.

Quorum at meetings of our Board of Directors shall be deemed constituted with the presence of at least two Majority Shareholder Directors (as defined in our Articles of Incorporation) and of the Continuing Shareholder Directors (as defined in our Articles of Incorporation). Decisions of the Board shall be adopted pursuant to the affirmative vote of the majority of the Directors present at such meeting.

Notwithstanding the preceding, quorum at meetings seeking a vote on the following matters shall only be constituted when all of our Directors are present or duly represented and approval of such matters requires the unanimous, affirmative vote of all of our Directors:

1. Any amendment to our Articles of Incorporation that adversely affect the rights of our Continuing Shareholders;
2. Any redemptions of or dividend or distributions with respect to any of our (i) stock, (ii) securities convertible into or exchangeable for any of our share capital or capital stock and (iii) any options, warrants or other rights to acquire any of our share capital or capital stock ("Equity Securities") on a non-pro rata basis;
3. Any transactions, agreements, arrangements or payments (or any series of related transactions, agreements, arrangements or payments), between any of our shareholders or any of our Affiliates or Non-Controlled Affiliates (as defined in our Articles of Incorporation) on the one hand, and us or any of our subsidiaries or Non-Controlled Affiliates, on the other hand (each, a "Related Party Transaction") that involve aggregate payments or receipts in excess of $100,000;
4. Any voluntary liquidation, dissolution, winding up, commencement of or consent to bankruptcy, insolvency, liquidation or similar proceedings with respect to us or any of our subsidiaries;

5. Creation, incurrence or assumption any new indebtedness that would result in our Net Indebtedness to EBITDA ratio exceeding 5:1 for our last four consecutive fiscal quarters ending with the most recent fiscal quarter for which financial statements are available as of the date of such determination; and

6. Issuance or sale any Equity Securities unless such issuance or sale is made by us in connection with a Distress Event (as defined in our Articles of Incorporation).

Following Millicom's acquisition of Cable Onda, Millicom and certain of our other shareholders entered into a shareholders' agreement, dated December 13, 2018. Pursuant to the shareholders' agreement, and as further reflected in our Articles of Incorporation, at all meetings of our shareholders the presence of a majority of the issued and outstanding shares shall constitute quorum and all resolutions of the shareholders shall be adopted by the affirmative vote of the majority of the issued and outstanding shares.

Notwithstanding the preceding, quorum at any meeting seeking a vote on the following actions, shall be constituted when shareholders representing all of our issued and outstanding shares are present or duly represented and approval of such matters shall require the affirmative vote of holders of 90.0% or more of our issued and outstanding shares:

1. Any amendment to our Articles of Incorporation that adversely affect the rights of our Continuing Shareholders;

2. Any redemptions of or dividend or distributions with respect to any Equity Security on a non-pro rata basis;

3. Any transactions, agreements, arrangements or payments between any of our shareholders or any of its Affiliates or Non-Controlled Affiliates, on the one hand, and us or any of our subsidiaries or Non-Controlled Affiliates, on the other hand, that involves aggregate payments or receipts in excess of $100,000;

4. Any voluntary liquidation, dissolution, winding up, commencement of or consent to bankruptcy, insolvency, liquidation or similar proceedings with respect to us or any of our subsidiaries;

5. Creation, incurrence or assumption any new indebtedness that would result in our Net Indebtedness to EBITDA ratio exceeding 5:1 for our last four consecutive fiscal quarters ending with the most recent fiscal quarter for which financial statements are available as of the date of such determination; and

6. Issuance or sale any Equity Securities unless such issuance or sale is made by us in connection with a Distress Event (as defined in our Articles of Incorporation).

## Plan of Distribution

We and the Initial Purchasers have entered into a purchase agreement relating to the offering and sale of the Notes. In the purchase agreement, we have agreed to sell to the Initial Purchasers, and the Initial Purchasers have agreed to purchase the principal amount of Notes indicated in the following table.

| Initial Purchaser | Principal Amount |
|---|---|
| Goldman Sachs & Co. LLC | $ |
| J.P. Morgan Securities LLC | $ |
| BNP Paribas Securities Corp. | $ |
| Morgan Stanley & Co. LLC | $ |
| Scotia Capital (USA) Inc. | $ |
| Total | $ |

The Initial Purchasers have agreed to purchase all the Notes if any of them are purchased. The obligations of the Initial Purchasers under the purchase agreement, including their agreement to purchase Notes from us, are several and not joint. Those obligations are also subject to various conditions in the purchase agreement being satisfied or waived on or prior to the settlement date (the "Conditions"). In addition, the purchase agreement permits the Initial Purchasers to terminate their obligation to purchase the Notes in certain circumstances, including general trading suspensions, bank moratoria in the United States or Panama and acts of war or terrorism ("Termination Events").

The Initial Purchasers have advised us that they propose to offer the Notes for resale at the offering price that appears on the cover of this offering memorandum. After the initial offering, the Initial Purchasers may change the offering price and any other selling terms. The Initial Purchasers may offer and sell the Notes through any of their respective affiliates.

In the purchase agreement, we have also agreed that:

- We will not offer or sell any of our debt securities, other than the Notes, for a period of 60 days after the date of this offering memorandum without the prior consent of the representatives; and

- We will indemnify the Initial Purchasers against some liabilities, including liabilities under the Securities Act, or contribute to payments that the Initial Purchasers may be required to make in respect of those liabilities.

The Notes have not been registered under the Securities Act. The Notes will be listed on and offered by us through the PSE.

The Issuer anticipates that the aggregate principal amount of the bids for the Notes that it accepts from B.G. Valores (the "Local Broker") will equal the aggregate principal amount of the Notes set forth on the cover page of this offering memorandum. Bids accepted from local brokers may be at prices equal to or higher than the price at which the Notes will be offered to investors initially, which is set forth on the front cover page of this offering memorandum.

In addition, until 40 days after the commencement of this offering, an offer or sale of Notes within the United States by a dealer that is not participating in the offering may violate the registration requirements of the Securities Act if that offer or sale is made otherwise than in accordance with Rule 144A.

In the purchase agreement, each Initial Purchaser has acknowledged and agreed that:

- The Notes may not be offered or sold within the United States or to U.S. persons, except pursuant to an exemption from the registration requirements of the Securities Act or in transactions not subject to those registration requirements; and

- During the initial distribution of the Notes, it will offer or sell Notes only to qualified institutional buyers in compliance with Rule 144A and outside the United States in compliance with Regulation S.

Each purchaser of the Notes offered by this offering memorandum, in making its purchase, will be deemed to have made certain acknowledgements, representations and agreements as described under "Transfer Restrictions."

The offering of the Notes by the Initial Purchasers is subject to receipt and acceptance and subject to the Initial Purchasers' right to reject any order in whole or in part.

***Settlement***

*Panamanian Settlement Process*

We have appointed BG Investment Co., Inc., as the Broker-Dealer House of the Notes through the PSE. BG Investment Co., Inc. has a Trading Post at the PSE and is a broker-dealer authorized to act as such by the SMV, pursuant to Resolutions CNV-322-00 of November 24, 2000.

The offices of BG Investment Co., Inc. are located at Calle Aquilino de la Guardia y Ave. 5ta B Sur, Panama City, Republic of Panama, its telephone number is (507) 303-5001 and its fax number is (507) 265-0291. BG Investment Co., Inc. will enter into a broker-dealer house agreement with us to carry out the sale of the Notes through the PSE. Among the services to be rendered in its role as placement agent of the Notes, BG Investment Co., Inc. may:

- carry out the offers of the Notes through the PSE pursuant to the rules of the PSE; and
- deliver at the disposal of the broker-dealer houses, brokers, investments advisors and the public in general, this offering memorandum and any amendments to it.

As set forth in the Primary Market Manual Proceeding of the PSE, as amended, the public auction process described below is applicable to the Notes. The Panamanian public auction procedures applicable to the Notes could be either those applicable to the "first session of the primary market," which is a session solely available on the PSE for certain issuances of securities in respect of which settlement takes place totally or partially in the international markets, including, among others, this offering of the Notes and which takes place between 8:00 a.m. and up to 9:00 a.m. (Panama time) or the regular trading session that takes place between 10:00 a.m. and up to 3:00 p.m. (Panama time).

At the chosen trading session on the date we offer the Notes through the PSE, a trading session in respect of the Notes will be opened, on the one hand, for each person registered as a member of the PSE (a "Local Broker") as potential purchasers of the Notes, and, on the other hand, for us as issuer and seller of the Notes. During this period, any Local Broker will be permitted to submit a bid to purchase the Notes and we will be permitted to present our offer to sell the Notes on the PSE. Any such bids to purchase the Notes are required to be for the full principal amount of the offering as they will be made as an "all or none" order (AON) under PSE regulation. During the applicable trading session on the same date, the Initial Purchasers will submit their bid to purchase the Notes through J.P. Morgan Securities LLC, which bid shall be for the totality of the Notes.

In the purchase agreement relating to the Notes we have also agreed that if the representative of the Initial Purchasers shall not have placed and secured the highest (and in case of equality, earliest) bid price for the Notes, we will withdraw any offer to sell the Notes on the Issue Date on the PSE and any such offer shall immediately be withdrawn and cancelled and be of no further force or effect. See "Risk Factors—Certain risk factors related to the Notes." The public auction at the PSE will allow any investor to submit a bid for the Notes and the bidder submitting the highest, and in case of equality the earliest, bid would have the right to purchase the Notes. If a bidder different from the representatives of the Initial Purchasers submits a higher or an equal but earlier bid, you will not receive the Notes on the Issue Date as we will abstain from selling and the offering will be cancelled in consideration to the liabilities that we could face under the purchase agreement.

However, if the Initial Purchasers were to determine on or prior to the settlement date, in accordance with the terms of the purchase agreement, that any of the Conditions has not been satisfactorily met or waived or that a Termination Event has occurred or if we and the Initial Purchasers mutually agree, the Initial Purchasers have the right to require us to repurchase the Notes on the settlement date by delivering a notice to us, and in that event we shall repurchase on the settlement date the Notes sold to the representative of the Initial Purchasers on the PSE. The repurchase price (and, if redemption of any of the Notes is required, the redemption price) shall be equal to the price payable to the Issuer for the Notes (including any premium, discount and/or prepaid interest) and no Make-whole Premium or any other amounts shall be payable in connection therewith. The Issuer's obligation to pay the repurchase price for the Notes acquired by the Initial Purchaser and the Issuer's obligation to pay the repurchase or redemption price for the Notes acquired by other purchasers (in the case of any redemption, to the greatest extent possible) will be set off against the Initial Purchaser's obligation (and the other purchaser's obligation, as applicable) to pay the purchase price for such Notes.

*International Settlement*

The settlement of the Notes will take place out of the Panamanian trading market and LatinClear system as prescribed in the purchase agreement. We expect that delivery of the Notes will be made to investors on or about , 2019, which will be the business day following the date of this offering memorandum (such settlement being referred to as "T+ "). Under Rule 15c6-1 under the Exchange Act trades in the secondary market are required to settle in two business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade Notes prior to the delivery of the Notes hereunder will be required, by virtue of the fact that the Notes initially settle in T+ , to specify an alternate settlement arrangement at the time of any such trade to prevent a failed settlement. Purchasers of the Notes who wish to trade the Notes prior to their date of delivery hereunder should consult their advisors.

***New Issue of Securities***

The Notes are a new issue of securities with no established trading market. We intend to list the notes on the Euro MTF Market of the Luxemborg Stock Exchange. The notes will be listed on the PSE. We have been advised by the Initial Purchasers that they presently intend to make a market in the Notes after completion of the offering. However, they are under no obligation to do so and may discontinue any market-making activities at any time without any notice. We cannot assure the liquidity of the trading market for the Notes. If an active trading market for the Notes does not develop, the market price and liquidity of the Notes may be adversely affected. If the Notes are traded, they may trade at a discount from their initial offering price, depending on prevailing interest rates, the market for similar securities, our operating performance and financial condition, general economic conditions and other factors.

In connection with the offering, the Initial Purchasers may purchase and sell the Notes in the open market. These transactions may include short sales and purchases on the open market to cover positions created by short sales. Short sales involve the sale by the Initial Purchasers of a greater principal amount of Notes than they are required to purchase in the offering. The Initial Purchasers must close out any short position by purchasing Notes in the open market. A short position is more likely to be created if the Initial Purchasers are concerned that there may be downward pressure on the price of the Notes in the open market after pricing that could adversely affect investors who purchase in the offering.

Similar to other purchase transactions, any purchases by the Initial Purchasers to cover the syndicate short sales may have the effect of raising or maintaining the market price of the Notes or preventing or retarding a decline in the market price of the Notes. As a result, the price of the Notes may be higher than the price that might otherwise exist in the open market.

Neither we nor any of the Initial Purchasers makes any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the Notes. In addition, neither we nor any of the Initial Purchasers makes any representation that the representative will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

Certain of the Initial Purchasers and their affiliates have provided in the past to us and our affiliates and may provide from time to time in the future certain commercial banking, financial advisory, investment banking and other services for us and such affiliates in the ordinary course of their business, for which they have received and may continue to receive customary fees and commissions. Certain of the Initial Purchasers or their respective affiliates are agents and/or lenders to the Issuer and its subsidiaries under the Bridge Loan Agreement, for which they have received or expect to receive customary compensation. In addition, from time to time, certain of the Initial Purchasers and their affiliates may effect transactions for their own account or the account of customers, and hold on behalf of themselves or their customers, long or short positions in our debt or equity securities or loans, and may do so in the future.

### *Selling Restrictions*

Neither we nor the Initial Purchasers are making an offer to sell, or seeking offers to buy, the Notes in any jurisdiction where the offer and sale is not permitted. You must comply with all applicable laws and regulations in force in any jurisdiction in which you purchase, offer or sell the Notes or possess or distribute this offering memorandum, and you must obtain any consent, approval or permission required for your purchase, offer or sale of the Notes under the laws and regulations in force in any jurisdiction to which you are subject or in which you make such purchases, offers or sales. Neither we nor the Initial Purchasers will have any responsibility therefor.

### *Argentina*

The Notes have not been registered with the Comision Nacional de Valores and may not be offered publicly in Argentina. The Notes may not be publicly distributed in Argentina. Neither we nor the Initial Purchasers will solicit the public in Argentina in connection with this offering memorandum.

### *Brazil*

The Notes have not been and will not be issued nor publicly placed, distributed, offered or negotiated in the Brazilian capital markets. The issuance of the Notes has not been nor will be registered with the Securities Commission of Brazil (*Comissao de Valores Mobiliarios*, or "CVM"). Any public offering or distribution, as defined under Brazilian laws and regulations, of the Notes in Brazil is not legal without prior registration under Law No. 6,385/ of December 7, 1976, as amended, and Instruction No. 400, issued by the CVM on December 29, 2003, as amended. Documents relating to the offering of the Notes, as well as information contained therein, may not be supplied to the public in Brazil (as the offering of the Notes is not a public offering of securities in Brazil), nor be used in connection with any offer for subscription or sale of the Notes to the public in Brazil. Therefore, each of the Initial Purchasers has represented, warranted and agreed that it has not offered or sold, and will not offer or sell, the Notes in Brazil, except in circumstances which do not constitute a public offering, placement, distribution or negotiation of securities in the Brazilian capital markets regulated by Brazilian laws and regulations. Persons wishing to offer or acquire the Notes within Brazil should consult with their own counsel as to the applicability of registration requirements or any exemption therefrom.

### *Chile*

Pursuant to Law No. 18,045 of Chile (the securities market law of Chile) and Rule (*Norma de Carácter General*) No. 336, dated June 27, 2012 (Rule 336), issued by the Superintendency of Securities and Insurance of Chile (*Superintendencia de Valores y Seguros de Chile*, or "SVS"), the Notes may be privately offered in Chile to certain "qualified investors" identified as such by Rule 336 (which in turn are further described in rule No. 216, dated June 12, 2008, of the SVS).

Rule 336 requires the following information to be provided to prospective investors in Chile:

1. Date of commencement of the offer of the Notes in Chile:           , 2019.

2. The offer of the Notes is subject to Rule 336.

3. The offering of the Notes is not registered with the Securities Registry (*Registro de Valores*) of the SVS nor with the foreign securities registry (*Registro de Valores Extranjeros*) of the SVS and as such;

    a. The Notes are not subject to the oversight of the SVS; and

    b. The Issuer of the Notes is not subject to the obligation to make publicly available information about the Notes in Chile.

4. The Notes may not be subject to public offering in Chile unless and until they are registered with the relevant Securities Registry of the SVS.

Los Valores se ofrecen privadamente en Chile de conformidad con las disposiciones de la Ley No 18.045 de Mercado de Valores, y la Norma de Caracter General No 336 de 27 de Junio de 2012 (“NCG 336”) emitida por la Superintendencia de Valores y Seguros de Chile.

En cumplimiento de la NCG 336, la siguiente informacion se proporciona a los potenciales inversionistas residentes en Chile.

1. La oferta de estos valores en Chile comienza el dia de de 2019.

2. La oferta se encuentra acogida a la NCG 336.

3. La oferta versa sobre valores que no se encuentran inscritos en el Registro de Valores ni en el Registro de Valores Extranjeros que lleva la Superintendencia de Valores y Seguros, por lo que:

    a. Los valores no esta sujetos a la fiscalizacion de esa Superintendencia; y

    b. El emisor de los valores no está sujeto a la obligacio´n de entregar informacion pu´blica sobre los valores ofrecidos.

4. Los valores no podrán ser objeto de oferta pública en Chile mientras no sean inscritos en el Registro de Valores correspondiente.

***Colombia***

The Notes will not be authorized by the Colombian Superintendency of Finance (*Superintendencia Financiera de Colombia*) and will not be registered under the Colombian National Registry of Securities and Issuers (*Registro Nacional de Valores y Emisores*), and, accordingly, the Notes will not be offered or sold to persons in Colombia except in circumstances which do not result in a public offering under Colombian law.

***Dubai***

In the Dubai International Financial Centre (the “DIFC”), the Notes have not been and are not being, publicly offered, sold, promoted or advertised other than in compliance with the laws of the DIFC and applicable rules of the Dubai Financial Services Authority (the “DFSA”). No offer of the Notes shall be made to any person in or from the DIFC unless such offer is:

1. an “Exempt Offer” for the purposes of the Markets Rules (“MKT”) module of the DFSA Rulebook; and

2. made only to persons who meet the “Professional Client” criteria set out in Rule 2.3.3 of the Conduct of Business module of the DFSA Rulebook.

This document has not been and will not be filed with the DFSA or with any other authority in the DIFC and no such authority assumes any liability for its contents.

***European Economic Area***

This offering memorandum has been prepared on the basis that any offer of notes in any Member State of the EEA will be made pursuant to an exemption under the Prospectus Regulation from the requirement to publish a prospectus for offers of notes. The expression “Prospectus Regulation” means Regulation (EU) 2017/1129.

Each underwriter has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any notes which are the subject of the offering contemplated by this prospectus supplement to any retail investor in the EEA. For the purposes of this provision, the expression “retail investor” means a person who is one (or more) of the following:

i. a retail client as defined in point (11) of Article 4(1) of MiFID II; or

ii. a customer within the meaning of Directive (EU) 2016/97 (as amended, the "IDD"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

***Italy***

No action has been or will be taken which could allow an offering of the Notes to the public in the Republic of Italy. Accordingly, the Notes may not be offered or sold directly or indirectly in the Republic of Italy, and neither the offering memorandum nor other information relating to the Issuer of the Notes or the Notes may be issued, distributed or published in the Republic of Italy, except under circumstances that will result in compliance with all applicable laws, orders, rules and regulations. The Notes cannot be offered or sold to any natural persons nor to entities other than qualified investors (according to the definition provided for by the Prospectus Regulation) either on the primary or on the secondary market.

***Luxembourg***

The Notes may not be offered or sold to the public in the Grand Duchy of Luxembourg, directly or indirectly, and, neither this offering memorandum nor any other circular, prospectus, form of application, advertisement, communication or other material may be distributed, or otherwise made available in, or from or published in, the Grand Duchy of Luxembourg, except for the sole purpose of the admission to trading and listing of the Notes on the Official List of the Luxembourg Stock Exchange and except in circumstances which do not constitute a public offer of securities to the public.

***Mexico***

The Notes have not been and will not be registered with the National Banking and Stock Comission (*Comisión Nacional Bancaria y de Valores* the "CNBV") maintained by the CNBV, and, therefore, may not be publicly offered, sold, traded or otherwise be the subject of brokerage activities in Mexico, except that the Notes may be offered and sold in Mexico pursuant to the private placement exemption set forth in the Mexican Securities Market Law. The Issuer will notify the CNBV of the terms and conditions of this offering of the Notes outside of Mexico. Such notice will be submitted to the CNBV to comply with the Mexican Securities Market Law and for statistical and informational purposes only. The delivery to, and receipt by, the CNBV of such notice does not and will not constitute or imply a certification as to the investment quality of the Notes, the Issuer's solvency, liquidity or credit quality or the accuracy or completeness of the information set forth in this offering memorandum. This offering memorandum is solely the responsibility of the Issuer of the Notes and has not been reviewed or authorized by the CNBV. The acquisition of the Notes by an investor who is a resident of Mexico will be made under such investor's own responsibility.

***Peru***

The Notes and the information contained in this offering memorandum are not being publicly marketed or offered in Peru and will not be distributed or caused to be distributed to the general public in Peru. Peruvian securities laws and regulations on public offerings will not be applicable to the offering of the Notes and therefore, the disclosure obligations set forth therein will not be applicable to the Issuer of the Notes or the sellers of the Notes before or after their acquisition by prospective investors. The Notes and the information contained in this offering memorandum have not been and will not be reviewed, confirmed, approved or in any way submitted to the Peruvian Superintendency of Capital Markets (*Superintendencia del Mercado de Valores*, or "SMV") nor have they been registered under the Securities Market Law (*Ley del Mercado de Valores*) or any other Peruvian regulations. Accordingly, the Notes cannot be offered or sold within Peruvian territory except to the extent any such offering or sale qualifies as a private offering under Peruvian regulations and complies with the provisions on private offerings set forth therein.

***Switzerland***

This offering memorandum does not constitute an issue prospectus pursuant to Article 652a or Article 1156 of the Swiss Code of Obligations and the Notes will not be listed on the SIX Swiss Exchange. Therefore, this offering memorandum may not comply with the disclosure standards of the listing rules (including any additional listing rules or prospectus schemes) of the SIX Swiss Exchange. Accordingly, the Notes may not be offered for exchange to the public in or from Switzerland, but only to a selected and limited circle of investors who do not subscribe to the Notes with a view to distribution. Any such investors will be individually approached by the Initial Purchasers from time to time.

***United Kingdom***

This document is for distribution only to persons who (i) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Promotion Order, (ii) are persons falling within Article 49(2)(a) to (d) ("high net worth companies, unincorporated associations etc.") of the Financial Promotion Order, (iii) are outside the United Kingdom, or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) in connection with the issue or sale of any securities may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as "relevant persons"). This document is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this document relates is available only to relevant persons and will be engaged in only with relevant persons.

Each Initial Purchaser has represented, warranted and agreed that:

A. it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the notes in circumstances in which Section 21(1) of the FSMA does not apply to us; and

B. it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the notes in, from or otherwise involving the United Kingdom.

***Hong Kong***

The Notes may not be offered or sold in Hong Kong by means of any document other than (i) in circumstances which do not constitute an offer to the public within the meaning of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32 of the Laws of Hong Kong) ("Companies (Winding Up and Miscellaneous Provisions) Ordinance") or which do not constitute an invitation to the public within the meaning of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) ("Securities and Futures Ordinance"), or (ii) to "professional investors" as defined in the Securities and Futures Ordinance and any rules made thereunder, or (iii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance, and no advertisement, invitation or document relating to the Notes may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" in Hong Kong as defined in the Securities and Futures Ordinance and any rules made thereunder.

***Singapore***

This offering memorandum has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this offering memorandum and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the notes may not be circulated or distributed, nor may the notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"), (ii) to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA. Where the notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is: (a) a corporation (which is not an accredited investor), the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an accredited investor, shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest in that trust shall not be transferable for 6 months after that corporation or that trust has acquired the notes under Section 275 except: (1) to an institutional investor under Section 274 of the SFA or to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA; (2) where no consideration is given for the transfer; or (3) by operation of law. Singapore Securities and Futures Act Product Classification – Solely for the purposes of its obligations pursuant to sections 309B(1)(a) and 309B(1)(c) of the SFA, the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A of the SFA) that the notes are "prescribed capital markets products" (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

***Japan***

The securities have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended), or the FIEA. The securities may not be offered or sold, directly or indirectly, in Japan or to or for the benefit of any resident of Japan (including any person resident in Japan or any corporation or other entity organized under the laws of Japan) or to others for reoffering or resale, directly or indirectly, in Japan or to or for the benefit of any resident of Japan, except pursuant to an exemption from the registration requirements of the FIEA and otherwise in compliance with any relevant laws and regulations of Japan.

***Canada***

The Notes may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the Notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this offering memorandum (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 (or, in the case of securities issued or guaranteed by the government of a non-Canadian jurisdiction, section 3A.4) of National Instrument 33-105 Underwriting Conflicts ("NI 33-105"), the Initial Purchasers are not required to comply with the disclosure requirements of NI33-105 regarding underwriter conflicts of interest in connection with this offering.

## Estimated Expenses of the Offering

The local Panamanian regulations and SMV guidelines require that we disclose an estimate of the total expenses and costs of this offering.

The total estimated public price below is an estimate and as such is not indicative of the actual price of the offering. We have estimated the expenses in connection with the issuance of the Notes in this offering based on a total estimated public price of $ , as follows:

| | Approximate Recurrence Cost |
|---|---|
| **Commissions** | |
| Structuring and Placement + Taxes | One-time |
| Payment Agent + Taxes | Annual |
| **Panama Stock Exchange** | |
| Negotiation Fee | One-time $229,392.36 |
| Listing Fee | One-time $150.00 |
| Registration Fee | One-time $350.00 |
| **LatinClear** | |
| Registration Fee + Taxes | One-time $56.710 |
| **SMV** | |
| Registration Fee for a Public Offer | One-time $130,000 |
| Supervision Fee | Annual $20,000 |
| **Total(1)** | **$** |

(1) Please take note that the issuance expenses table does not itemize certain fees, commissions and/or expenses, including without limitation, those payable to the Trustee and other expenses related to the offering of the Notes such as legal, rating agency and accounting fees, which amount to a total of approximately $ .

## Transfer Restrictions

The Notes have not been registered under the Securities Act or any state securities laws, and the Notes may not be offered or sold except pursuant to an effective registration statement or pursuant to transactions exempt from, or not subject to, registration under the Securities Act. Accordingly, the Notes are being offered and sold only:

- in the United States to qualified institutional buyers (as defined in Rule 144A) pursuant to Rule 144A under the Securities Act; and

- outside of the United States, to certain persons, other than U.S. persons, in offshore transactions meeting the requirements of Rule 903 of Regulation S under the Securities Act.

### *Purchasers' Representations and Restrictions on Resale and Transfer*

Each purchaser of Notes (other than the Initial Purchasers in connection with the initial issuance and sale of Notes) and each owner of any beneficial interest therein will be deemed, by its acceptance or purchase thereof, to have represented and agreed as follows:

1. it is purchasing the Notes for its own account or an account with respect to which it exercises sole investment discretion and it and any such account is either (a) a qualified institutional buyer and is aware that the sale to it is being made pursuant to Rule 144A or (b) a non-U.S. person that is outside the United States;

2. it acknowledges that the Notes have not been registered under the Securities Act or with any securities regulatory authority of any state and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except as set forth below;

3. it understands and agrees that Notes initially offered in the United States to qualified institutional buyers will be represented by a global Note and that Notes offered outside the United States pursuant to Regulation S will also be represented by a global Note;

4. it will not offer, pledge, resell or otherwise transfer any of such Notes except (a) to us, (b) within the United States to a qualified institutional buyer in a transaction complying with Rule 144A under the Securities Act, (c) outside the United States in compliance with Rule 903 or 904 of Regulation S under the Securities Act, (d) pursuant to the exemption from registration (if available) or (e) pursuant to an effective registration statement under the Securities Act and in accordance with all applicable securities laws of the States of the United States and other jurisdictions;

5. it agrees that it will give to each person to whom it transfers the Notes notice of any restrictions on transfer of such Notes;

6. it acknowledges that prior to any proposed transfer of Notes (other than pursuant to an effective registration statement or in respect of Notes sold or transferred either pursuant to (a) Rule 144A or (b) Regulation S) the holder of such Notes may be required to provide certifications relating to the manner of such transfer as provided in the Indenture;

7. it acknowledges that the Trustee, registrar or transfer agent for the Notes will not be required to accept for registration transfer of any Notes acquired by it, except upon presentation of evidence satisfactory to us and the Trustee, registrar or transfer agent that the restrictions set forth herein have been complied with;

8. it acknowledges that we, the Initial Purchasers and other persons will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that if any of the acknowledgements, representations and agreements deemed to have been made by its purchase of the Notes are no longer accurate, it will promptly notify us and the Initial Purchasers; and

9. if it is acquiring the Notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such account and it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each account.

***Legends***

The following is the form of restrictive legend which will appear on the face of the Rule 144A Global Note, and which will be used to notify transferees of the foregoing restrictions on transfer:

**"THIS NOTE HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY STATE SECURITIES LAWS. THE HOLDER HEREOF, BY PURCHASING THIS NOTE, AGREES FOR THE BENEFIT OF CABLE ONDA, S.A. (THE "COMPANY") THAT THIS NOTE OR ANY INTEREST OR PARTICIPATION HEREIN MAY BE OFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY (1) TO THE COMPANY, (2) SO LONG AS THIS NOTE IS ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE SECURITIES ACT ("RULE 144A"), TO A PERSON WHO THE SELLER REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A) IN ACCORDANCE WITH RULE 144A, (3) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, (4) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT (IF AVAILABLE) OR (5) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, AND IN EACH OF SUCH CASES IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER APPLICABLE JURISDICTION. THE HOLDER HEREOF, BY PURCHASING THIS NOTE, REPRESENTS AND AGREES THAT IT SHALL NOTIFY ANY PURCHASER OF THIS NOTE FROM IT OF THE RESALE RESTRICTIONS REFERRED TO ABOVE.**

**THE FOREGOING LEGEND MAY BE REMOVED FROM THIS NOTE ONLY AT THE OPTION OF THE COMPANY."**

The following is the form of restrictive legend which will appear on the face of the Regulation S Global Note and which will be used to notify transferees of the foregoing restrictions on transfer:

**"THIS NOTE HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY STATE SECURITIES LAWS. THE HOLDER HEREOF, BY PURCHASING THIS NOTE, AGREES THAT NEITHER THIS NOTE NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE OFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, SUCH REGISTRATION AND IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY OTHER APPLICABLE JURISDICTION.**

**THE FOREGOING LEGEND MAY BE REMOVED FROM THIS NOTE AFTER 40 DAYS BEGINNING ON AND INCLUDING THE LATER OF (A) THE DATE OF WHICH THE NOTES ARE OFFERED TO PERSONS OTHER THAN DISTRIBUTORS (AS DEFINED IN REGULATIONS UNDER THE SECURITIES ACT) AND (B) THE ORIGINAL ISSUE DATE OF THE NOTES."**

***Other Jurisdictions***

The distribution of this offering memorandum and the offer and sale or resale of the Notes may be restricted by law in certain jurisdictions. Persons into whose possession this offering memorandum comes are required by us and the Initial Purchasers to inform themselves about and to observe any such restrictions.

## Listing and General Information

We expect that the Notes will be accepted for clearance through DTC, Euroclear and Clearstream. The CUSIP, ISIN and Common Code numbers for the Notes are as follows:

| | Rule 144A Global Note | Regulation S Global Note |
|---|---|---|
| CUSIP | | |
| ISIN | | |
| Common Code | | |

For so long as any of the Notes are outstanding, copies of the Indenture and the form of transfer certificates may be inspected during normal business hours at the specified office of each agent, including at the offices of the listing agent in Luxembourg. Any present and future annual and interim reports of ours to the extent published will be available free of charge during normal business hours at the specified office of each agent, including at the offices of the listing agent in Luxembourg.

Except as disclosed in this offering memorandum, there has been no material adverse change in our financial position since June 30, 2019, the date of the latest financial information included in this offering memorandum. Except as otherwise disclosed in this offering memorandum, there has been no material adverse change in the financial position of Telefónica Panamá since June 30, 2019, the date of the latest financial information for Telefónica Panamá included in this offering memorandum.

Except as disclosed in this offering memorandum, we are not involved in any litigation or arbitration proceedings relating to claims or amounts that are material in the context of this offering, nor so far as we are aware is any such litigation or arbitration pending or threatened.

Our financial statements, the Telefónica Panamá Financial Statements and the respective audit reports thereon are included in this offering memorandum.

The Notes will be registered with the SMV and listed on the PSE. Promptly after such a listing, we will notify the Trustee, which will provide notice thereof to each of the noteholders. Upon registration of the Notes with the SMV and the listing of the Notes on the PSE, we will comply with the reporting and other requirements of Panamanian securities law applicable to companies who have registered their securities with the SMV, as well as the requirements of the PSE.

Application will be made to admit the Notes offered hereby to listing on the Official List of the Luxembourg Stock Exchange and trading on the Euro MTF market of that exchange.

The issuance, offer and sale of the Notes were authorized by our Board of Directors on September 18, 2019.

## Validity of Notes

The validity of the Notes offered and sold in this offering, will be passed upon for us under New York law by our special U.S. counsel, Jones Day, and for the Initial Purchasers under New York law by Shearman & Sterling LLP. Certain matters of Panamanian law relating to the Notes will be passed upon for us by Galindo Arias & López, and for the Initial Purchasers by Arias, Fábrega & Fábrega.

## Independent Auditors

Our audited consolidated financial statements as of December 31, 2018 and 2017 and for the years then ended and our audited consolidated financial statements as of December 31, 2017 and for the years then ended included in this offering memorandum have been audited by Ernst & Young Limited Corp., independent auditors, as stated in their reports included in this offering memorandum.

The audited financial statements of Telefónica Panamá as of December 31, 2018 and 2017 and for the years then ended and the audited financial statements of Telefónica Panamá as of December 31, 2017 and for the years then ended included in this offering memorandum, have been audited by PricewaterhouseCoopers, S.R.L, independent auditors, as stated in their reports included in this offering memorandum.

## Index to Financial Statements

# Cable Onda, S.A. and Subsidiaries

Interim Condensed Consolidated Financial Statements
As of June 30, 2019 and December 31, 2018 and for the six-month periods ended June 30, 2019 and 2018

**Cable Onda, S.A. and Subsidiaries**

**Interim Condensed Consolidated Financial Statements**

## CONTENTS

## Cable Onda, S.A. and Subsidiaries

### Interim Condensed Consolidated Statements of Financial Position
### At June 30, 2019 and December 31, 2018
***(Figures stated in B/. balboas)***

| *Notes* | | June 30, 2019 | December 31, 2018 |
|---|---|---|---|
| | **ASSETS** | | |
| | **Current assets** | | |
| 3 | Cash | **B/. 20,142,064** | B/. 6,485,666 |
| 4, 14 | Accounts receivables, net | **38,729,478** | 29,227,788 |
| | Other accounts receivable | **2,573,235** | 2,345,800 |
| 5 | Inventory | **20,497,459** | 27,934,037 |
| | Prepaid expenses | **10,797,707** | 3,099,979 |
| | Prepaid taxes | **2,484,017** | 8,973,304 |
| | | **95,223,960** | 78,066,574 |
| | **Non-current assets** | | |
| 6 | Severance fund | **831,505** | — |
| | Guarantee deposits and other assets | **465,035** | 456,343 |
| 7 | Intangible assets, net | **19,994,306** | 20,121,317 |
| | Goodwill | **70,922,903** | 70,922,903 |
| | Right of use assets | **33,566,958** | — |
| 9 | Property, furniture, equipment and leasehold improvements, net | **311,203,482** | 318,210,521 |
| | | **436,984,189** | 409,711,084 |
| | **TOTAL ASSETS** | **B/. 532,208,149** | B/.487,777,658 |

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

| Notes | | June 30, 2019 | December 31, 2018 |
|---|---|---|---|
| | **LIABILITIES AND STOCKHOLDERS' EQUITY** | | |
| | **Current liabilities** | | |
| 11, 14 | Accounts payable | **B/. 48,623,562** | B/. 54,780,519 |
| | Lease liabilities | **5,405,347** | — |
| 10 | Employee benefits | **8,012,028** | 15,169,314 |
| 12 | Current portion of long-term debt | **53,877,424** | 39,000,000 |
| | Client deposits | **6,818,365** | 7,079,486 |
| | Income tax payable | **15,652** | 5,901 |
| | Deferred income | **7,361,834** | 7,342,014 |
| | | **130,114,212** | 123,377,234 |
| | **Non-current liabilities** | | |
| | Lease liabilities | **28,950,074** | — |
| 12 | Non-current portion of long-term debt | **24,300,000** | 38,086,517 |
| 13 | Other long-term liabilities, net | **183,936,813** | 184,254,676 |
| 8 | Deferred income | **16,078,548** | 18,830,601 |
| 16 | Deferred income tax | **25,290,902** | 24,615,140 |
| | Severance fund | **—** | 782,489 |
| | | **278,556,337** | 266,569,423 |
| | **Stockholders' equity** | | |
| | Issued capital 243,356 (December 2018 – 243,356) common shares with no par value, issued and outstanding | **57,648,922** | 57,648,922 |
| | Retained earnings | **66,157,194** | 40,449,317 |
| | | **123,806,116** | 98,098,239 |
| | Non-controlling interest | **(268,516)** | (267,238) |
| | **Total stockholders' equity** | **123,537,600** | 97,831,001 |
| | **TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY** | **B/.532,208,149** | B/.487,777,658 |

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

## Cable Onda, S.A. and Subsidiaries

### Interim Condensed Consolidated Statements of Income
### For the six-month periods ended June 30, 2019 and 2018
***(Figures stated in B/. balboas)***

| Notes | | June 30, 2019 | June 30, 2018 |
|---|---|---|---|
| | **Revenue** | | |
| | TV subscriptions | **B/. 75,710,951** | B/. 77,388,794 |
| | Data transmission, internet and data center | **90,009,635** | 86,322,930 |
| | Fixed-line services | **23,555,002** | 25,079,688 |
| | Projects and solutions. | **5,290,620** | 3,509,183 |
| 15 | Other services and revenue | **3,504,714** | 2,835,662 |
| | | **198,070,922** | 195,136,257 |
| | **Costs and expenses** | | |
| 19 | Programming and operating costs | **90,692,974** | 79,479,527 |
| 18 | General, sales and administrative expenses | **63,341,428** | 71,192,413 |
| | | **154,034,402** | 150,671,940 |
| | **Operating income** | **44,036,520** | 44,464,317 |
| | Financial expense. | **8,719,401** | 6,579,294 |
| | **Income before income tax** | **35,317,119** | 37,885,023 |
| 16 | Income tax | **(9,610,520)** | (7,302,316) |
| | **Net income** | **B/. 25,706,599** | B/. 30,582,707 |
| | **Attributable to:** | | |
| | Controlling interest | **25,707,877** | 30,609,801 |
| | Non-controlling interest | **(1,278)** | (27,094) |
| | **Net income** | **B/. 25,706,599** | B/. 30,582,707 |

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

## Cable Onda, S.A. and Subsidiaries

### Interim Condensed Consolidated Statements of Changes in Stockholders' Equity
### For the six-month periods ended June 30, 2019 and 2018
***(Figures stated in B/. balboas)***

| | Attributable to the Controlling Interest | | | | |
|---|---|---|---|---|---|
| | Common shares | Retained earnings | Total | Non-controlling interest | Total stockholders'equity |
| January 1, 2018 | B/.45,703,113 | B/.69,997,845 | B/.115,700,958 | B/.(64,451) | B/.115,636,507 |
| Cumulative effect of accounting change | — | (1,430,155) | (1,430,155) | — | (1,430,155) |
| January 1, 2018, as adjusted | 45,703,113 | 68,567,690 | 114,270,803 | (64,451) | 114,206,352 |
| Net income (loss) | | 30,609,801 | 30,609,801 | (27,094) | 30,582,707 |
| June 30, 2018 | 45,703,113 | 99,177,491 | 144,880,604 | (91,545) | 144,789,059 |
| January 1, 2019 | 57,648,922 | 40,449,317 | 98,098,239 | (267,238) | 97,831,001 |
| **Net income (loss)** | **—** | **25,707,877** | **25,707,877** | **(1,278)** | **25,706,599** |
| **June 30, 2019** | **B/.57,648,922** | **B/.66,157,194** | **B/.123,806,116** | **B/.(268,516)** | **B/.123,537,600** |

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

## Cable Onda, S.A. and Subsidiaries

### Interim Condensed Consolidated Statements of Cash Flows
### For the six-month periods ended June 30, 2019 and 2018
***(Figures stated in B/. balboas)***

| Notes | | June 30, 2019 | June 30, 2018 |
|---|---|---|---|
| | **Cash flows from operating activities** | | |
| | Profit before income tax | **B/. 35,317,119** | B/. 37,885,023 |
| | Adjustments for: | | |
| 9 | Depreciation and amortization | **40,534,916** | 35,708,512 |
| | Depreciation on right of use assets | **3,460,550** | |
| | Net loss on impairment of fixed assets | **4,460,683** | |
| 9 | Net loss on disposal of fixed assets | | 204 |
| | Other amortization | **127,011** | 2,297,228 |
| | Provision for seniority premium | **(1,250,541)** | 980,469 |
| | Allowance for doubtful accounts | **2,951,312** | 2,329,632 |
| | Interest | **8,719,401** | 6,579,294 |
| | **Cash flows before changes in working capital** | **94,320,451** | 85,780,362 |
| | Accounts receivables | **(12,453,002)** | (7,243,454) |
| | Other accounts receivable | **(227,435)** | (213,691) |
| | Inventory | **7,436,578** | (2,026,838) |
| | Prepaid expenses | **(7,697,728)** | (11,204,024) |
| | Guarantee deposits and other assets | **(8,692)** | 55,951 |
| | Accounts payable | **(12,246,532)** | 14,215,832 |
| | Employee benefits | **(7,157,286)** | (600,179) |
| | Client deposits | **(261,121)** | (32,082) |
| | Deferred income | **(2,732,233)** | (454,302) |
| | **Cash generated from operations** | **58,973,000** | 78,277,575 |
| | Income tax paid | **(2,435,720)** | (8,443,450) |
| | Interest paid | **(2,947,689)** | (5,766,410) |
| | Seniority premium and severance paid | **(12,718)** | (94,037) |
| | **Net cash flows provided by operating activities** | **53,576,873** | 63,973,678 |

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

**Interim Condensed Consolidated Statements of Cash Flows (continued)**
**For the six-month periods ended June 30, 2019 and 2018**
***(Figures stated in B/. balboas)***

| *Notes* | | June 30, 2019 | June 30, 2018 |
|---|---|---|---|
| | **Cash flows from investing activities** | | |
| | Contributions to severance fund, net | **(350,735)** | (223,718) |
| | Acquisition of intangible assets, net | **—** | (45,304,446) |
| 9 | Acquisition of fixed assets | **(37,988,560)** | (19,404,388) |
| | **Net cash flows used in investing activities** | **(38,339,295)** | (64,932,552) |
| | **Cash flows from financing activities** | | |
| | Issuance of new bonds and loans | **19,500,000** | 14,700,000 |
| | Payment of lease liabilities | **(2,672,087)** | — |
| | Payment of bonds and loans | **(18,409,093)** | (5,880,000) |
| | **Net cash flows (used in) provided by financing activities** | **(1,581,180)** | 8,820,000 |
| | Net increase in cash | **13,656,398** | 27,265,514 |
| | Cash at beginning of year | **6,485,666** | 6,432,921 |
| | **Cash at end of period** | **B/. 20,142,064** | B/. 33,698,435 |

## 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, 4$^{th}$ 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).

On May 14, 2019, Mobilnet Panamá, S.A. was merged into Cable Onda.

The interim condensed consolidated financial statements of Cable Onda, S.A. and Subsidiaries (the “Group”) as of June 30, 2019 and for the six month periods ended June 30, 2019 and 2018 were authorized for issuance by management on October 16, 2019.

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

### 2.1 Basis for consolidation

The interim condensed consolidated financial statements as of June 30, 2019 and December 31, 2018 and for the six months ended June 30, 2019 and 2018 have been prepared in accordance with IAS 34 Interim Financial Reporting. In the opinion of management, these interim condensed consolidated financial statements reflect all adjustments that are necessary for a proper presentation of the results for interim periods. The Group’s operations are not affected by significant seasonal or cyclical patterns.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group’s annual consolidated financial statements as of December 31, 2018.

### 2.2 New standards, interpretation and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim condensed 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 IAS 34, 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 interim condensed consolidated financial statements of the Group.

*New and amended IFRS standards*

On adoption, an additional lease liability of approximately $37 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.

## 2. Basis for Preparation of the Consolidated Financial Statements (continued)

Impact on the statement of financial position (increase/(decrease)) as of January 1, 2019:

| | As of January 1, 2019 |
|---|---|
| **Assets** | |
| Right of use assets | **B/. 36,574,544** |
| **Total assets** | **B/. 36,574,544** |
| **Liability** | |
| Lease liability | **B/. 5,386,937** |
| Non-current lease liability | 31,187,607 |
| Total Liability | **B/. 36,574,544** |

- Impact of the implementation of IFRS 16 on the income statement (increase/(decrease) expenses) for the six months ended June 30, 2019:

| | For the six months ended June 30, 2019 |
|---|---|
| Depreciation expense | **B/. 3,460,550** |
| Finance costs | **1,232,694** |
| Rent expense | **(4,176,604)** |
| Additional expenses, net | **B/. 516,640** |

- 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 prepayment features with negative compensation.
  - IFRIC 23 "Uncertainty over Income Tax Treatments" clarifies how the recognition and measurement requirements of IAS 12 Income taxes, are applied where there is uncertainty over income tax treatments.
  - Amendments to IAS 19 "Employee benefits" on plan amendment, curtailment or settlement.
  - Annual improvements 2015 – 2017.

  The following changes to standards, which are not expected to materially affect the Group, will be effective from 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 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'.

**2. Basis for Preparation of the Consolidated Financial Statements (continued)**

*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 June 30, 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.

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 | 39,821,370 |
| (=) | Total operating lease commitments at December 31, 2018 | 52,399,088 |
| (−) | Short-term lease commitments | 831,728 |
| (=) | Gross additional lease liabilities | 51,567,360 |
| (−) | Discounting | 14,992,816 |
| (=) | Lease liabilities recognized at January 1, 2019 | B/. 36,574,544 |

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

**2. Basis for Preparation of the Consolidated Financial Statements (continued)**

- 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 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.

**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

## 2. Basis for Preparation of the Consolidated Financial Statements (continued)

- any initial direct costs, and
- restoration costs.

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, pending clarification from IFRIC, 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. Cash

| | June 30, 2019 | December 31, 2018 |
|---|---|---|
| Cash on hand | **B/. 59,060** | B/. 57,260 |
| Banco General | **10,251,125** | 5,692,721 |
| Banco Panamá | **4,580,121** | 31,697 |
| Global Bank | **420,364** | 72,171 |
| Savings fund | **877,111** | 48,664 |
| Citibank | **430,980** | 7,285 |
| Banesco | **825,341** | 48,497 |
| Banistmo | **1,373,322** | 169,174 |
| The Bank of Nova Scotia | **189,124** | 29,138 |
| Banvivienda | **77,054** | 7,350 |
| Banconal | **669,109** | 106,816 |
| Bac Panamá | **389,353** | 214,893 |
| | **B/. 20,142,064** | B/. 6,485,666 |

## 4. Accounts receivables, Net

| | June 30, 2019 | December 31, 2018 |
|---|---|---|
| Cable, telephone and other services | **B/. 41,205,432** | B/. 31,164,425 |
| Operators | **1,082,089** | 1,287,858 |
| | **42,287,521** | 32,452,283 |
| Less: allowance for doubtful accounts | **(3,558,043)** | (3,224,495) |
| Accounts receivable, net | **B/. 38,729,478** | B/. 29,227,788 |

## 5. Inventory

Following is a breakdown of inventory:

| | June 30, 2019 | December 31, 2018 |
|---|---|---|
| Materials and equipment, net of provision for obsolescence | **B/. 20,481,140** | B/. 27,743,748 |
| Inventory in transit | **16,319** | 190,289 |
| | **B/. 20,497,459** | B/. 27,934,037 |

## 6. Severance fund

The fund generated interest income for the six months ended June 30, 2019 of B/. 121,737 (2018 – 134,158). Said interest is classified under other services and income in the interim condensed consolidated statements of income.

## 7. Intangible assets, net

Following is a summary of intangible assets, net:

| | June 30, 2019 | December 31, 2018 |
|---|---|---|
| Indefinite useful life | **B/. 16,699,519** | B/. 16,699,519 |
| Finite useful life | **3,294,787** | 3,421,798 |
| | **B/. 19,994,306** | B/. 20,121,317 |

## 8. Deferred income

Following are the components of deferred income at June 30 and December 31:

| | June 30, 2019 | December 31, 2018 |
|---|---|---|
| **Current portion** | | |
| Early cash collections from monthly payments[(a)] | **B/. 7,361,834** | B/. 7,342,014 |
| **Non-current portion** | | |
| Adaptation projects[(b)] | **B/. 10,775,845** | B/. 10,445,359 |
| Installation cost | **3,569,708** | 2,346,744 |
| Deferred revenue[(c)] | **1,732,995** | 6,038,498 |
| | **B/. 16,078,548** | B/. 18,830,601 |

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

**(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.

## 9. Property, furniture, equipment and leasehold improvements, net

**June 30, 2019**

| | Land | Buildings | Furniture and fixtures | Computer Equipment | Technical Equipment | Transportation Equipment | Leasehold Improvements | Total |
|---|---|---|---|---|---|---|---|---|
| At January 1, 2019, net of depreciation and accumulated 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/. 19,407,349 | B/. 318,210,521 |
| Capitalized additions | 280,000 | — | 37,588 | 232,932 | 35,402,150 | 56,100 | 2,035,591 | 38,044,361 |
| | | — | — | — | | — | — | — |
| Disposal, net – | — | — | — | — | (51,170) | (4,631) | — | (55,801) |
| Impairment | | | | | (4,460,683) | | | (4,460,683) |
| Depreciation and amortization | — | (75,244) | (333,788) | (1,815,567) | (33,988,118) | (907,331) | (3,414,868) | (40,534,916) |
| At June 30, net of accumulated depreciation and amortization | B/. 9,160,134 | B/. 7,849,230 | B/. 3,586,819 | B/. 2,734,557 | B/. 268,245,244 | B/. 1,599,626 | B/. 18,028,072 | B/. 311,203,482 |
| 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/. 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/. 19,407,349 | B/. 318,210,521 |
| At June 30, 2019 | | | | | | | | |
| At cost | B/. 9,160,134 | B/. 10,353,429 | B/. 10,611,338 | B/. 33,569,358 | B/. 747,322,713 | B/. 15,340,557 | B/. 44,467,061 | B/. 870,824,590 |
| Accumulated depreciation and amortization | — | (2,504,199) | (7,024,519) | (30,835,001) | (474,616,786) | (13,740,931) | (26,438,989) | (555,160,425) |
| Accumulated impairment | — | — | — | — | (4,460,683) | — | — | (4,460,683) |
| Net value | B/. 9,160,134 | B/. 7,849,230 | B/. 3,586,819 | B/. 2,734,357 | B/. 268,245,244 | B/. 1,599,626 | B/. 18,028,072 | B/. 311,203,482 |

## 9. 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 | 1,328,174 | 2,150,577 | 85,275,276 | 1,398,418 | 4,576,469 | 95,187,341 |
| | | 4,051,714 | — | — | — | — | — | 12,931,471 |
| Merged company's assets | 8,879,757 | | | | | | | |
| 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/. 19,407,349 | 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/. 10,573,750 | 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/. 19,407,349 | B/. 318,210,521 |

## 10. Employee benefits payable

Following is a breakdown of employee benefits at June 30:

| | June 30, 2019 | December 31, 2018 |
|---|---|---|
| Employee benefits | **B/. 1,317,801** | B/. 8,355,341 |
| Labor reserves | **6,694,227** | 6,813,973 |
| | **B/. 8,012,028** | B/. 15,169,314 |

## 11. Accounts Payable

At June 30, 2019, the accounts payable balance amounts to B/.48,623,562 (2018 – B/.54,780,519). 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 interim condensed consolidated financial statements.

## 12. Notes payable

The Group maintains lines of credit approved for working capital of B/.160,300,000 (2017 – B/.130,000, 000), of which B/.78,177,424 (2018 – B/.77,086,517) has been used and accrue annual interest of between 3.98% and 5.54%, (2018 – 3.00% and 5.54%).

Notes payable expire as follows:

| | Interest rate | Expiration | June 30, 2019 | December 31, 2018 |
|---|---|---|---|---|
| Scotiabank | 3.98% – 4.38% | 2019 | **B/. 39,257,574** | B/. 24,000,000 |
| Banistmo | 5.06% | 2019 | **—** | 15,000,000 |
| Banco Nacional | 4.00% | 2020 | **24,300,000** | 24,300,000 |
| Citibank NA | 4.76% | 2019 | **833,333** | — |
| Banco General, S. A. | 5.54% | 2020 | **13,786,517** | 13,786,517 |
| | | | **78,177,424** | 77,086,517 |
| Less current portion | | | **(53,877,424)** | (39,000,000) |
| | | | **B/. 24,300,000** | B/. 38,086,517 |

## 13. Other long-term liabilities

On August 4, 2015, the Company issued corporate bonds, due in 2025 and bearing a 5.75% interest rate, which replaced the private issue of corporate bonds due 2010.

At June 30, 2019, the Group is in compliance with the financial conditions established in the agreement for the purchase-sale of bonds.

Following is a breakdown of bonds:

| | June 30, 2019 | December 31, 2018 |
|---|---|---|
| Bonds | **B/. 185,000,000** | B/. 185,000,000 |
| Financial costs | **(1,063,187)** | (745,324) |
| | **B/. 183,936,813** | B/. 184,254,676 |

## 14. Balances and transactions with related parties

| | June 30, 2019 | December 31, 2018 |
|---|---|---|
| **Interim Condensed Consolidated Statements of Financial Position** | | |
| ***Assets*** | | |
| ***Accounts receivable*** | | |
| Corporación Medcom, S.A. | **B/. 166,715** | B/. 256,812 |
| | **B/. 166,715** | B/. 256,812 |
| ***Liabilities*** | | |
| ***Accounts payable*** | | |
| Corporación Medcom, S.A. | **B/. 1,345,429** | B/. 1,514,907 |

| | June 30, 2019 | June 30, 2018 |
|---|---|---|
| **Interim Condensed Consolidated Statements of Income** | | |
| ***Advertising Income*** | | |
| Corporación Medcom, S.A. | **B/. 250,000** | B/. 278,250 |

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.

No guarantees have been granted or received for accounts receivable from or payable to related parties. For the six months ended June 30, 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 period through testing of the related party's financial position and of the market in which it operates.

Accounts receivable and payable to related parties are presented within accounts receivable and accounts payables, respectively, since they are the product of the services provided or received by the Group.

| | June 30, 2019 | December 31, 2018 |
|---|---|---|
| Compensation to key executives | **B/. 1,990,593** | B/. 2,393,740 |

## 15. Other services and revenue

| | For the six months ended June 30, | |
|---|---|---|
| | 2019 | 2018 |
| Installations | **B/. 441,783** | B/. 556,826 |
| Other income | **2,555,793** | 1,687,336 |
| Advertising | **250,000** | 278,250 |
| Additional services | **258,138** | 313,250 |
| | **B/. 3,505,714** | B/. 2,835,662 |

## 16. Income Tax

The Group calculates the period income tax expense using the tax rate that would be applicable to the expected total annual earnings. The major components of income tax expense in the interim condensed consolidated statement of profit or loss are:

| | For the six months ended June 30 | |
|---|---|---|
| | **2019** | **2018** |
| **Income taxes** | | |
| Current income tax expense | **B/. 8,934,758** | B/. 9,881,995 |
| Deferred income tax expense (benefit) | **675,762** | (2,579,679) |
| **Total tax** | **B/. 9,610,520** | B/. 7,302,316 |

## 17. Employee benefits

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

| | **June 30, 2019** | **June 30, 2018** |
|---|---|---|
| Salaries, commissions and other | **B/. 15,132,580** | B/. 17,170,338 |
| Travel and representation expenses | **1,581,175** | 1,704,011 |
| Bonuses | **2,095,231** | 2,262,385 |
| Vacation | **1,720,316** | 1,763,327 |
| Employee performance bonuses | **1,916,284** | 2,741,117 |
| Social security and employer education insurance | **2,935,166** | 2,991,466 |
| Professional risk | **433,845** | 444,735 |
| Seniority premium and indemnities | **704,245** | 651,124 |
| Other expenses | **825,375** | 1,095,718 |
| | **B/. 27,344,217** | B/. 30,824,221 |

## 18. General, sales and administrative expenses

General, sales and administrative expenses are as follows:

| | June 30, 2019 | June 30, 2018 |
|---|---|---|
| Rent | **B/. 1,182,712** | B/. 5,642,134 |
| Amortization | **72,008** | 86,740 |
| Personnel expenses | **27,344,217** | 30,824,221 |
| Bad debts | **2,955,652** | 2,317,882 |
| Electricity | **3,112,656** | 3,237,886 |
| Office expenses | **513,933** | 731,092 |
| Service expenses | **3,341,430** | 3,361,177 |
| Professional services fees | **14,473,617** | 12,983,968 |
| Taxes, other than income tax | **2,972,535** | 2,611,144 |
| Marketing and advertising | **2,490,781** | 2,547,391 |
| Other expenses | **1,488,140** | 3,226,653 |
| Repairs, maintenance and other operating expenses | **1,788,579** | 2,038,278 |
| Repairs and maintenance | **1,470,463** | 1,462,622 |
| Insurance and bonds | **134,705** | 121,225 |
| | **B/. 63,341,428** | B/. 71,192,413 |

## 19. Programming and operating costs

| | For the six months ended June 30 | |
|---|---|---|
| | 2019 | 2018 |
| Interconnection costs | **B/. 4,755,669** | B/. 5,880,424 |
| Data transmission costs | **3,173,358** | 4,132,037 |
| Internet cost | **709,205** | 698,172 |
| Project cost | **5,969,802** | 4,358,587 |
| Programmer costs | **27,058,130** | 25,913,817 |
| Depreciation and amortization | **44,287,829** | 38,005,740 |
| Net loss on impairment of fixed assets | **4,460,683** | |
| Sundry costs | **278,298** | 490,750 |
| | **B/. 90,692,974** | B/. 79,479,527 |

## 20. Commitments and contingencies

### Commitments

*Leases with purchase option*

The Group (the lessee) signed a lease-to-own arrangement with Cable Capitol, Inc. (the lessor), a related party, for rental of Cable Onda, S.A. headquarters building.

Some of the most important clauses in said contract are:

- The term of the agreement is 20 years, extendable, as from signing of the lease agreement in January 2005 and has an addendum signed on April 30, 2018, modifying its term to 28 years (8-year extension).
- The monthly lease payment was established based on a percentage of the cost of the project, estimated at approximately B/.59,460 per month.
- Maintenance and conservation of the property, individually below B/.30,000, is payable by the lessee.
- The lessee can exercise the first purchase option as from the tenth year of the term and the preferential right of purchase in the event the lessor offers to sell it to a third party or if a third party offers to buy it.

The Group (lessee) signed a lease agreement with Metrovisión Bienes Raíces, S. A. (lessor), a related party, for the Cable Onda, S. A. office in Chiriquí. Some of the most important clauses in said contract are:

- The term of the agreement is 20 years, extendable, as from signing of the lease agreement in July 2005 and has an addendum signed on April 30, 2018, modifying the term to 28 years.
- Monthly rent payments are established based on the use of the property and improvements thereto.

The Group (lessee) signed a lease agreement with Cable Capítol Inc. (lessor), a related party, for the Cable Onda, S. A. office in Divisa. Some of the most important clauses in said contract are:

- The term of the agreement is 20 years, extendable, as from signing of the lease agreement in July 2005 and has an addendum signed on April 30, 2018, modifying the term to 28 years.
- Monthly rent payments are established based on use of the property and telecommunications equipment leased, and have been estimated at approximately B/.6,479.

*Other*

Cable Onda, S. A. signed an agreement with 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.

**20. 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*

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.

**21. 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:

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

*a) Interest rate risk*

As of June 30, 2019, 100% of the financing obtained by the Group is fixed rate 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/.586,331.

*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 been historically maintained at acceptable levels, as a result of which, there is a low counterparty risk.

*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:

| **June 30, 2019** | **Less than 3 months** | **3 to 12 months** | **more than 1 year** | **Total** |
|---|---|---|---|---|
| Debt | **B/. —** | **B/. 53,044,091** | **B/. 25,133,333** | **B/. 78,177,424** |
| Other long-term liabilities | **—** | **—** | **183,936,813** | **183,936,813** |
| Lease liabilities | **1,368,953** | **4,087,277** | **28,899,191** | **34,355,421** |
| Accounts payable | **47,831,739** | **791,823** | **—** | **48,623,562** |
| | **B/. 49,200,692** | **B/. 57,923,191** | **B/. 237,969,337** | **B/. 345,093,220** |

| **December 31, 2018** | **Less than 3 months** | **3 to 12 months** | **more than 1 year** | **Total** |
|---|---|---|---|---|
| Current portion of long-term loans | B/. — | B/. 39,000,000 | B/. 38,086,517 | B/. 77,086,517 |
| Other long-term liabilities | — | — | 184,254,676 | 184,254,676 |
| Accounts payable | 52,394,074 | 2,386,445 | — | 54,780,519 |
| | B/. 52,394,074 | B/. 41,386,445 | B/. 222,341,193 | B/. 316,121,712 |

## 22. 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

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

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 cash equivalents, commercial accounts receivable, other accounts payable and loans payable in the short-term 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 | |
|---|---|---|---|---|
| | June 30, 2019 | December 31, 2018 | June 30, 2019 | December 31, 2018 |
| Financial assets | | | | |
| Cash | **B/. 20,142,064** | B/. 6,485,666 | **B/. 20,142,064** | B/. 6,485,666 |
| Other accounts receivable | **2,573,235** | 2,573,235 | **2,345,800** | 2,345,800 |
| Accounts receivable | **B/. 31,729,478** | B/. 29,277,788 | **B/. 31,729,478** | B/. 29,277,788 |
| Financial liabilities | | | | |
| Accounts payable | **B/. 48,623,562** | B/. 54,780,519 | **B/. 48,623,562** | B/. 54,780,519 |
| Lease liabilities | **34,355,421** | 34,355,421 | **—** | — |
| Notes and other long-term liabilities | **B/.263,177,424** | B/.261,341,193 | **B/.265,952,424** | B/.264,835,517 |

### 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.

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 Group 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 2018 and the first quarter of 2019.

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. As of June 30, 2019, said financial ratio was 3.17 (2018 – 2.32).

## 23. Events subsequent to the date of the statement of financial position

On February 20, 2019, Millicom agreed to purchase 100% of the shares of Telefónica Moviles Panamá, S.A ("Telefónica Panamá"), from Telefónica Centroamerica Inversiones, S.L. ("Telefónica Centroamerica")

**23. Events subsequent to the date of the statement of financial position (continued)**

and Telefónica S.A. (“Telefónica”). On April 4, 2019, pursuant to an assignment agreement, Millicom assigned its rights and obligations under the Share Purchase Agreement to Cable Onda. The consummation of the share purchase was approved by the appropriate regulator on August 29, 2019 and on the same day, Cable Onda acquired the entire share capital of Telefonica Panamá for $593.6 million from Telefonica. Since that date, Cable Onda fully consolidates Telefonica Panamá.

# Cable Onda, S.A. and Subsidiaries

Consolidated Financial Statements as of and for the years ended December 31, 2018 and 2017 with Report of Independent Auditors

**Cable Onda, S.A. and Subsidiaries**

**Consolidated Financial Statements**

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# 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, 2018 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, 2018, 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.

*Allowance for doubtful accounts*
The allowance for doubtful accounts is considered a key audit matter because it requires the application of important judgments by Management, which involve a certain degree of subjectivity. The criteria to recognize impairment in accounts receivable is described in the section Accounts Receivable and Impairment of Financial Assets in Note 4.

The allowance for doubtful accounts contemplates accounts receivable retail and wholesale, whether for the sale of cable, telephone or internet services, both residential and corporate. Due to the diversity of clients as a result of the type of sales the Group makes, assessing each of the Group divisions' accounts receivable portfolios becomes subjective since there are many factors involved, such as the type of industry, economic factors and incentives to consumers.

We focused on this area because it required a high level of judgment by Management and because of the materiality of the amounts in question.

Management periodically evaluates the portfolio based on the credit limits formally established, the type of customer and experiences on its portfolio and its diversification.

Our audit procedures to cover the significant risk in relation to the allowance for doubtful accounts included the following, among others:

- We conducted procedures on the design and effectiveness of the controls over approval, recording and monitoring of credit sales.
- We conducted procedures on the design and effectiveness of the controls over the Group's collection procedures and its assessment of the allowance required each period, taking into account its clients' risks and methodologies used by the Group to establish the allowance.
- We observed the analysis made by Management over the assessment of recovery, and for a sample of transactions checked each assumption used in the analysis with the current portfolio, the historical data and expected losses, economic factors and its source (service invoices).
- We assessed the results of the set of tests on the aging of accounts receivable as of December 31, 2018 and the amount of the impairment allowance recognized by the Group in its consolidated financial statements at that date.

**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 auditor's report, is Víctor M. Ramírez.

Ernst & Young

April 1, 2019
Panama, Republic of Panama

## Cable Onda, S.A. and Subsidiaries

**Consolidated Statements of Financial Position**
**December 31, 2018 and 2017**
***(Figures stated in B/. balboas)***

| *Notes* | | 2018 | 2017 |
|---|---|---|---|
| | **ASSETS** | | |
| | **Current assets** | | |
| 5 | Cash | **B/. 6,485,666** | B/. 6,432,921 |
| 6, 17 | Accounts receivables, net | **29,227,788** | 33,016,119 |
| | Other accounts receivable | **2,345,800** | 2,879,361 |
| 7 | Inventory | **27,934,037** | 20,601,762 |
| | Prepaid expenses | **3,099,979** | 1,867,131 |
| 19 | Prepaid taxes | **8,973,304** | — |
| | | **78,066,574** | 64,797,294 |
| | **Non-current assets** | | |
| 8 | Severance fund | **—** | 1,884,972 |
| | Guarantee deposits and other assets | **456,343** | 472,875 |
| 9 | Intangible assets, net | **20,121,317** | 23,621,730 |
| 11 | Goodwill | **70,922,903** | 70,922,903 |
| 12 | Property, furniture, equipment and leasehold improvements, net | **318,210,521** | 287,371,800 |
| | | **409,711,084** | 384,274,280 |
| | TOTAL ASSETS | **B/.487,777,658** | B/.449,071,574 |

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

| Notes | | 2018 | 2017 |
|---|---|---|---|
| | **LIABILITIES AND STOCKHOLDERS' EQUITY** | | |
| | **Current liabilities** | | |
| 14, 17 | Accounts payable | **B/. 54,780,519** | B/. 45,405,728 |
| 13 | Employee benefits | **15,169,314** | 7,220,025 |
| 15 | Current portion of long-term debt | **39,000,000** | — |
| | Client deposits | **7,079,486** | 7,247,154 |
| 19 | Income tax payable | **5,901** | 1,785,338 |
| 10 | Deferred income | **7,342,014** | 2,531,459 |
| | | **123,377,234** | 64,189,704 |
| | **Non-current liabilities** | | |
| 14, 17 | Accounts payable | **—** | 4,589,388 |
| 15 | Non-current portion of long-term debt | **38,086,517** | 47,000,000 |
| 16 | Other long-term liabilities, net | **184,254,676** | 184,121,196 |
| 10 | Deferred income | **18,830,601** | 8,765,763 |
| 19 | Deferred income tax | **24,615,140** | 24,769,016 |
| | Severance fund | **782,489** | — |
| | | **266,569,423** | 269,245,363 |
| | **Stockholders' equity** | | |
| | Issued capital, 243,356 (2017 – 240,923) common shares with no par value, issued and outstanding | **57,648,922** | 45,703,113 |
| | Retained earnings | **40,449,317** | 69,997,845 |
| | | **98,098,239** | 115,700,958 |
| | Non-controlling interest | **(267,238)** | (64,451) |
| | **Total stockholders' equity** | **97,831,001** | 115,636,507 |
| | **TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY** | **B/.487,777,658** | B/.449,071,574 |

*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, 2018 and 2017
***(Figures stated in B/. balboas)***

| *Notes* | | **2018** | **2017** |
|---|---|---|---|
| | **Revenue** | | |
| | TV subscriptions | **B/.151,616,007** | B/.149,734,335 |
| | Data transmission, internet and data center | **172,886,793** | 160,986,535 |
| | Fixed-line service | **49,056,920** | 49,861,984 |
| | Projects and solutions. | **9,041,363** | 7,155,707 |
| 8, 18 | Other services and revenue | **5,824,706** | 6,371,613 |
| | | **388,425,789** | 374,110,174 |
| | **Costs and expenses** | | |
| 22 | Programming and operating costs | **167,363,303** | 145,801,941 |
| 17, 20, 21 | General, sales and administrative expenses | **193,726,438** | 136,369,996 |
| | | **361,089,741** | 282,171,937 |
| | **Operating profit** | **27,336,048** | 91,938,237 |
| | Financial expense. | **13,607,164** | 12,692,016 |
| | **Profit before income tax** | **13,728,884** | 79,246,221 |
| 19 | Income tax | **(9,552,893)** | (20,646,780) |
| | **Net Profit** | **B/. 4,175,991** | B/. 58,599,441 |
| | **Attributable to:** | | |
| | Controlling interest | **B./ 4,378,778** | B/. 58,742,815 |
| | Non-controlling interest | **(202,787)** | (143,374) |
| | **Net Profit** | **B/. 4,175,991** | B/. 58,599,441 |

*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 years ended December 31, 2018 and 2017
***(Figures stated in B/. balboas)***

| | Attributable to the Controlling Interest | | | | |
|---|---|---|---|---|---|
| | Common shares | Retained earnings | Total | Non-controlling interest | Total stockholders' equity |
| January 1, 2017 | B/.45,703,113 | B/.66,255,030 | B/.111,958,143 | B/. 78,923 | B/.112,037,066 |
| Dividends paid | — | (55,000,000) | (55,000,000) | — | (55,000,000) |
| Net profit (loss) | — | 58,742,815 | 58,742,815 | (143,374) | 58,599,441 |
| December 31, 2017 | 45,703,113 | 69,997,845 | 115,700,958 | (64,451) | 115,636,507 |
| Cumulative effect of accounting change | | **(1,430,155)** | **(1,430,155)** | | **(1,430,155)** |
| December 31, 2017, as adjusted | 45,703,113 | 68,567,690 | 114,270,803 | (64,451) | 114,206,352 |
| **Share-based compensation** | **11,945,809** | — | **11,945,809** | — | **11,945,809** |
| **Dividends paid** | — | **(30,000,000)** | **(30,000,000)** | — | **(30,000,000)** |
| **Merger** | — | **(2,497,151)** | **(2,497,151)** | — | **(2,497,151)** |
| **Net profit (loss)** | — | **4,378,778** | **4,378,778** | **(202,787)** | **4,175,991** |
| **December 31, 2018** | **B/.57,648,922** | **B/.40,449,317** | **B/. 98,098,239** | **B/.(267,238)** | **B/. 97,831,001** |

*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, 2018 and 2017
***(Figures stated in B/. balboas)***

| Notes | | 2018 | 2017 |
|---|---|---|---|
| | **Cash flows from operating activities** | | |
| | Profit before income tax | **B/. 13,728,884** | B/. 79,246,221 |
| | Adjustments for: | | |
| 11 | Depreciation and amortization | **77,279,771** | 63,391,511 |
| 12 | Net loss on disposal of fixed assets | **320** | 16,406 |
| 9 | Other amortization | **4,327,371** | 4,878,484 |
| | Provision for seniority premium | **9,692,565** | 1,290,249 |
| 6 | Allowance for doubtful accounts | **5,560,268** | 5,758,560 |
| | Interest | **13,499,472** | 12,692,016 |
| | Share-based compensation | **11,945,809** | — |
| | **Cash flows before changes in working capital** | **136,034,460** | 170,374,561 |
| | Accounts receivables | **(1,771,937)** | (12,932,051) |
| | Other accounts receivable | **533,561** | 262,306 |
| | Inventory | **(7,332,275)** | 1,466,152 |
| | Prepaid taxes | **(1,256,293)** | 372,641 |
| | Guarantee deposits and other assets | **20,254** | 110,244 |
| | Accounts payable | **4,554,799** | 5,084,784 |
| | Employee benefits | **7,949,289** | 82,685 |
| | Client deposits | **(167,668)** | (135,266) |
| | Deferred income | **13,468,684** | 3,101,114 |
| | **Cash generated from operations** | **152,032,874** | — |
| | Income tax paid | **(20,459,510)** | (22,102,971) |
| | Interest paid | **(13,668,710)** | (11,942,084) |
| | Seniority premium and severance paid | **(8,131,971)** | (434,639) |
| | **Net cash flows provided by operating activities** | **109,772,683** | 130,206,362 |

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

## Cable Onda, S.A. and Subsidiaries

**Consolidated Statements of Cash Flows (continued)**
**For the years ended December 31, 2018 and 2017**
***(Figures stated in B/. balboas)***

| Notes | | 2018 | 2017 |
|---|---|---|---|
| | **Cash flows from investing activities** | | |
| | Contributions to severance fund, net | **1,106,867** | (935,691) |
| | Acquisition of intangible assets, net | **(796,168)** | (2,205,886) |
| | Merger, net of cash acquired | **(1,276,775)** | (2,205,886) |
| 11 | Acquisition of fixed assets | **(95,187,341)** | (85,223,281) |
| | **Net cash flows used in investing activities** | **(96,153,417)** | (88,364,858) |
| | **Cash flows from financing activities** | | |
| | Issuance of new bonds and loans | **38,700,000** | 26,711,000 |
| | Payment of bonds and loans | **(22,400,000)** | (16,000,000) |
| | Dividends paid | **(30,000,000)** | (55,000,000) |
| | Interest on Bonds | **133,480** | — |
| | **Net cash flows used in financing activities** | **(13,566,520)** | (44,289,000) |
| | Net increase (decrease) in cash | **52,745** | (2,447,496) |
| | Cash at beginning of year | **6,432,921** | 8,880,417 |
| | **Cash at end of year** | **B/. 6,485,666** | B/. 6,432,921 |
| | **Transactions not requiring cash** | | |
| | Bank loans | **B/. 13,786,517** | B/. — |
| | Land and buildings | **B/. 12,931,471** | B/. — |
| | Guarantee deposits | **B/. 3,722** | B/. — |
| | Organization expenses | **B/. 30,790** | B/. — |
| | Financial expense | **B/. 399,842** | B/. — |
| | Payment in shares | **B/. 11,945,809** | B/. — |
| | Merger, net of cash acquired | **B/. (1,276,775)** | B/. — |
| | Impact of adoption of IFRS 15 | **B/. 1,406,709** | B/. — |

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

## 1. Corporate information

Cable Onda, S.A. (Cable Onda) 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, S. A. 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 | No. of the Resolution | Description of the Service | Term (years) | Maturity date |
|---|---|---|---|---|---|
| 101 | CT-1745 of September 17, 2002 | MFRS -1345 | Landline telephone service | 20 years | September 17, 2022 |
| 102 | September 17, 2002 | CT - 1346 | Long distance telephone service | 20 years | September 17, 2022 |
| 103 | September 17, 2002 | CT - 1347 | International calls | 20 years | September 17, 2022 |
| 104 | September 22, 2003 | CT - 1540 | Public telephone service | 20 years | September 22, 2023 |
| 206 | September 18, 2000 | MFRS -1202 | International company digital service for commercial use (service 200) | 20 years | October 1, 2038 Renewed in 2018 |
| 208 | December 18, 1997 | MFRS -124 | Commercial data transmission (service 200) | 20 years | January 1, 2038 Renewed in 2018 |
| 209 | July 27, 1998 | CT - 448 | Commercial data exchange (service 200) | 20 years | January 1, 2038 Renewed in 2018 |
| 211 | March 12, 1998 | CT - 306 | Internet for public use | 20 years | August 1, 2038 Renewed in 2018 |
| 212 | March 19, 1997 | CT - 140 | Fax re-transmission services | 20 years | January 1, 2038 Renewed in 2018 |
| 220 | December 22, 1998 | CT - 609 | Audio, video and data with or without the Radio Electric Spectrum (service 200) | 20 years | December 1, 2038 Renewed in 2018 |
| 300 | August 24, 1998 | CT - 549 | Interactive television with or without the radio electric spectrum | 20 years | September 1, 2038 Renewed in 2018 |
| 400 | August 8, 2007 | AN N°1055 Telco | Added value services for telecommunications | 20 years | August 8, 2027 |
| 500 | August 24, 1998 | CT - 547 | Re-sale of telecommunications series for commercial use | 20 years | October 1, 2038 Renewed in 2018 |
| 804 | August 7, 2000 recognized in the concession right | JD - 2270 | Paid Type A Television (through electricradio frequencies) | 25 years as from enactment of Law 24 of June 30, 1999 | June 30, 2024 |
| 903 | December 18, 2000 | JD - 2547 | Type B radio paid | 25 years | December 18, 2025 |
| 904 | August 22, 2000 recognized in the concession right | JD - 2317 | Type B paid television | 25 years as from enactment of Law 24 of June 30, 1999 | June 30, 2024 |

## 1. Corporate information (continued)

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.

The consolidated financial statements of the Group for the year ended December 31, 2018 were authorized for issuance by Management on April 1, 2019.

## 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. Bases for Preparation of the Consolidated Financial Statements

### 3.1 Valuation basis and reporting currency

The consolidated financial statements of Cable Onda, S. A. and Subsidiaries as of December 31, 2018 and 2017 have been prepared on a historical cost basis of accounting, except in those cases referred to in the accounting policies mentioned in Note 4.

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.

### 3.2 Bases for consolidation

The consolidated financial statements as of December 31, 2018 and 2017 include the asset, liability and operational accounts of Cable Onda, S. A. and its subsidiaries, 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. Bases for Preparation of the Consolidated Financial Statements (continued)

### 3.3 Judgments, 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.

*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

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.

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

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.

**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 liabilities**

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.

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

## 4. Summary of Accounting Policies (continued)

**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.

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 a finite life are amortized by the straight-line method over the estimated useful lives of the assets, which are reviewed by the Group annually.

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.

## 4. Summary of Accounting Policies (continued)

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.

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.

### 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 |

### Property, furniture, equipment and leasehold improvements

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. 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

## 4. Summary of Accounting Policies (continued)

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.

### 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.

### Leases

*Financial leasing*

Assets acquired through financial lease, involving the substantial transfer to the Company of risks and benefits inherent to ownership of the assets, are capitalized at the date of the lease at the fair value of the leased goods or, is the lesser of the two, at the present value of the minimum lease payments, simultaneously recognizing the corresponding liability. The monthly rate of the lease agreements is comprised of financial charges and debt amortization. Financial charges are applied directly to income for the period. Capitalized assets are depreciated according to the estimated useful life of the leased assets.

## 4. Summary of Accounting Policies (continued)

*Capacity as lessor*

Leases where the lessor 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.

*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.

**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.

**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.

**Changes in accounting policies and standards not yet in force**

### A. Changes in accounting policies and disclosures

Preparation of the Group's consolidated financial statements at December 31, 2018, is consistent with the accounting policies used for preparation of its consolidated financial statements at December 31, 2017, except for application of IFRS 9 and IFRS 15, as follows:

Other changes and interpretations were applied for the first time in 2018, but had no significant impact on the Group's consolidated financial statements. These changes and new interpretations have required

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

certain additional disclosures and in some cases, revision of certain accounting policies. The Group has not adopted in advance any standard, interpretation or amendments issued but not yet in effect.

The Group applied IFRS 15 and IFRS 9 for the first time on January 1, 2018. The nature of the changes, as a result of the adoption of these new accounting standards is described in the following paragraphs.

**Financial instruments**

IFRS 9 Financial Instruments replaced IAS 39 Financial Instruments, Recognition and Measurement and is in force for the annual periods beginning on or after January 1, 2018. The standard relates to the three fundamental aspects of accounting of financial instruments: (a) classification and measurement; (b) impairment; and (c) hedge accounting.

The following aspects were considered by the Group in the adoption of IFRS 9:

**(a) Classification and measurement**—In accordance with IFRS 9, financial instruments are subsequently measured at fair value with changes to income, at the amortized cost or fair value of changes in other comprehensive income (OCI). Instruments are classified based on two criteria: (a) the business model used by the Group, as an independent entity, in managing its assets; and (b) if the contractual cash flows of the instruments represent only payments on capital and interest on the amount outstanding.

**(b) Impairment of financial assets**—Adoption of IFRS 9 has fundamentally changed the determination of impairment losses of financial assets through replacement of the incurred-loss approach under IAS 39 for a forecast future expected credit losses approach (ECL). IFRS 9 requires that the Group recognize an allowance for ECL for all financial assets not held at fair value with changes in income.

**(c) Hedge accounting**—Under IAS 39, all gains and losses arising from the Group's cash flow hedge relationships were eligible for subsequent reclassification to income. However, IFRS 9 requires that gains and losses arising from hedging of cash flows pertaining to forecast purchases of non-financial assets be incorporated in the initial book values of non-financial assets. This change is only applied prospectively as from the date of initial application of IFRS 9 and has no impact on the presentation of the comparative figures.

**Revenue from contracts with customers**

IFRS 15 replaces IAS 11 Construction contracts, IAS 18 Revenue and related interpretations, and limited exceptions, to all income arising from contracts with customers. IFRS 15 establishes a five-step model for recording income arising from contracts with customers and requires that revenue be recognized in an amount that reflects the consideration at which the entity expects to be entitled in exchange for the transfer of goods and services to a customer.

An entity recognizes a contract with a customer that falls within the scope of this Standard only when all of the following criteria are met:

a. The parties to the contract have approved the contract (in writing, verbally or in accordance with other traditional business practices) and agree to comply with the respective obligations.

b. The entity can identify the rights of each party with respect to the goods or services to be transferred;

c. The entity can identify the payment conditions with respect to the goods or services to be transferred;

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

d. The contract is commercially based (that is to say, the risk, schedule or amount of future cash flows are expected to change as a result of the contract); and

e. The entity is likely to collect the consideration to which it is entitled in exchange for the goods or services transferred to the customer. To evaluate the consideration is likely to be collected, an entity considers only the customer's capability and intention to pay that consideration when due. The amount of the consideration to which the entity will be entitled can be under the price established in the contract, if the price is variable, because the entity can offer the customer a price cut.

IFRS 15 requires that entities exercise their judgment, taking into account the events and relevant circumstances in applying each of the five steps of the model to contracts with customers. The standard also specifies the accounting for incremental costs of obtaining a contract and the costs directly related to compliance with a contract.

*Contracts with customers*

Implementation of IFRS 15 had a moderate impact on our operating profitability in 2018. Most of the impact on revenues is related to the change in how to recognize installation revenue. This revenue is now deferred over the useful life of a customer, which averages seven years. The change in application of this standard gave rise to a reduction in revenues of B/. 2,436,744 for the year ended December 31, 2018.

Additionally, performance obligations were identified, in which the goods and services have not been delivered to the customer. This had a net tax impact of B/. 1,430,155, recorded against the opening balance of retained earnings at January 1, 2018.

**B. Standards issued but not yet in force**

IFRS or interpretations thereof, and modified, issued but not yet in force, up to the date of issuance of the Group's consolidated financial statements are described below. The standards or interpretations and changes described are only those that, according to Management's criteria, can have a significant effect on the Group's disclosures, position or financial performance when applied on a future date. The Group intends to adopt these new and modified standards and interpretations if applicable, when they go into effect.

**IFRS 16—Leases**

IFRS 16 was issued in January 2016 and replaces IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, IAS 15 *Operating Leases—Incentives* and IAS 27 *Evaluating the Substance of Transactions in the Legal Form of a Lease*. IFRS 16 establishes the principles for recognition, measurement, presentation and disclosure of leases and requires that lessees recognize all leases under a sole model in the statement of financial position, similar to recording of financial leases under IAS 17. The standard includes two exemptions for recognition of leases—"Low value" asset leases and short-term leases (that is to say, leases with a term of 12 months or less). At the start date of the lease, the lessee must recognize a liability to make lease payments (that is to say, the lease liability) and an asset representing the right to use the underlying asset during the term of the lease (the right of use asset). Lessees are required to separately recognize the financial expense corresponding to leasing and the depreciation expense on the right of use asset.

Lessees are also required to re-measure the lease liability when certain events occur (for example, a change in the lease term or a change in future lease payments resulting from a change in the rate or index used to determine those payments). Generally, the lessee recognizes the amount of the re-measurement of the lease liability as an adjustment to the right of use of asset.

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

The lessors' accounting under IFRS 16 remains substantially unchanged with respect to accounting under IAS 17. The lessors will continue classifying all the leases using the same classification principle as per IAS 17 and will separate two types of leasing: operating and financial.

IFRS 16 also requires that lessees and lessors make more extensive disclosures than those required in IAS 17.

IFRS 16 is effective for annual periods beginning on or after January 1, 2019. A lessee can chose to apply the standard using either the complete or the modified retrospective approach. The standard's transition provisions allow certain facilities. The Group is reviewing the impact on the consolidated financial statements.

**Interpretation IFRS 23: Uncertainty as to the tax treatment of profits**

The interpretation addresses accounting of income tax when the tax treatments imply an uncertainty that affects application of IAS 12 and it does not apply to taxes beyond the scope of IAS 12, or specifically include the requirements related to interest and sanctions associated to uncertain tax treatments.

The interpretation specifically addresses the following:

– If an entity considers uncertain tax treatments separately.

– The assumptions made by an entity on the analysis of tax treatments by the tax authorities.

– How an entity determines the tax profit/loss, the tax bases, unused tax losses, unused tax credits and the tax rates.

– How an entity considers changes in facts and circumstances.

An entity must determine whether it considers each uncertain tax treatment separately or jointly with one or more uncertain tax treatment. The approach that best estimates resolution of the uncertainty must be followed. The interpretation is effective for the annual periods beginning on or after January 1, 2019 and considers certain transition facilities available.

**Amendments to IFRS 9: Characteristics of early cancellation 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.

The amendments must be applied retrospectively and take effect on or after January 1, 2019.

**Amendments to IFRS 10 and IAS 28: Sales or Contributions of Assets between an investor and its associate or joint venture**

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

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

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.

**Annual improvements 2015-2017 Cycle (issued in December 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, 2019, allow for early application thereof.

*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, 2019, 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, 2019, 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.

*IAS 23 Borrowing costs*

The amendments require that entities treat borrowings originally realized to develop a qualifying asset as part of general borrowings, when all activities necessary to prepare that asset for its intended use or sale are completed. An entity applies those amendments to the borrowing costs incurred on or after the start of the annual period to which the entity applies those changes for the first time. An entity applies those changes for annual reporting periods beginning on January 1, 2019, and early application thereof is permitted.

**Reclassifications**

Certain amounts in the consolidated financial statements at and for the year ended December 31, 2017 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. Cash

| | As of December 31, 2018 | As of December 31, 2017 |
|---|---|---|
| Cash on hand | **B/. 57,260** | B/. 60,060 |
| Banco General | **5,692,721** | 5,627,497 |
| Banco Panamá | **31,697** | 4,249 |
| Global Bank | **72,171** | 302,093 |
| Savings fund | **48,664** | 11,736 |
| Citibank | **7,285** | 8,469 |
| Banesco | **48,497** | 3,623 |
| Banistmo | **169,174** | 186,038 |
| The Bank of Nova Scotia | **29,138** | 11,950 |
| Banvivienda | **7,350** | 24,933 |
| Banconal | **106,816** | 44,272 |
| Bac Panamá | **214,893** | 148,001 |
| | **B/. 6,485,666** | B/. 6,432,921 |

## 6. Accounts receivables, Net

| | As of December 31, 2018 | As of December 31, 2017 |
|---|---|---|
| Cable, telephone and other services | **B/. 31,164,425** | B/. 32,784,523 |
| Operators | **1,287,858** | 2,409,832 |
| | **32,452,283** | 35,194,355 |
| Less; allowance for doubtful accounts | **(3,224,495)** | (2,178,236) |
| Accounts receivable, net | **B/. 29,227,788** | B/. 33,016,119 |

Following is an analysis of accounts receivable, net at December 31, 2018 and 2017:

| | Current | 30 to 60 days | 60 to 90 days | 90 to 120 days | Over 120 days | Total |
|---|---|---|---|---|---|---|
| **2018** | **B/. 16,922,889** | **B/. 7,342,020** | **B/. 1,554,918** | **B/. 672,239** | **B/. 2,735,722** | **B/. 29,227,788** |
| 2017 | B/. 15,355,354 | B/. 10,446,862 | B/. 844,631 | B/. 5,633,320 | B/. 755,952 | B/. 33,036,119 |

| | As of December 31, 2018 | As of December 31, 2017 |
|---|---|---|
| *Movements of allowance for doubtful accounts* | | |
| Balance at beginning of year | **B/. 2,178,236** | B/. 1,152,324 |
| Plus allowance for the year | **5,560,268** | 5,758,560 |
| Less charge to allowance | **(4,514,009)** | (4,732,648) |
| Balance at end of year | **B/. 3,224,495** | B/. 2,178,236 |

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.

## 7. Inventory

Following is a breakdown of inventory:

| | As of December 31, | |
|---|---|---|
| | **2018** | **2017** |
| Materials and equipment | **B/. 28,529,200** | B/. 20,508,621 |
| Inventory in transit | **190,289** | 93,141 |
| Provision for inventory obsolescence | **(785,452)** | — |
| | **B/. 27,934,037** | B/. 20,601,762 |

## 8. Severance fund

The severance fund account balance at December 31, 2018 was B/. 5,531,183 (2017—B/.6,638.050). The fund generated interest income for the year ended December 31, 2018 of B/.299,123 (2017—B/. 295,259). Said interest is classified under other services and revenue in the consolidated statements of income.

## 9. Intangible assets

Following is a summary of intangible assets:

| | As of December 31, | |
|---|---|---|
| | **2018** | **2017** |
| Indefinite useful life | **B/. 16,699,519** | B/. 16,699,519 |
| Finite useful life | **3,421,798** | 6,922,211 |
| | **B/. 20,121,317** | B/. 23,621,730 |

Indefinite useful life assets at December 31, 2018 and 2017 are comprised of the following brands:

| | As of December 31, | |
|---|---|---|
| | **2018** | **2017** |
| Brand Telecarrier | **B/. 15,281,909** | B/. 15,281,909 |
| Brand 088 | **1,417,610** | 1,417,610 |
| | **B/. 16,699,519** | B/. 16,699,519 |

Both brands are susceptible to being separated from the Group and because they are registered, have legal rights protected by the General Directorate of the Registry of Industrial Property pertaining to the Ministry of Commerce and Industry of the Republic of Panama; therefore, they are identified as intangible assets and appraised.

## 9. Intangible assets (continued)

Following are the movements of finite life intangible assets at December 31:

| | As of December 31, 2018 | 2017 |
|---|---|---|
| Balance at beginning of year | **B/. 6,922,211** | B/. 9,594,809 |
| Increase | **826,958** | 2,205,886 |
| Amortization charge | **(4,327,371)** | (4,878,484) |
| | **B/. 3,421,798** | B/. 6,922,211 |
| Intangible at cost | **B/. 40,087,218** | 37,881,332 |
| Increase | **826,957** | 2,205,886 |
| Accrued amortization | **(37,492,377)** | (33,165,007) |
| | **B/. 3,421,798** | B/. 6,922,211 |

## 10. Deferred income

Following are the movements of deferred income at December 31:

| | As of December 31, 2018 | 2017 |
|---|---|---|
| **Current portion** | | |
| Early cash collections from monthly payments[a] | **B/. 7,342,014** | B/. 2,531,459 |
| **Non-current portion** | | |
| Adaptation projects[b] | **B/. 10,445,359** | B/. 7,721,278 |
| Special projects[c] | **8,385,242** | 1,044,485 |
| | **B/. 18,830,601** | B/. 8,765,763 |

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

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.

## 11. Goodwill

The Group performed its annual impairment test in December 2018 and 2017. The Group considers the relationship between the recoverable amount and its book value, among other factors, when reviewing for indicators of impairment. The recoverable amount of the CGU as at 31 December 2018 has been determined based on a value in use calculation using cash flow projections from financial budgets covering a five-year period.

| | As of December 31, 2018 | 2017 |
|---|---|---|
| Goodwill | **B/. 70,922,903** | B/. 70,922,903 |

## 12. Property, furniture, equipment and leasehold improvements.

### Net

### 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 | 1,328,174 | 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/. 19,407,349 | 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/.10,573,750 | 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/. 19,407,349 | B/. 318,210,521 |

## 12. Property, furniture, equipment and leasehold improvements. (continued)

### December 31, 2017

| | Land | Building and Improvements | Furniture and fixtures | Computer equipment | Technical Equipment | Transportation Equipment | Leasehold Improvements | Constructions in process | Total |
|---|---|---|---|---|---|---|---|---|---|
| At January 1, 2017, net of accumulated depreciation and amortization | B/. 377 | B/. 3,473,454 | B/. 3,440,436 | B/. 10,038,394 | B/. 220,111,219 | B/. 4,327,824 | B/. 21,610,260 | B/. 2,554,472 | B/. 265,556,436 |
| Additions capitalized in 2017 | — | — | 1,025,349 | 2,749,164 | 70,229,126 | 1,807,060 | 5,784,130 | 3,628,452 | 85,223,281 |
| Reclassification | — | — | — | — | 6,182,924 | — | | (6,182,924) | — |
| Disposal, net – | | | — | (16,406) | | | | | (16,406) |
| Depreciation and amortization | — | (150) | (548,963) | (5,009,632) | (49,567,391) | (2,489,746) | (5,775,629) | — | (63,391,511) |
| At December 31, net of Accumulated depreciation and 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/. — | B/. 287,371,800 |
| At January 1, 2017 | | | | | | | | | |
| At cost | B/. 377 | B/. 5,843,288 | B/. 8,220,227 | B/. 28,453,294 | B/. 550,284,407 | B/.12,083,727 | B/. 32,070,871 | B/. 2,554,472 | B/. 639,510,663 |
| Accumulated depreciation and amortization | — | (2,369,834) | (4,779,791) | (18,414,900) | (330,173,188) | (7,755,903) | (10,460,611) | — | (373,954,227) |
| Net value | B/. 377 | B/. 3,473,454 | B/. 3,440,436 | B/. 10,038,394 | B/. 220,111,219 | B/. 4,327,824 | B/. 21,610,260 | B/. 2,554,472 | B/. 265,556,436 |
| At December 31, 2017 | | | | | | | | | |
| At cost | 377 | 5,843,288 | 9,245,576 | 31,186,052 | 626,696,457 | 13,890,787 | 378,855,001 | — | 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/. — | B/. 287,371,800 |

## 13. Employee benefits payable

Following is a breakdown of employee benefits payable at December 31:

| | As of December 31, | |
|---|---|---|
| | **2018** | **2017** |
| Employee benefits | **B/. 8,355,342** | B/. 1,838,454 |
| Labor reserves | **6,813,972** | 5,381,571 |
| | **B/.15,169,314** | B/.7,220,025 |

With the approval of the Board of Directors, it was decided to make extraordinary payments for performance bonuses.

## 14. Accounts Payable

At December 31, 2018, the accounts payable balance amounts to B/.54,780,519 (2017 – B/.49,995,116). 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 do not generate interest.

## 15. Notes payable

The Group maintains lines of credit approved for working capital of B/.160,300,000 (2017 – B/.130,000,000), of which B/.77,086,517 (2017 – B/.47,000,000) has been used and accrues annual interest ranging between 3.00% and 5.54% (2017 – 3.00% and 3.25%).

Notes payable expire as follows:

| | | | As of December 31, | |
|---|---|---|---|---|
| | **Interest rate** | **Expiration** | **2018** | **2017** |
| Scotiabank | 3.76% – 4.25% | 2019 | **B/. 24,000,000** | B/. 7,700,000 |
| Banistmo | 4% – 4.67% | 2019 | **15,000,000** | 15,000,000 |
| Banco Nacional | 4.00% | 2020 | **24,300,000** | 24,300,000 |
| Banco General, S. A. | 5.54% | 2020 | **13,786,517** | — |
| | | | **77,086,517** | 47,000,000 |
| Less current portion | | | **(39,000,000)** | — |
| | | | **B/. 38,086,517** | B/.47,000,000 |

Movements of notes payable during 2017 and 2018:

| | For the years ended December 31, | |
|---|---|---|
| | **2018** | **2017** |
| Beginning balance | **B/. 47,000,000** | B/. 36,289,000 |
| Current portion of long-term loans contracted in the year | **38,700,000** | 26,711,000 |
| Merged company debt | **13,786,817** | — |
| Payments made in the year | **(22,400,000)** | (16,000,000) |
| Ending balance | **B/. 77,086,817** | B/. 47,000,000 |

## 16. Other long-term liabilities

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 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%.

*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.

## 16. 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.

At December 31, 2018, Group Management is in compliance with the financial conditions established in the agreement for the purchase-sale of bonds.

Following is a breakdown of bonds:

| | As of December 31, | |
|---|---|---|
| | **2018** | **2017** |
| Bonds | **B/.185,000,000** | B/.185,000,000 |
| Financial costs | **(745,324)** | (878,804) |
| | **B/.184,254,676** | B/.184,121,196 |

## 17. Balances and transactions with related parties

| | As of December 31, | |
|---|---|---|
| | **2018** | **2017** |
| **Consolidated Statements of Financial Position** | | |
| ***Assets*** | | |
| ***Accounts receivable*** | | |
| Corporación Medcom, S.A. | **B/. 256,812** | B/.1,954,327 |
| Green Real Estate and Investments Corp. | **—** | 1,924,898 |
| | **B/. 256,812** | B/.3,879,225 |

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

| | As of December 31, | |
|---|---|---|
| | **2018** | **2017** |
| ***Liabilities*** | | |
| ***Accounts payable*** | | |
| Corporación Medcom, S.A. | **B/.1,514,907** | B/.205,641 |

| | Years ended December 31, | |
|---|---|---|
| | **2018** | **2017** |
| **Consolidated Statements of Income** | | |
| ***Advertising Income*** | | |
| Corporación Medcom, S.A. (1) | **B/. 500,000** | B/. 500,000 |
| ***Rental expenses (2)*** | | |
| Corporacion Medcom, S.A. | **B/. 117,682** | B/. 12,540 |
| Costa del Este Infraestructure, Inc | **813,083** | 120,252 |
| Cable Capitol, Inc. | **753,493** | 742,500 |
| Metrovisión Bienes Raíces, S.A. | **140,758** | 147,058 |
| | **B/.1,825,016** | B/.1,022,350 |

(1) 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.

(2) The rental expenses corresponds to lease the main building that houses Cable Onda, S. A. and other property, as described in Note 20.

No guarantees have been granted or received for accounts receivable from or payable to related parties. For the years ended December 31, 2018 and 2017, 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.

| | For the years ended December 31, | |
|---|---|---|
| | **2018** | **2017** |
| Compensation to key executives | **B/.27,858,714** | B/.4,004,986 |

## 18. Other services and revenue

| | For the years ended December 31, | |
|---|---|---|
| | **2018** | **2017** |
| Installations | **B/. 1,057,048** | B/. 1,126,729 |
| Other income | **3,603,461** | 3,993,961 |
| Advertising | **550,000** | 540,000 |
| Additional services | **614,197** | 710,923 |
| | **B/. 5,824,706** | B/. 6,371,613 |

## 19. Income Tax

Following is a summary of the income tax expense:

| | For the years ended December 31, | |
|---|---|---|
| | **2018** | **2017** |
| Current | **B/. 9,706,769** | B/.20,248,048 |
| Deferred | **153,876** | 398,372 |
| Total income tax expense | **B/. 9,552,893** | B/.20,646,420 |

- 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 of December 31, | |
|---|---|---|
| | **2018** | **2017** |
| Non-current deferred income tax | | |
| Deferred income tax liability: | | |
| Depreciation and amortization | **B/. 22,863,474** | B/.20,050,131 |
| Deferred income | **307,983** | 961,128 |
| Intangibles | **5,372,508** | 5,087,056 |
| Goodwill amortization | **5,428,540** | 5,428,540 |
| Deferred income tax liability | **33,972,505** | 31,526,855.00 |
| Deferred income tax asset: | | |
| Provision for expenses | **(4,625,367)** | (5,580,415) |
| Provision for income | **(3,927,311)** | (632,865) |
| Allowance for doubtful accounts | **(804,687)** | (544,559) |
| Deferred income tax asset | **(9,357,365)** | (6,757,839) |
| Non-current deferred income tax liability, net | **B /.24,615,140** | B/.24,769,016 |

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

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, 2018.

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, 2018.

## 20. Employee benefits expense

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

| | Years ended December 31, | |
|---|---|---|
| | **2018** | **2017** |
| Salaries, commissions and other | **B/.34,276,727** | B/.33,132,676 |
| Travel and representation expenses | **3,545,997** | 3,755,945 |
| Bonuses | **4,522,026** | 4,481,253 |
| Vacation | **3,747,224** | 3,458,816 |
| Net profit sharing | **19,706,383** | 3,949,755 |
| Share-based compensation | **11,945,810** | — |
| Social security and employer education insurance | **6,715,123** | 6,009,567 |
| Professional risk | **991,463** | 875,001 |
| Seniority premium and indemnities | **9,392,009** | 1,808,381 |
| Other expenses | **3,041,212** | 2,222,103 |
| | **B/.97,883,974** | B/.59,693,497 |

### *Share-based compensation*

With the approval of the Board of Directors, the Company decided to award its key executives a share-based compensation. The price of the shares was established based on the fair value of the purchase/sale conducted between Cable Onda and Millicom stockholders.

### *Employee profit sharing*

With the approval of the Board of Directors, the Company made certain payments under employees' profit sharing.

## 21. General, sales and administrative expenses

General, sales and administrative expenses are as follows:

| | Years ended December 31, | |
|---|---|---|
| | **2018** | **2017** |
| Rent | **B/. 11,265,055** | B/. 10,528,222 |
| Amortization | **153,480** | 133,480 |
| Personnel expenses | **97,883,974** | 59,693,497 |
| Bad debts | **5,561,736** | 5,783,928 |
| Electricity | **6,443,632** | 6,158,409 |
| Professional services fees | **28,007,652** | 26,319,463 |
| Taxes, other than income | **5,599,118** | 4,984,727 |
| Other expenses | **19,021,882** | 2,405,026 |
| Insurance and bonds | **249,233** | 269,085 |
| Marketing and advertising | **5,103,800** | 5,740,136 |
| Repairs and maintenance support | **2,859,376** | 2,404,113 |
| Repairs, maintenance and other operating expenses | **3,616,218** | 3,706,219 |
| Service expenses | **6,694,973** | 6,725,012 |
| Office expenses | **1,266,309** | 1,518,679 |
| | **B/.193,726,438** | B/.136,369,996 |

## 22. Programming and operating costs

| | Years ended December 31, | |
|---|---|---|
| | **2018** | **2017** |
| Interconnection costs | **B/. 11,955,030** | B/. 12,734,156 |
| Data transmission costs | **8,130,147** | 5,875,390 |
| Internet cost | **1,438,767** | 1,510,559 |
| B2B projects | **9,391,235** | 9,124,030 |
| Programmer costs | **52,650,726** | 46,762,749 |
| Depreciation and amortization | **81,498,179** | 67,782,812 |
| Sundry costs | **2,299,219** | 2,012,245 |
| | **B/.167,363,303** | B/.145,801,941 |

## 23. Commitments and contingencies

### Commitments

*Leases with purchase option*

The Group (the lessee) signed a lease-to-own arrangement with Cable Capitol, Inc. (the lessor), a related party, for rental of Cable Onda, S.A. headquarters building.

Some of the most important clauses in said contract are:

- The term of the agreement is 20 years, extendable, as from signing of the lease agreement in January 2005 and has an addendum signed on April 30, 2018, modifying its term to 28 years (8-year extension).
- The monthly lease payment was established based on a percentage of the cost of the project, estimated at approximately B/.59,460 per month.
- Maintenance and conservation of the property, individually below B/.30,000, is payable by the lessee
- The lessee can exercise the first purchase option as from the tenth year of the term and the preferential right of purchase in the event the lessor offers to sell it to a third party or if a third party offers to buy it.

The Group (lessee) signed a lease agreement with Metrovisión Bienes Raíces, S. A. (lessor), a related party, for the Cable Onda, S. A. office in Chiriquí. Some of the most important clauses in said contract are:

- The term of the agreement is 20 years, extendable, as from signing of the lease agreement in July 2005 and has an addendum signed on April 30, 2018, modifying the term to 28 years.
- Monthly rent payments are established based on the use of the property and improvements thereto.

The Group (lessee) signed a lease agreement with Cable Capítol Inc. (lessor), a related party, for the Cable Onda, S. A. office in Divisa. Some of the most important clauses in said contract are:

- The term of the agreement is 20 years, extendable, as from signing of the lease agreement in July 2005 and has an addendum signed on April 30, 2018, modifying the term to 28 years.
- Monthly rent payments are established based on use of the property and telecommunications equipment leased, and have been estimated at approximately B/.6,479.

*Operating leases*

The Group leases certain assets under operating leasing terms. These leases include real property. Most of the lease agreements include an option for renewal. In some cases, the lease payments during the renewal period can exceed those currently payable. Due to the fact that lease renewals are not considered reasonably certain, lease payments due during the renewal stage are not included in the determination of the rent expense until the lease is renewed. The Group's leases do not include guaranteed residual value.

At December 31, 2018, future minimum payments corresponding to operating leases for the next years are summarized as follows:

| | Amount |
|---|---|
| **2019** | B/.4,081,420 |
| **2020** | B/.4,166,264 |
| **2021 onwards** | B/.4,330,034 |

## 23. Commitments and contingencies (continued)

*Other*

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.

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*

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.

## 24. 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.

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

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, 2018, 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/.578,148.

*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:

| December 31, 2018 | Less than 3 months | 3 to 12 months | more than 1 year | Total |
|---|---|---|---|---|
| Current portion of long-term loans . . . | B/. — | B/.39,000,000 | B/. 38,086,517 | B/. 77,086,517 |
| Other long-term liabilities . . . . . . . . . | — | — | 184,254,676 | 184,254,676 |
| Accounts payable . . . . . . . . . . . . . . . | 52,394,074 | 2,386,445 | — | 54,780,519 |
| | B/.52,394,074 | B/.41,386,445 | B/.222,341,193 | B/.316,121,712 |

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

| December 31, 2017 | Less than 3 months | 3 to 12 months | more than 1 year | Total |
|---|---|---|---|---|
| Current portion of long-term loans | B/. — | B/. — | B/. 47,000,000 | B/. 47,000,000 |
| Other long-term liabilities | — | — | 184,121,196 | 184,121,196 |
| Accounts payable | 35,733,447 | 9,672,281 | 4,589,388 | 49,995,116 |
| | B/.35,733,447 | B/.9,672,281 | B/.235,710,584 | B/.281,116,312 |

## 25. 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 cash equivalents, commercial accounts receivable, other accounts payable and loans payable in the short-term 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 | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| Financial assets | | | | |
| Cash and cash equivalents | **B/. 6,485,666** | B/. 6,432,921 | **B/. 6,485,666** | B/. 6,432,921 |
| Accounts receivable | **B/. 29,227,788** | B/. 33,016,119 | **B/. 29,227,788** | B/. 33,016,119 |
| Financial liabilities | | | | |
| Accounts Payable | B/. 54,780,519 | B/. 49,995,116 | B/. 54,780,519 | B/. 49,995,116 |
| Notes and Other long-term liabilities | **B/.261,341,193** | B/.231,121,196 | **B/.264,935,517** | B/.240,325,000 |

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.

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 2018 and 2017.

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

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, 2018, said financial ratio was 3.98 (2017 – 2.88).

## Telefónica Móviles Panamá, S. A.
**(A Subsidiary of Telefónica Centroamérica Inversiones S. L.)**

Financial Statements
As of and for the six-month period ended June 30, 2019 and 2018

**Telefónica Móviles Panamá, S. A.**

**June 30, 2019**

**Contents**

**Telefónica Móviles Panamá, S. A.**

**Interim Condensed Statements of Financial Position at June 30, 2019 and December 31, 2018**
***(figures stated in US dollars)***

| | Note | June 30, 2019 | December 31, 2018 |
|---|---|---|---|
| **Assets** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | 4 | $ 12,112,698 | $ 15,882,454 |
| Accounts receivable | 5 | 23,525,761 | 21,036,201 |
| Receivables from related parties | 6 | 5,141,233 | 2,822,066 |
| Contract assets | | 1,922,438 | 996,983 |
| Other financial assets at amortized cost | 7 | 10,741,971 | 5,436,577 |
| Inventory | 8 | 5,615,480 | 3,002,427 |
| Short-term Prepaid expenses | | 3,127,081 | 2,555,297 |
| **Total current assets** | | **62,186,662** | **51,732,005** |
| **Non-current assets** | | | |
| Property, furniture and equipment | 9 | 105,707,727 | 110,140,311 |
| Intangible assets | 10 | 110,022,079 | 113,873,808 |
| Right of use assets | 3 | 47,740,944 | — |
| Investment in shares in related parties | | 16,000 | 1,060,572 |
| Long-term Prepaid expenses | | 8,975,382 | 9,507,614 |
| Other non-current assets | | 4,556,946 | 4,038,348 |
| Deferred tax asset | | 2,056,121 | 1,695,331 |
| **Total non-current assets** | | **279,075,199** | **240,315,984** |
| **Total assets** | | **$341,261,861** | **$292,047,989** |
| **Liabilities and stockholders' equity** | | | |
| **Current liabilities** | | | |
| Accounts payable | 11 | $ 41,031,889 | $ 41,681,406 |
| Current portion of lease liabilities | 3 | 8,042,138 | — |
| Payables to related parties | 6 | 10,883,255 | 15,529,343 |
| Current portion of long-term loans | 12 | 17,000,000 | 22,263,436 |
| Contract liabilities | | 1,880,423 | 2,965,248 |
| Accrued expenses and other liabilities | 13 | 12,807,015 | 12,681,889 |
| Income tax payable | 15 | 4,503,091 | 2,725,626 |
| **Total current liabilities** | | **96,147,811** | **97,846,948** |
| **Non-current liabilities** | | | |
| Long-term loans payable | 12 | 63,180,000 | 69,415,385 |
| Long-term lease liabilities | 3 | 42,459,723 | — |
| Other long-term liabilities | 14 | 6,829,619 | 6,951,978 |
| Deferred income tax liability | | 2,759,296 | 2,275,736 |
| Total non-current liabilities | | 115,228,638 | 78,643,099 |
| **Total liabilities** | | **211,376,449** | **176,490,047** |
| **Stockholders' equity** | | | |
| Capital stock | | 44,687,338 | 44,687,338 |
| Retained earnings | | 85,198,074 | 70,870,604 |
| **Total stockholders' equity** | | **129,885,412** | **115,557,942** |
| **Total liabilities and stockholders' equity** | | **$341,261,861** | **$292,047,989** |

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

**Telefónica Móviles Panamá, S. A.**
**(A Subsidiary of Telefónica Centroamérica Inversiones S. L.)**

**Interim Condensed Statement of Income**
**for the six month period ended June 30, 2019 and 2018**
***(figures stated in US dollars)***

| | Note | June 30, 2019 | June 30, 2018 |
|---|---|---|---|
| Revenue from contracts with clients | 16 | $112,723,284 | $107,281,122 |
| Other income | | 371,375 | 111,099 |
| **Total revenue** | | **113,094,659** | **107,392,221** |
| Direct operating costs and acquisition of subscribers | 17 | (36,024,512) | (39,565,132) |
| Personnel expenses | | (8,155,619) | (7,085,040) |
| Depreciation and amortization | | (22,249,690) | (16,217,423) |
| Loss from impairment of financial assets | | (1,021,336) | (44,893) |
| Loss from impairment of contract assets | | (47,306) | — |
| Other operating income | | 106,879 | 277,429 |
| Other operating expenses | 18 | (24,029,358) | (21,935,292) |
| **Total direct costs and operating expenses** | | **(91,420,942)** | **(84,570,351)** |
| **Operating income** | | **21,673,717** | **22,821,870** |
| **Financial income and (expenses)** | | | |
| Financial income | | 443,391 | 448,372 |
| Financial expenses | | (3,163,777) | (2,051,741) |
| **Income before income tax** | | **18,953,331** | **21,218,501** |
| Income tax | 15 | (4,625,861) | (5,429,376) |
| **Net income for the period** | | **$ 14,327,470** | **$ 15,789,125** |

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

**Telefónica Móviles Panamá, S. A.**

**Interim Condensed Statement of Changes in Stockholders' Equity at June 30, 2019 and December 31, 2018**
***(figures stated in US dollars)***

| | Capital stock | Retained earnings | Total |
|---|---|---|---|
| **Balance at January 1, 2018** | **$44,687,338** | **$ 75,446,750** | **$120,134,088** |
| Dividends declared | | (43,070,517) | (43,070,517) |
| Net income for the period | | 38,494,371 | 38,494,371 |
| **Balance at December 31, 2018** | **44,687,338** | **70,870,604** | **115,557,942** |
| Net income for the period | | 14,327,470 | 14,327,470 |
| **Balance at June 30, 2019** | **$44,687,338** | **$ 85,198,074** | **$129,885,412** |

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

## Telefónica Móviles Panamá, S. A.

### Interim Condensed Statements of Cash Flows for the six month period ended June 30, 2019 and 2018

***(figures stated in US dollars)***

| | | For the period ended: | |
|---|---|---|---|
| | Note | June 30, 2019 | June 30, 2018 |
| **Cash flows and cash equivalents provided by operating activities** | | | |
| Income before income tax | | $ 18,953,331 | $ 21,218,501 |
| Adjustment to reconcile the income before income tax, with net cash flows from operating activities: | | | |
| Allowance for impairment of accounts receivable | | 1,021,335 | (536,603) |
| Allowance for impairment of inventories | | 20,818 | 58,065 |
| Depreciation and amortization | 9,10 | 22,249,690 | 16,190,236 |
| Disposals of property, furniture and equipment | | 117,743 | 27,573 |
| Impairment of investment in shares in related parties | | 1,060,572 | — |
| Provision for asset retirement obligation | 14 | (250,085) | — |
| Provision for seniority premium | 14 | 195,095 | 562,422 |
| Financial expenses – net | | 3,163,777 | 2,051,741 |
| | | 46,532,276 | 39,571,935 |
| **Changes in Working Capital stock** | | | |
| (Increase) decrease in operating assets | | | |
| Accounts receivable | | (3,510,895) | 259,028 |
| Receivables from related parties | | (2,319,167) | (434,090) |
| Contract assets | | (925,455) | (403,036) |
| Other financial assets at amortized cost | | (5,305,395) | (2,862,298) |
| Inventory | | (2,633,871) | (862,780) |
| Prepaid expenses | | (39,552) | 1,197,397 |
| Other non-current assets | | (518,598) | 550,911 |
| (Increase) decrease in operating liabilities | | | |
| Accounts payable | | (649,517) | (13,324,099) |
| Payables to related parties | | (4,646,088) | 807,047 |
| Contract liabilities | | (1,084,825) | 5,495,771 |
| Deferred income | | — | (7,676,313) |
| Accrued expenses and other liabilities | | 125,126 | (437,660) |
| Other long-term liabilities | 22 | (67,369) | 15,094 |
| Cash and cash equivalents provided by operating activities before interest and taxes | | 24,956,670 | 21,896,907 |
| Income tax paid | | (2,725,626) | (2,172,878) |
| Interest paid | | (3,163,777) | (2,051,741) |
| Net cash flows provided by operating activities | | 19,067,267 | 17,672,288 |
| **Investing activities** | | | |
| Acquisition of property, furniture and equipment | | (1,871,408) | (2,914,733) |
| Acquisition of intangible assets | | (5,696,393) | (3,277,619) |
| Investment in shares in related parties | | (16,000) | (700,000) |
| Net cash flows used in investing activities | | (7,583,801) | (6,892,352) |
| **Cash flows and cash equivalents provided by financing activities** | | | |
| Bank loans obtained | | — | 5,000,000 |
| Bank-loan payments | | (11,000,000) | (14,500,000) |
| Financial-lease payments | | (4,253,222) | (134,714) |
| Cash and cash equivalents used in financing activities | | (15,253,222) | (9,634,714) |
| Change in cash and cash equivalents for the year | | (3,769,756) | 1,145,222 |
| Cash and cash equivalents at beginning of year | | 15,882,454 | 12,480,475 |
| **Cash and cash equivalents at end of period** | | $ 12,112,698 | $ 13,625,697 |

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

**Telefónica Móviles Panamá, S. A.**

**Notes to the Interim Condensed Financial Statements**
**at June 30, 2019**

## 1. Corporate information

Telefónica Móviles Panamá, S. A. (the "Company"), a subsidiary of Telefónica Centroamérica Inversiones S. L., which in turn is a subsidiary of Telefónica, S. A. (last controlling company of the group), both of Spain, was registered, as per the Laws of the Republic of Panama, at the Public Registry on August 23, 1995, as BSC de Panamá, S. A., which was changed on December 29, 2004 to its current name, and began operations on June 27, 1996.

The Company is mainly engaged in providing cellular mobile telephone service, national and international long distance and the sale of cellular telephones necessary for the provision of cellular mobile telephone service. Telecommunications services are provided under the supervision of the National Authority of Public Services for the Republic of Panama (the "Regulatory Authority").

The financial statements as of and for the six months ended June 30, 2019 and 2018 were approved by Management on October 16, 2019.

## 2. Basis for presentation of the interim condensed financial statements

The interim condensed financial statements for the six months ended June 30, 2019 and 2018 have been prepared in accordance in accordance with IAS 34 Interim Financial Reporting. In the opinion of management, these unaudited interim condensed consolidated financial statements reflect all adjustments that are necessary for a proper presentation of the results for interim periods. The Company's operations are not affected by significant seasonal or cyclical patterns.

The interim condensed financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Company´s annual financial statements as of 31 December, 2018.

## 3. Changes in accounting policies and disclosures

The accounting policies adopted in the preparation of the interim condensed financial statements are consistent with those followed in the preparation of the Company's annual financial statements as of 31 December, 2018, except for the adoption of new standards effective as of 1 January 2019. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. The Company applies, for the first time, IFRS 16 Leases. As required by IAS 34, the nature and effect of these changes are disclosed below. Several other amendments and interpretations apply for the first time in 2019, but did not have an impact on the interim condensed financial statements of the Company.

*New and amended IFRS standards*

On adoption, a lease liability and right of use asset of \$53 million have been recognized and the application of the new standard decreased operating expenses by \$7 million, as compared to what our results would have been if we had continued to follow IAS 17 for the six months ended June 30, 2019. 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 Company'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.

## 3. Changes in accounting policies and disclosures (continued)

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

| | As of January 1, 2019 |
|---|---|
| **Assets** | |
| Right of use asset | $52,916,808 |
| Total Asset | $52,916,808 |
| **Liability** | |
| Lease liability | $13,666,479 |
| Non-current lease liability | 39,250,329 |
| Total liability | $52,916,808 |

Impact on the statement of profit or loss (increase/(decrease)) for the six months ended June 30, 2019

| | As of June 30, 2019 |
|---|---|
| Depreciation expense | $(6,454,260) |
| Finance cost | (1,023,009) |
| Rent expense | 6,677,931 |
| Impact for the period | $ (799,338) |

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 Company's accounting policies, disclosures and did not require retrospective adjustments.

- Amendments to IFRS 9 "Financial instruments" on prepayment features with negative compensation.
- IFRIC 23 "Uncertainty over Income Tax Treatments" clarifies how the recognition and measurement requirements of IAS 12 Income taxes, are applied where there is uncertainty over income tax treatments.
- Amendments to IAS 19 "Employee benefits" on plan amendment, curtailment or settlement.
- Annual improvements 2015 – 2017.

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

- Amendments to the conceptual framework. The IASB has revised its conceptual framework. The Company does not expect these amendments to have a material impact on the consolidated financial statements. These amendments have not yet been endorsed by the EU.
- Amendments to IFRS 3—definition of a business. This amendment revises the definition of a business. The Company does not expect these amendments to have a material impact on the financial statements. These amendments have not yet been endorsed by the EU.
- Amendments to IAS 1, 'Presentation of financial statements', and IAS 8, 'Accounting policies, changes in accounting estimates and errors'. These amendments have not yet been endorsed by the EU.

## 3. Changes in accounting policies and disclosures (continued)

*Changes in accounting policies*

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

The Company 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 June 30, 2018 financial statements were not restated.

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

On adoption of IFRS 16, the Company 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. Each lease commitment was individually discounted using a specific incremental borrowing rate.

For leases previously classified as finance leases the Company 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.

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

| | |
|---|---|
| **Opening lease commitments disclosed as at December 31, 2018** | **33,138,834** |
| Contracts not considered as part of the commitments disclosed at December 31, 2018 | 27,330,656 |
| Short term leases recognized on a straight line basis as an expense | (201,834) |
| **Gross lease liabilities** | **60,267,656** |
| Discounted using the lessee's incremental borrowing rate at the date of the initial application | (7,350,848) |
| **Incremental lease liabilities recognize at January 1, 2019** | **52,916,808** |
| Finance lease liabilities recognized at December 31, 2018 | 498,821 |
| **Lease liabilities recognize at January 1, 2019** | **53,415,629** |
| Of which are: | |
| Current lease liabilities | 13,973,271 |
| Non-current lease liabilities | 39,442,357 |

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

In applying IFRS 16 for the first time, the Company 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,

**3. Changes in accounting policies and disclosures (continued)**

- 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 Company 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 Company relied on its assessment made when applying IAS 17 and IFRIC 4 Determining whether an Arrangement contains a Lease.

**b) Leases accounting policy applied from January 1, 2019 are as follows:**

The Company 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 income statement 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 Company. 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,

## 3. Changes in accounting policies and disclosures (continued)

- any initial direct costs, and
- restoration costs.

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 Company 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.

The Company 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.

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 Company as of the date of initial application.

## 4. Cash and cash equivalents

Following is a summary of cash and cash equivalents:

| | June 30, 2019 | December 31, 2018 |
|---|---|---|
| Cash on hand | $ 55,842 | $ 53,342 |
| Cash in banks | 9,532,614 | 6,480,020 |
| Cash equivalents | 2,524,242 | 9,349,092 |
| | $12,112,698 | $15,882,454 |

## 5. Accounts receivable

Following is a summary of accounts receivable:

| | June 30, 2019 | December 31, 2018 |
|---|---|---|
| **Account receivable** | | |
| Operator customers (interconnection) | $ 6,858,749 | $ 8,548,298 |
| Dealer customers | 5,238,016 | 4,889,260 |
| Company customers | 3,701,961 | 3,407,212 |
| Business customers | 1,360,455 | 1,375,625 |
| Financed accounts receivable | 4,698,752 | 1,301,014 |
| Residential customers | 457,113 | 501,412 |
| Commercial portfolio other | 3,148,487 | 1,929,817 |
| | 25,463,533 | 21,952,638 |
| Less – Allowance for impairment of accounts receivable | (1,937,772) | (916,437) |
| | $23,525,761 | $21,036,201 |

## 6. Balances and transactions with related parties

Following is a summary of balances with related parties:

| | June 30, 2019 | December 31, 2018 |
|---|---|---|
| a) Commercial balances receivable | | |
| Controlling company | $ 160,592 | $ 9,334 |
| Associated company | 944,986 | 31,647 |
| Other related parties | 4,035,655 | 2,781,085 |
| | $ 5,141,233 | $ 2,822,066 |
| b) Commercial balances payable | | |
| Controlling company | $ 1,877,019 | $ 4,174,025 |
| Other related parties | 9,006,236 | 11,355,318 |
| | $10,883,255 | $15,529,343 |

Following is a summary of transactions with related parties for the six-month period ended June 30:

| | June 30, 2019 | June 30, 2018 |
|---|---|---|
| c) Income from service contracts | $1,232,458 | $2,273,741 |
| Other related parties | 1,232,458 | 2,273,741 |
| d) Other income and brand free | $ 279,145 | $ 54,184 |
| Other related parties | 279,145 | 54,184 |
| | — | — |
| e) Direct Operating costs | $2,738,000 | $3,597,735 |
| Controlling company | — | 40,988 |
| Associated company | 89,019 | — |
| Other related parties | 2,648,981 | 3,556,747 |
| f) Operational services | $6,878,000 | $4,904,000 |
| Controlling company | 1,842,000 | 1,708,000 |
| Other related parties | 5,036,000 | 3,196,000 |

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

### Terms and conditions of transactions with related parties

Sales and purchases of goods and services between related parties are conducted at prices previously agreed between companies. Accounts receivable from and payable to related parties have no guarantees, bear no interest and are recoverable or payable in cash. The terms for payment of accounts receivable from and payable to related parties are extended up to 60 days, as from the date of issuance of the respective notes or bills, are not subject to discount for prompt payment and are recoverable or payable in the functional currency of the financial statements.

## 7. Other financial assets at amortized cost

Following is a summary of balances of other financial assets at amortized cost:

| | June 30, 2019 | December 31, 2018 |
|---|---|---|
| Taxes receivable | $ 9,008,961 | $5,172,584 |
| Advances to suppliers | 1,643,669 | 174,652 |
| Other accounts receivable | 89,341 | 89,341 |
| | $10,741,971 | $5,436,577 |

At June 30, 2019 and December 31, 2018, no indication of impairment has been identified.

## 8. Inventory

Following is a summary of inventories:

| | June 30, 2019 | December 31, 2018 |
|---|---|---|
| Mobile and landline terminals | $4,209,195 | $1,829,586 |
| Accessories and cards | 600,453 | 145,381 |
| Audiovisual equipment | 117,362 | 226,386 |
| Other accessories | 147,336 | 85,956 |
| Allowance for impairment of inventories | (111,855) | (91,037) |
| Inventory in transit | 652,989 | 806,155 |
| | $5,615,480 | $3,002,427 |

## 9. Property, furniture and equipment

Following is a summary of property, furniture and equipment and movements for the six-month period ended June 30, 2019:

| | Constructions | Technical installations and machinery | Furniture, tooling and other assets | Land and buildings | Work in progress | Total |
|---|---|---|---|---|---|---|
| **Balance at January 1, 2019** | | | | | | |
| Cost | $ 57,215,921 | $ 248,552,838 | $ 26,434,568 | $2,853,461 | $12,754,178 | $ 347,810,966 |
| Accumulated depreciation | (38,902,966) | (174,303,550) | (24,464,141) | — | 2 | (237,670,655) |
| **Net book value at January 1, 2019** | $ 18,312,955 | $ 74,249,288 | $ 1,970,427 | $2,853,461 | $ 2,754,180 | $ 110,140,311 |
| **Movements for the 2019 period:** | | | | | | |
| Initial net book value | 18,312,955 | 74,249,288 | 1,970,427 | 2,853,461 | 12,754,180 | 110,140,311 |
| Additions | — | 6,668 | — | — | 5,689,724 | 5,696,393 |
| Disposals | — | — | (188,725) | — | — | (188,725) |
| Transfers | 727,378 | 638,041 | 57,860 | — | (1,145,673) | 277,606 |
| Depreciation charge | (1,255,975) | (8,597,386) | (435,479) | — | — | (10,288,840) |
| Depreciation related disposals and transfers | — | (41,771) | 112,754 | — | — | 70,982 |
| **Ending balance** | 17,784,358 | 66,254,840 | 1,516,837 | 2,853,461 | 17,298,231 | 105,707,727 |
| **Balance at June 30, 2019** | | | | | | |
| Cost | 57,943,299 | 249,197,547 | 26,303,703 | 2,853,461 | 17,298,229 | 353,596,239 |
| Accumulated depreciation | (40,158,941) | (182,942,707) | (24,786,866) | | 2 | (24,7888,512) |
| Net book value | 17,784,358 | 66,254,840 | 1,516,837 | 2,853,461 | 17,298,231 | 105,707,727 |

Following is a summary of property, furniture and equipment and movements thereof at December 31, 2018:

| | Constructions | Technical installations and machinery | Furniture, tooling and other assets | Land and buildings | Work in progress | Total |
|---|---|---|---|---|---|---|
| **Balance at January 1, 2018** | | | | | | |
| Cost | $ 55,154,307 | 235,518,825 | $ 26,105,545 | $2,853,461 | $ 11,644,616 | $ 331,276,754 |
| Accumulated depreciation | (36,195,797) | (158,016,653) | (22,438,530) | | | (216,650,980) |
| Net book value | $ 18,958,510 | $ 77,502,172 | $ 3,667,015 | $2,853,461 | $ 11,644,616 | $ 114,625,774 |
| **Movements for the 2018 period** | | | | | | |
| Initial book balance | $ 18,958,510 | $ 77,502,172 | $ 3,667,015 | $2,853,461 | $ 11,644,616 | $ 114,625,774 |
| Additions | — | — | | — | 16,790,428 | 16,790,428 |
| Disposals | — | (7,040) | (249,176) | — | — | (256,216) |
| Transfers | 2,061,614 | 13,461,724 | 593,272 | — | (16,116,610) | — |
| Depreciation charge | (2,706,186) | (17,642,133) | (930,199) | — | — | (21,278,518) |
| Depreciation related disposals and transfers | — | 10,053 | 248,790 | — | — | 258,843 |
| Cost reclassification | — | (420,671) | (15,073) | — | 435,744 | — |
| Adjustments to amortization | (983) | 1,345,184 | (1,344,203) | — | 2 | — |
| | $ 18,312,955 | $ 74,249,289 | $ 1,970,426 | $2,853,461 | $ 12,754,180 | $ 110,140,311 |
| **Balance at December 31, 2018** | | | | | | |
| Cost | $ 57,215,921 | $ 248,973,509 | $ 26,449,641 | $2,853,461 | $ 12,754,178 | $ 348,246,710 |
| Accumulated depreciation | (38,902,966) | (174,724,220) | (24,479,215) | | 2 | (238,106,399) |
| Net book value | $ 18,312,955 | $ 74,249,289 | $ 1,970,426 | $2,853,461 | $ 12,754,180 | $ 110,140,311 |

## 10. Intangible assets

Following is a summary of intangible assets:

| | June 30, 2019 | December 31, 2018 |
|---|---|---|
| Administrative concessions | $ 209,558,905 | $ 209,558,906 |
| Computer applications | 106,050,697 | 106,050,697 |
| Intangible assets in progress | 7,693,528 | 5,822,120 |
| | 323,303,130 | 321,431,723 |
| Accumulated amorization | (213,281,051) | (207,557,915) |
| Intangible assets – net | $ 110,022,079 | $ 113,873,808 |

## 11. Accounts payable

At June 30, 2019, the accounts payable balance amounts to $41,031,889 (December 31, 2018: $41,681,406). The maturities of accounts payable and accrued liabilities have a term of up to 60 days as from the date of issuance of the purchase order, are subject to no discount for prompt payment, generate no interest for late payment and are payable in the functional currency of the financial statements.

## 12. Loans payable

Following is a summary of loans payable classified per type and term:

| | June 30, 2019 | December 31, 2018 |
|---|---|---|
| **Short term** | | |
| Bank loan | $17,000,000 | $22,000,000 |
| Finance leases[(i)] | — | 263,436 |
| | 17,000,000 | 22,263,436 |
| **Long term** | | |
| Bank loan | 63,180,000 | 69,180,000 |
| Finance leases[(i)] | — | 235,385 |
| | $63,180,000 | $69,415,385 |

(i) At the adoption of IFRS 16 finance leases have been considered as lease liabilities

***a)*** *Bank loans*

Corresponds to loans in local currency with Banistmo, S. A. and Citibank N. A., Panama Branch. Following is a summary of loans:

| | June 30, 2019 | December 31, 2018 |
|---|---|---|
| Banistmo, S. A. | $ 57,180,000 | $ 57,180,000 |
| Citibank, N. A. Sucursal Panamá | 23,000,000 | 34,000,000 |
| | 80,180,000 | 91,180,000 |
| Less short-term portion | (17,000,000) | (22,000,000) |
| Long-term loans payable | 63,180,000 | 69,180,000 |

**12. Loans payable (continued)**

The fair value of loans is different from its book value:

| | June 30, 2019 | |
|---|---|---|
| | Book value | Fair value |
| Loans payable | $80,180,000 | $71,322,987 |

**13. Accrued expenses and other liabilities**

Following is a summary of accrued expenses and other liabilities:

| | June 30, 2019 | December 31, 2018 |
|---|---|---|
| Advances from customers | $ 7,241,699 | $ 7,062,248 |
| Taxes payable | 1,425,073 | 1,941,674 |
| Bonds and deposits received | 1,648,476 | 1,523,686 |
| Labor compensation and benefits | 1,881,823 | 1,461,962 |
| Interest on loans | 609,944 | 692,319 |
| | $12,807,015 | $12,681,889 |

**14. Other long-term liabilities**

Following is a summary of activity in other long-term liabilities for the six-month period ended June 30, 2019:

| | Provision for severance | Asset retirement provision | Voluntary reserves and other | Total |
|---|---|---|---|---|
| Balances at January 1, 2019 | $(1,364,988) | $(5,519,621) | $(67,369) | $(6,951,977) |
| Increase | | | | |
| Amounts paid in the year | 255,321 | | | 255,321 |
| Increase/ decrease of the provision | (450,416) | 250,085 | 67,369 | (132,962) |
| Balances at June 30, 2019 | $(1,560,083) | $(5,269,536) | $ 0 | $(6,829,619) |

Following is a summary of other long-term liabilities as of December 31, 2018:

| | Provision for severance | Asset retirement provision | Voluntary reserves and other | Total |
|---|---|---|---|---|
| Balances at January 1, 2018 | $ 804,874 | $4,457,712 | $ 63,463 | $5,326,049 |
| Increase | 702,769 | 968,438 | 28,269 | 1,699,476 |
| Amounts paid in the year | (142,655) | | (24,363) | (167,018) |
| Restatement of the provision for dismantling | | 93,471 | | 93,471 |
| Balances at December 31, 2018 | $1,364,988 | $5,519,621 | $ 67,369 | $6,951,978 |

**15. Income Tax**

The effective tax rate for the six-month period ended June 30, 2019 was 24.4% (2018 – 25.6%) and the income tax rate applicable to net taxable income, as per the current legislation, was 25% for June 2019 and December 2018.

## 15. Income Tax (continued)

The components of income tax disclosed in the income statement are as follows:

| | June 30, 2019 | June 30, 2018 |
|---|---|---|
| Current tax: | $4,503,091 | $4,895,086 |
| Deferred tax | 122,770 | 534,290 |
| | $4,625,861 | $5,429,376 |

## 16. Revenue from contracts with client

Following is a summary of sales and the provision of services:

| | June 30, 2019 | June 30, 2018 |
|---|---|---|
| Service revenue | $102,154,884 | $101,339,383 |
| Sales of mobile equipment | 10,568,400 | 5,941,739 |
| | $112,723,284 | $107,281,122 |

## 17. Direct operating costs and acquisition of subscribers

Following is a summary of direct operating costs and acquisition of subscribers:

| | June 30, 2019 | June 30, 2018 |
|---|---|---|
| Interconnection services | $14,983,306 | $16,730,194 |
| Use of infrastructure | 5,940,964 | 10,509,575 |
| Cost of sales of equipment | 11,254,468 | 9,186,846 |
| Commission paid to dealers | 2,186,128 | 1,993,886 |
| Other cost of sales | 1,659,646 | 1,144,631 |
| | $36,024,512 | $39,565,132 |

## 18. Other operating expenses

Following is a summary of other operating expenses:

| | June 30, 2019 | June 30, 2018 |
|---|---|---|
| Services rendered | $ 7,126,953 | $ 5,880,209 |
| Advertising and promotions | 3,203,880 | 3,374,239 |
| Professional fees | 3,754,738 | 2,574,620 |
| Administrative expenses | 2,502,517 | 2,322,653 |
| Commissions | 1,361,640 | 1,472,790 |
| Maintenance and repairs | 2,156,228 | 1,532,928 |
| Lease expense | 530,510 | 1,335,088 |
| Taxes | 1,391,149 | 1,374,508 |
| General and other expenses | 1,016,748 | 1,122,292 |
| Transportation services | 370,317 | 350,974 |
| Licenses and computer applications | 223,494 | 306,788 |
| Insurance | 146,688 | 124,050 |
| Travel expenses | 90,119 | 126,361 |
| Loss on sale of assets | — | 386 |
| Exchange losses | 16,678 | 20,106 |
| Fines and sanctions | 32,830 | 17,300 |
| Other operating expenses | 138,263 | — |
| Other | (33,394) | — |
| | $24,029,360 | $21,935,292 |

## 19. Commitments

### Commitments—Regulatory environment

The Company commercially exploits the telephone service under Concession Contract No.30-A of February 5, 1996 signed with the State. This concession contract was renewed for an additional 20 years, through Contract No.01-OAL-2014 of March 27, 2014. This concession includes the right to set the price of all of the services provided by the Company and the "caller pays" billing modality (CCP).

As of June 30, 2019 and December 31, 2018, the Company has a compliance bond agreement entered into with MAPFRE Panamá, S. A. in the amount of US$2,500,000 payable to the Ministry of Government and the Comptroller General of the Republic of Panama, to guarantee compliance with the concession contract to operate and use the mobile cellular service.

Mobile cellular service is regulated by the Regulatory Authority, in accordance with the provisions established in Executive Decree No.21 of January 12, 1996, and is rendered in competition, together with Cable & Wireless Panamá, S. A., Digicel (Panama), S. A., and Claro Panamá, S. A.

## 20. Contingencies and Restrictions

*Ordinary Civil Proceeding brought by Teletarjetas, S. A. against Telefónica Móviles Panamá, S. A.*—Teletarjetas, S. A. filed a civil lawsuit against The Company for breach of contract and demands payment of alleged damages of up to US$8,448,974, plus court-awarded attorney fees, expenses and interest related to the proceedings. The court ordered the reinstatement of US$300,000, plus interest payable to the plaintiff, corresponding to execution of said compliance bond and declared the bad faith of the defendant, with the consequent application of court-awarded attorney fees.

## 20. Contingencies and Restrictions (continued)

On March 20, 2012, The Company filed an appeal and counterclaim against Teletarjetas, S. A. of US$819,552 corresponding to principal and interest calculated up to February 29, 2012 and which were due up to the moment payment of the obligation in question became due, as well as the court-awarded attorney fees and legal expenses. No sentence has yet been handed down with respect to these second instance proceedings. Management and the Company's external legal advisors do not consider an adverse result is probable for the Company in this regard.

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

The Company's main financial instruments consist of cash and cash equivalents, accounts receivable and accounts payable and loans payable. The fundamental purpose of these financial instruments is to finance Company operations. The Company has other financial assets and liabilities of miscellaneous origin, arising directly from its operations.

The main risks that can have a relatively important effect on these financial instruments are the market risk, the liquidity risk, the interest rate risk and the credit risk. With the support of the Board of Directors, Company Management monitors and manages these risks.

The Board of Directors reviews and agrees the policies for risk management, as summarized below:

### a) Market risk

The market risk is the risk of fluctuations in the fair value or in future cash flows of a financial instrument as a result of changes in market prices. The market risk comprises the interest rate risk.

**i. Interest rate risk** The interest rate risk is the risk that the fair value of the Company's income and operating funds are influenced by changes in market rates.

The Company manages this risk by constantly evaluating the evolution of the interest rates of the domestic and international markets, with a view to determining, with a good degree of certainty, the risks associated to the financial cost of the liabilities and, as far as circumstances allow, minimize the effects of this risk.

Following is a sensitivity analysis of the effect on pretax income, arising from a change in interest rates to which its financial obligations are subject, based on the change in points described below:

| | Change in interest rates | Effects on income |
|---|---|---|
| June 30, 2019 | 1% | $ 801,800 |
| | –1% | $(801,800) |
| December 31, 2018 | 1% | $ 911,800 |
| | –1% | $(911,800) |

### b) Liquidity risk

The liquidity risk is the risk of an entity facing difficulties to meet obligations related to its financial liabilities, which are settled in cash or other financial assets. The Company follows up daily on its liquidity position, maintaining liquid assets in excess of liquid liabilities, considering maturity of its financial assets and conducts cash flow projections for timely detection of potential cash deficits and surpluses to support its operations.

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

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

| | On demand | Under 3 months | 3 to 12 months | 1 to 5 years | Total |
|---|---|---|---|---|---|
| June 30, 2019 | | | | | |
| Loans payable | $ — | $11,000,000 | $ 6,000,000 | $63,180,000 | $ 80,180,000 |
| Accounts payable and other | 15,462,046 | 34,952,773 | 3,424,085 | — | 53,838,904 |
| Accounts payable to related companies | 2,228,307 | 8,654,948 | — | — | 10,883,255 |
| Lease liabilities | 956,036 | 1,921,512 | 5,164,590 | 25,009,291 | 33,051,429 |
| | $18,646,389 | $56,529,233 | $14,588,675 | $88,189,291 | $177,953,588 |
| At December 31, 2018 | | | | | |
| Loans payable | $ — | $ — | $22,263,436 | $69,434,475 | $ 91,697,911 |
| Accounts payable and other | 17,222,136 | 33,838,151 | 3,303,008 | — | 54,363,295 |
| Accounts payable to related parties | 5,499,205 | 8,376,042 | 1,654,096 | — | 15,529,343 |
| Financel Lease | 26,501 | 53,002 | 196,651 | 222,667 | 498,821 |
| | $22,747,842 | $42,267,195 | $27,417,191 | $69,657,142 | $162,089,370 |

### c) Credit risk

The credit risk arises from cash, bank deposits, accounts and notes receivable it consists of the probability of the counter-party being unable to face the contracted obligation. For management of the credit risk related to bank deposits, the Company conducts most of its transactions with entities pertaining to the national banking system with indicators of soundness and solvency [Note 4].

Moreover, with respect to credit risk arising from commercial accounts receivable and notes receivable, the Company diversifies its customers and maintains policies for granting credit. Said risk is subject to evaluations that consider payment capability, the history and the references of each current and potential customer. Exposure to the credit risk is monitored regularly according to the payment behavior of debtors. At June 30,2019 and December 31, 2018, there is no significant credit risk concentration and the maximum exposure is represented by the balance recorded as explained in [Note 5]. With respect to the credit risk related to other financial assets, maximum exposure to this risk is represented by the balances recorded for each financial asset.

## 22. Events subsequent to the date of the statement of financial position

On February 20, 2019, Millicom agreed to purchase 100% of the shares of The Company, from Telefónica Centroamerica Inversiones, S.L and Telefónica S.A. On April 4, 2019, pursuant to an assignment agreement, Millicom assigned its rights and obligations under the Share Purchase Agreement to Cable Onda. The consummation of the share purchase was approved by the appropriate regulator on August 29, 2019 and on the same day, Cable Onda acquired the entire share capital of The Company for $593.6 million from Telefonica. Since that date, Cable Onda fully consolidates The Company.

**Telefónica Móviles Panamá, S. A.**
**(a subsidiary of Telefónica Centroamérica Inversiones S. L.)**

Independent Auditors' Report and Financial Statements
December 31, 2018 and 2017

**Telefónica Móviles Panamá, S. A.**
**(a subsidiary of Telefónica Centroamérica Inversiones S. L.)**

**December 31, 2018**

## Contents

*PricewaterhouseCoopers, S.R.L.*

# Independent Auditors' Report

General Meeting of Shareholders of
Telefonica Moviles Panama, S. A.

## Our opinion

In our opinion, the accompanying financial statements of Telefonica Moviles Panama, S. A. (the "Company") present fairly, in all material respects, the financial position of the Company as of December 31, 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

### *What we have audited*

The Company's financial statements comprise:

- Statement of financial position as of December 31, 2018;
- Statement of comprehensive income for the year then ended;
- Statement of changes in shareholders' equity for the year then ended;
- Statement of cash flows for the year then ended; and
- The notes to the financial statements, which include a summary of significant accounting policies.

## Basis for the opinion

We have conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are described in the *Auditor's responsibilities in relation to the audit of the financial statements* section of our report.

We consider that the audit evidence obtained is sufficient and appropriate to provide a basis for our opinion.

### *Independence*

We are independent from the Company in conformity with the Code of Ethics for Professional Accountants of the International Ethics Standards Board for Accountants (IESBA Code of Ethics). We have complied with the other ethical responsibilities in conformity with the IESBA Code of Ethics.

**Responsibilities of the management and those charged with governance of the Company in relation to the financial statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRS), and for such internal control as management considers necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In the preparation of the financial statements, management is responsible for assessing the Company´s ability to continue operations as a going concern, revealing, as applicable, matters related to the business as a going concern and using going concern basis of accounting, unless management has the intention to liquidate the Company or cease operations, or there is no other realistic alternative.

Those responsible for the governance of the Company are responsible for the supervision of the financial information reporting process of the Company.

**Auditor´s responsibilities in relation to the audit of the financial statements**

Our objectives are to obtain a reasonable assurance that the financial statements, as a whole, are free from material mistakes, due to fraud or error, and issue an audit report that contains our opinion. A reasonable assurance is a high degree of assurance, but it does not guarantee that an audit conducted in accordance with International Standards on Auditing will always detect a material error when it exists. Errors may be due to fraud or error and are considered material if, individually or aggregated, could reasonably be expected to influence users´ economic decisions that are based on these financial statements.

As part of an audit in accordance with International Standards on Auditing, we apply our professional judgement and we maintain an attitude of professional skepticism throughout the audit. Also:

- We identify and assess the risks of material errors of the financial statements, due to fraud or error, we design and apply audit procedures to respond to these risks and we obtain audit evidence sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material error due to fraud is higher than that resulting from an error, since fraud may imply collusion, forgery, deliberate omissions, intentionally erroneous statements or annulment of internal control.

pwc



- We obtain an understanding of the relevant internal control for the audit in order to design adequate audit procedures that are appropriate depending in the circumstances, and not with the objective of expressing an opinion about the effectiveness of the Company´s internal control.

- We evaluate the appropriateness of accounting policies used and the reasonableness of the accounting estimates and related disclosures made by management.

- We conclude about management´s appropriate use of the going concern basis of accounting based on going concern principle, and based on the audit evidence obtained, we conclude about the existence or not of material uncertainty related to facts or conditions that may generate significant doubt about the Company´s ability to continue as a going concern. If we come to the conclusion that there is material uncertainty, it would be required that we bring it to attention in our audit report about the corresponding disclosures in the financial statements or, if such disclosures are not adequate, that we issue a modified opinion. Our conclusions are based on the audit evidence obtained up to the date of our audit report. However, future facts and conditions going forward may be the cause for the Company to discontinue to be a business going concern.

- We evaluate the overall presentation, the structure and content of the financial statements, including the disclosures, and if the financial statements represent the underlying transactions and facts to achieve a reasonable presentation.

We communicate with those responsible for the Company´s governance in relation to, among other matters, the planned scope and timing of the audit, as well as the significant findings of the audit, including significant internal control deficiencies identified during our audit.

PricewaterhouseCoopers
March 29, 2019
Panama, Republic of Panama

**Telefónica Móviles Panamá, S. A.**
**(a subsidiary of Telefónica Centroamérica Inversiones S. L.)**

**Statement of Financial Position**
***(figures stated in US dollars)***

| | Note | December 31, 2018 | December 31, 2017 |
|---|---|---|---|
| **Assets** | | | |
| Current assets | | | |
| Cash and cash equivalents | 5 | $ 15,882,454 | $ 12,480,475 |
| Accounts receivable | 6 | 21,036,201 | 16,727,795 |
| Receivables from related parties | 7 | 2,822,066 | 2,813,008 |
| Contract assets | 8 | 996,983 | — |
| Other financial assets at amortized cost | 9 | 5,436,577 | 5,285,898 |
| Inventory | 10 | 3,002,427 | 2,669,943 |
| Prepaid expenses short-term | 11 | 2,555,297 | 2,899,441 |
| Total current assets | | 51,732,005 | 42,876,560 |
| Non-current assets | | | |
| Property, furniture and equipment | 12 | 110,140,311 | 114,625,774 |
| Intangible assets | 13 | 113,873,808 | 112,116,191 |
| Investment in shares in related parties | 14 | 1,060,572 | 161,177 |
| Prepaid expenses long-term | 11 | 9,507,614 | 10,509,097 |
| Other non-current assets | 15 | 4,038,348 | 4,335,904 |
| Deferred tax asset | 23 | 1,695,331 | 658,956 |
| Total non-current assets | | 240,315,984 | 242,407,099 |
| Total assets | | $292,047,989 | $285,283,659 |
| **Liabilities and stockholders' equity** | | | |
| Current liabilities | | | |
| Accounts payable | 17 | $ 41,681,406 | $ 38,151,355 |
| Payables to related parties | 7 | 15,529,343 | 11,793,863 |
| Current portion of long-term loans | 18 | 22,263,436 | 29,276,056 |
| Contract liabilities | 19 | 2,965,248 | — |
| Deferred income | 20 | — | 7,676,313 |
| Accounts payable and other accrued expenses | 21 | 12,681,889 | 7,722,475 |
| Income tax payable | 23 | 2,725,626 | 2,172,878 |
| Total current liabilities | | 97,846,948 | 96,792,940 |
| Non-current liabilities | | | |
| Long-term loans payable | 18 | 69,415,385 | 64,542,930 |
| Other long-term liabilities | 22 | 6,951,978 | 5,326,049 |
| Deferred income tax liability | 23 | 2,275,736 | — |
| Total non-current liabilities | | 78,643,099 | 69,868,979 |
| Total liabilities | | 176,490,047 | 166,661,919 |
| Stockholders' equity | | | |
| Capital stock | 24 | 44,687,338 | 44,687,338 |
| Reserve for first time adoption | | 1,512,348 | — |
| Retained earnings | | 69,358,256 | 73,934,402 |
| Total stockholders' equity | | 115,557,942 | 118,621,740 |
| Total liabilities and stockholders' equity | | $292,047,989 | $285,283,659 |

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

**Telefónica Móviles Panamá, S. A.**
**(a subsidiary of Telefónica Centroamérica Inversiones S. L.)**

**Statement of Comprehensive Income**
***(figures stated in US dollars)***

| | Note | For the year ended December 31, 2018 | 2017 |
|---|---|---|---|
| **Revenue from contracts with clients** | 25 | $ 219,160,232 | $ 210,980,012 |
| Other income | | 207,151 | 662,469 |
| Total revenue | | 219,367,383 | 211,642,481 |
| Direct operating costs and acquisition of subscribers | 26 | (77,526,720) | (79,257,511) |
| Personnel expenses | 27 | (12,286,547) | (14,117,435) |
| Depreciation and amortization | 12,13 | (31,418,786) | (38,278,421) |
| Loss from impairment of financial assets | 6 | (132,453) | — |
| Loss from impairment of Contract assets | 8 | 8,674 | — |
| Other operating income | 28 | 398,328 | 584,479 |
| Other operating expenses | 29 | (44,246,683) | (40,596,381) |
| | | (165,204,187) | (171,665,269) |
| Operating profit | | 54,163,196 | 39,977,212 |
| Financial income and (expenses) | | | |
| Financial income | 30 | 819,972 | 175,059 |
| Financial expenses | 30 | (4,244,485) | (4,643,985) |
| Profit before income tax | | 50,738,683 | 35,508,286 |
| Income tax | 23 | (12,244,312) | (9,505,100) |
| Net income for the period | | $ 38,494,371 | $ 26,003,186 |
| Other comprehensive income | | — | — |
| Comprehensive income for the year | | $ 38,494,371 | $ 26,003,186 |

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

**Telefónica Móviles Panamá, S. A.**
**(a subsidiary of Telefónica Centroamérica Inversiones S. L.)**

**Statement of Changes in Stockholders' Equity for the year ended December 31, 2018**
***(figures stated in US dollars)***

| | | Retained earnings | | |
|---|---|---|---|---|
| | Capital stock (Note 24) | Reserve for fist-time adoption | Retained earnings | Total |
| Balance at January 1, 2017 | $44,687,338 | $ — | $ 68,612,324 | $113,299,662 |
| **Transactions with stockholders** | | | | |
| Dividends decreed – Note 24 | — | — | (20,681,108) | (20,681,108) |
| **Comprehensive income** | | | | |
| Net profit for the year | — | — | 26,003,186 | 26,003,186 |
| Balance at December 31, 2017 | 44,687,338 | — | 73,934,402 | 118,621,740 |
| Effect of adoption of IFRS 9 | — | (162,782) | — | (162,782) |
| Effect of adoption of IFRS 15 | — | 1,675,130 | — | 1,675,130 |
| Balance at January 1, 2018 | 44,687,338 | 1,512,348 | 73,934,402 | 120,134,088 |
| **Transactions with stockholders** | | | | |
| Dividends decreed – Note 24 | — | — | (43,070,517) | (43,070,517) |
| **Comprehensive income** | | | | |
| Net profit for the year | — | — | 38,494,371 | 38,494,371 |
| Balance at December 31, 2018 | $44,687,338 | $1,512,348 | $ 69,358,256 | $115,557,942 |

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

**Telefónica Móviles Panamá, S. A.**
**(a subsidiary of Telefónica Centroamérica Inversiones S. L.)**

## Statements of cash flows
***(figures stated in US dollars)***

| | Note | For the year ended December 31, 2018 | 2017 |
|---|---|---|---|
| **Cash flows and cash equivalents provided by operating activities** | | | |
| Profit before income tax | | $ 50,738,683 | $ 35,508,286 |
| Adjustment to reconcile the profit before income tax, with cash and cash equivalents from: | | | |
| Allowance for impairment of accounts receivable | 6 | 132,453 | 547,755 |
| Allowance for impairment of inventories | 10 | — | 16,182 |
| Depreciation and amortization | 12,13 | 31,162,957 | 37,223,215 |
| Effect of transition IFRS 15 and IFRS 9 | | 200,996 | — |
| Disposals of property, furniture and equipment | 12 | 256,216 | — |
| Impairment of investment in shares in related parties | 14 | (199,395) | 3,140,823 |
| Restatement of the provision for asset dismantling | 22 | 93,471 | 207,844 |
| Provision for asset dismantling | 22 | 968,438 | 153,318 |
| Provision for seniority premium and indemnities | 22 | 702,769 | 846,942 |
| Provision for voluntary reserves | 22 | 28,269 | 19,458 |
| Loss on sale of property, furniture and equipment | | — | 16,848 |
| Financial expenses – net | | 3,914,913 | (4,212,779) |
| | | 87,999,770 | 73,467,892 |
| **Changes in working Capital stock** | | | |
| (Increase) decrease in operating assets | | | |
| Accounts receivable | | (4,593,714) | (5,021,166) |
| Receivables to related parties | | (9,058) | 1,315,734 |
| Contract assets | | (1,045,124) | — |
| Other financial assets at amortized cost | | (150,679) | — |
| Inventory | | (332,484) | (431,967) |
| Prepaid taxes | | 1,345,627 | 3,518,873 |
| Other non-current assets | | 297,556 | 1,909,523 |
| (Increase) decrease in operating liabilities | | — | — |
| Accounts payable | | 3,530,051 | (800,903) |
| Payables to related parties | | 3,735,480 | 485,727 |
| Contract liabilities | | 2,965,248 | — |
| Deferred income | | (7,676,313) | (1,711,904) |
| Accounts payable and other accrued expenses | | 4,959,414 | 1,161,801 |
| Other long-term liabilities | 22 | (167,018) | (1,071,450) |
| Cash and cash equivalents provided by operating activities before interest and taxes | | 90,858,756 | 72,822,160 |
| Income tax paid | | (8,939,855) | (6,612,019) |
| Interest paid | | (3,914,913) | 4,212,779 |
| Cash and cash equivalents provided by operating activities | | 78,003,988 | 70,422,920 |
| **Cash flows and cash equivalents provided by Investing activities** | | | |
| Acquisition of property, furniture and equipment | | (11,900,899) | (13,500,984) |
| Acquisition of intangible assets | | (16,790,428) | (11,302,914) |
| Investment in shares in related parties | | (700,000) | (1,000,000) |
| Cash and cash equivalents used in investing activities | | (29,391,327) | (25,803,898) |
| **Cash flows and cash equivalents provided by financing activities** | | | |
| Bank loans obtained | | 72,180,000 | 629,742 |
| Bank-loan amortization | | (74,180,000) | (17,720,000) |
| Financial-lease amortization | | (140,165) | — |
| Dividends paid | | (43,070,517) | (20,681,108) |
| Cash and cash equivalents used in financing activities | | (45,210,682) | (37,771,366) |
| Change in cash and cash equivalents for the year | | 3,401,979 | 6,847,656 |
| Cash and cash equivalents at beginning of year | | 12,480,475 | 5,632,819 |
| **Cash and cash equivalents at end of year** | | $ 15,882,454 | $ 12,480,475 |

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

**Telefónica Móviles Panamá, S. A.**
**(a subsidiary of Telefónica Centroamérica Inversiones S. L.)**

**Notes to the Financial Statements at December 31, 2018**
***(figures stated in US dollars)***

## 1. Corporate information

Telefónica Móviles Panamá, S. A. (the Company), a subsidiary of Telefónica Centroamérica Inversiones S. L., which in turn is a subsidiary of Telefónica, S. A. (last controlling company of the group), both of Spain, was registered, as per the Laws of the Republic of Panama, at the Public Registry on August 23, 1995, as BSC de Panamá, S. A., which was changed on December 29, 2004 to its current name, and began operations on June 27, 1996.

The Company is mainly engaged in providing cellular mobile telephone service, national and international long distance and the sale of cellular telephones necessary for the provision of cellular mobile telephone service. Telecommunications services are provided under the supervision of the National Authority of Public Services for the Republic of Panama (the Regulatory Authorities).

The financial statements as of and for the years ended December 31, 2018 and 2017 were approved by Management on March 29, 2019. The financial statements must be presented to the Company's stockholders for their final approval. Management expects the financial statements to be approved without changes.

*General regulatory framework*

Law No. 31 of February 8, 1996, sets forth the standards for the regulation of said standards in the Republic of Panama, published in Official Gazette No. 22,971 dated February 9, 1996, with a view to regulating telecommunications, so as to expedite modernization and development of the sector, promote private investment in the market, extending access thereof, improve the quality of the services provided, promote lower user rates and fair competition, in providing the telecommunications services subject to the law. Moreover, it was established that the purpose of the Autoridad Nacional de los Servicios Públicos (ASEP) was to effectively regulate, supervise and regulate management and operation of telecommunications services.

*Licenses:*

The concessions for the provision of telecommunications services are classified as follows:

a) Type A concessions: Those required to provide the services that, for technical or economic reasons, must be granted under a temporary exclusivity regime, or to a limited number of concessionaires;

b) Type B concessions: Those required to provide all other telecommunications services not comprised in paragraph above.

The concessions are for twenty (20) years, renewable for the same term.

The terms and conditions of the Company's concession are set forth in the contract between the State and Telefónica Móviles Panamá, S. A. number 01-OAL-2014, dated March 27, 2014. The purpose of the concession is the installation and maintenance, as well as management, operation and commercial exploitation, on behalf and at the risk of the concessionaire, in competition, the cellular mobile telephone service, in the segments set out on the following page:

Band A (850 MHz):

Portion A (333 channels)
Tx Cell transmission=from 870.030MHz to 879.990MHz
Tx terminal equipment transmission=from 825.030 MHz to 834.990MHz

**1. Corporate information (continued)**

Portion A' (50 channels)
Tx Cell transmission=from 890.010MHz to 891.480MHz
Tx terminal equipment transmission=from 845.010 MHz to 846.480MHz

Portion A" (33 channels)
Tx Cell transmission=from 869.040MHz to 870.000MHz
Tx terminal equipment transmission=from 824.040 MHz to 825.000MHz

1900 MHz Band:

Channel I-I'
Tx terminal equipment transmission=from 1,890.00MHz to 1,895.00MHz Tx
Cell transmission=from 1,970.00MHz to 1,975.00MHz

Channel J-J'
Tx terminal equipment transmission=from 1,895.00MHz to 1,900.00MHz Tx
Cell transmission=from 1,975.00MHz to 1,980.00MHz

700 MHz Band:

Channel D
Tx terminal equipment transmission=from 718MHz to 723MHz

Channel D'
Tx terminal equipment transmission=from 773MHz to 778MHz

Channel E
Tx terminal equipment transmission=from 723MHz to 728MHz

Channel E'
Tx terminal equipment transmission=from 778MHz to 783MHz

The concession will be in effect for a 20-year term as from February 5, 2016. Upon expiration of the concession term, the Company can request a new concession, which will be granted provided all tax obligations to which the current concession is subject are duly met.

*Rates*

Prices of the telecommunications services offered in competition are set by the concessionaires.

*Interconnection*

All telecommunications operators must provide access to essential resources to any operator that requests it through the corresponding payment and without discrimination. Upon requesting access to an essential resource, each operator is entitled to contractual terms similar to those contracted by the operator granting the resources in question with other operators. The prices and technical conditions for access to any essential resource are negotiated by the parties.

**2. Basis for presentation of the financial statements**

The financial statements presented have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board (IASB) and with the respective Interpretations of the International Financial Reporting Standards (IIFRS).

## 2. Basis for presentation of the financial statements (continued)

The financial statements at December 31, 2018 and 2017 were prepared on the historical cost basis of accounting, except for the current value of the long-term provision for the dismantling of assets. The Company's financial statements are stated in US dollars (US$), which is the Company's functional currency, which is on par with the Balboa (B /), the monetary unit of the Republic of Panama. The Dollar (US$) circulates and is subject to free exchange in the Republic of Panama.

## 3. Changes in accounting policies and disclosures

*a) New standards, amendments and interpretations adopted by the Company*

The accounting policies used by the Company in preparing the separate financial statements at December 31, 2018 are consistent with the policies used for preparation of the separate financial statements at December 31, 2017, except for initial application of IFRS 15 (see i) and IFRS 9 (see ii) as from January 1, 2018.

Other new standards, amendments and interpretations will also go into force as from January 1, 2018, but will have no significant impact on the Company's financial statements. The Company has adopted in advance no standard, interpretation or amendments issued but not yet in effect.

The effect of initial application of these standards is due mainly to the following:

– Early recognition of income from contracts for the sale of services and equipment (see i).

– Increase in impairment losses on financial assets (see ii).

### i. IFRS 15 Revenue from Contracts with Customers

IFRS 15 sets out the criteria for recognition of revenue from contracts with customers. The Company has adopted this new standard using one of the two alternative transition methods allowed: simplified retrospective model with the accumulated effect of initial application recognized as an adjustment to the initial balance, January 1, 2018. Therefore, the 2017 figures presented for comparative purposes have not be restated.

In addition, the new standard allows for adopting certain practical solutions to facilitate application of the new criteria. The main practical solutions applied by the Company are as follows:

a) Contracts completed: The Company retrospectively applied the new criteria to new contracts from January 1, 2015 to December 31, 2017.

b) Standard offer contracts (portfolio approach): the Company applies the requirements set out in the standard to groups of contracts with similar features (i.e.: residential customer and small and medium size companies, where a standard offer is marketed), given that for collective contracts identified, the effects do not differ significantly with respect to an individual application per contract.

c) Nonstandard offer contracts (contract-to-contract approach): The Company applies the standard's requirements to specific contracts that do not share similar characteristics, where identification of the contracts is handled individually.

The main accounting policies considered significant under the new model provided by IFRS 15 and the nature of the main changes to policies previously applied in connection with the income described in note 4. The most relevant impact refers to recording of contract assets, that lead, under IFRS 15, to acceleration of recognition of revenue from the sale of equipment, and the activation and deferral of the incremental costs related to the obtaining of contracts, that under IFRS 15, imply deferral in recording customer-acquisition expenses.

***(figures stated in US dollars)***

**3. Changes in accounting policies and disclosures (continued)**

Following is a summary of the net impact of the transition to IFRS 15, on retained earnings:

| | Impact of adoption of IFRS 15 at 1 of 2018 |
|---|---|
| **Reserve for first time adoption** | |
| Contract assets | $(1,199,388) |
| Prepaid expenses short term | (1,018,072) |
| Deferred tax asset | (12,035) |
| Deferred income tax | 554,365 |
| | $(1,675,130) |

**ii. IFRS 9—Financial Instruments**

IFRS 9 establishes a new accounting framework for recognition, classification, measurement and disposal of financial instruments, impairment of financial assets and hedge recording. The main accounting policies considered to be significant under the new framework of IFRS 9 and the nature of the main changes to policies previously applied in connection with the financial instruments are described in note 4.

In accordance with the transitory provisions of the standard, the Company has adopted the option that allows for not restating the 2017 figures presented for comparative purposes. The difference between the accounting figures of financial assets and liabilities resulting from initial application of new criteria has been applied to retained earnings.

The following aspects were considered by the company in the adoption of IFRS 9:

*i) Classification and measurement*

In accordance with IFRS 9, financial instruments are subsequently measured at fair value with changes to income, at the amortized cost or fair value of changes in other comprehensive income (OCI). Instruments are classified based on two criteria:

a) The business model used by the Company, as an independent entity, to manage its assets; and

b) Its contractual cash flows.

IFRS 9 includes three major categories for classification of financial assets: measured at their amortized cost and at fair value through profit or loss (FVTPL). Classification of financial assets under IFRS 9 is usually based on the business model in which a financial asset is managed and on its contractual cash flow characteristics. IFRS 9 eliminates the prior categories of IAS 39: held-to-maturity, loans and accounts receivable and available for sale. Under IFRS 9, derivatives incorporated in contracts, in which the principal is a financial asset within the scope of the standard are never separated. However, classification of the hybrid financial instrument taken as a whole is evaluated.

*(figures stated in US dollars)*

### 3. Changes in accounting policies and disclosures (continued)

On January 1, 2018 (the date on which IFRS 9 was first applied), Company management determined the business models to be applied to its financial assets and has classified its financial instruments in appropriate categories in the terms of IFRS 9. According to the analysis conducted, no reclassification was identified in the financial assets. See summary below:

| | Classification | | Amount at December 31, 2017 Under IAS 39 | Amount at January 1, 2018 Under IFRS 9 | Effect of change |
|---|---|---|---|---|---|
| | Under IAS 39 | Under IFRS 9 | | | |
| Financial assets | | | | | |
| Cash and cash equivalents | Amortized cost | Amortized cost | $12,480,475 | 12,480,475 | $ — |
| Accounts receivable | Amortized cost | Amortized cost | 16,727,795 | 16,574,940 | 152,855 |
| Financial assets at amortized cost | Amortized cost | Amortized cost | 5,285,898 | 5,285,898 | — |
| Accounts receivable from related parties | Amortized cost | Amortized cost | 2,813,008 | 2,813,008 | — |
| | | | $37,307,176 | $37,154,321 | $152,855 |

| | Classification | | Amount at December 31, 2017 Under IAS 39 | Amount at January 1, 2018 Under IFRS 9 | Effect of change |
|---|---|---|---|---|---|
| | Under IAS 39 | Under IFRS 9 | | | |
| Financial liabilities | | | | | |
| Commercial accounts payable | Other financial liabilities | Other financial liabilities | $ 38,151,355 | $ 38,151,355 | $ — |
| Accounts payable to related parties | Other financial liabilities | Other financial liabilities | 11,793,863 | 11,793,863 | — |
| Bank loans | Other financial liabilities | Other financial liabilities | 93,818,986 | 93,818,986 | — |
| Accrued expenses and other accounts payable | Other financial liabilities | Other financial liabilities | 7,722,475 | 7,722,475 | — |
| | | | $151,486,679 | $151,486,679 | $ — |

Following is a reconciliation between the book values of financial assets under IAS 39 and the book values under IFRS 9 in the transition from IFRS 9 on January 1, 2018:

| | Carrying amount Under IAS 39 at December 31, 2017 | Reclassification | Re-measurement | Carrying amount under IFRS 9 at January 1, 2018 |
|---|---|---|---|---|
| Financial assets at amortized cost | | | | |
| Cash and cash equivalents | $12,480,475 | $ — | $ — | $12,480,475 |
| Accounts receivable | 22,013,693 | (5,285,898) | (152,855) | 16,574,940 |
| Financial assets at amortized cost | — | 5,285,898 | — | 5,285,898 |
| Accounts receivable from related parties | 2,813,008 | — | — | 2,813,008 |
| | $37,307,176 | $ | $(152,855) | $37,154,321 |

***(figures stated in US dollars)***

**3. Changes in accounting policies and disclosures (continued)**

To a large extent, IFRS 9 retains the requirements set out in IAS 39 for classification and measurement of financial liabilities, due to which, for financial liabilities at December 31, 2017, no effect is expected during the transition.

Following is the impact of adoption of IFRS 9 on the Company's retained earnings at January 1, 2018.

| | Impact of adoption of IFRS 8 on initial balance |
|---|---|
| **First time adoption** | |
| Accounts receivable | $152,855 |
| Contract asset | 48,141 |
| Deferred tax asset | (38,214) |
| Impact at January 1, 2018 | $162,782 |

*ii) Impairment of financial assets*

Adoption of IFRS 9 has fundamentally changed the determination of impairment losses of financial assets through replacement of the incurred-loss approach under IAS 39 for a forecast future expected credit loss (ECL). IFRS 9 requires that the Company recognize an allowance for forecast credit losses for all financial assets not held at fair value with changes in income.

The Company used the simplified model for calculation thereof. The Company has determined that application of the impairment requirements of IFRS 9 at January 1, 2018 gives rise to an additional allowance for impairment as follows:

| | Amount |
|---|---|
| **Movement of allowance for impairment—accounts receivable** | |
| Allowance for losses under IAS 39 at December 31, 2017 | $(152,855) |
| Impairment of additional value recognized on January 1, 2018 of: | |
| Accounts receivable | (152,855) |
| Allowance for losses under IAS 9 at January 1, 2018 | $(305,710) |

| | Amount |
|---|---|
| **Movement of allowance for impairment—contract asset** | |
| Allowance for losses under IAS 39 at December 31, 2017 | $ — |
| Impairment of additional value recognized on January 1, 2018 of: | |
| Contract asset | 48,141 |
| Allowance for losses under IAS 9 at January 1, 2018 | $(48,141) |

*iii) Hedge accounting*

Under IAS 39, all gains and losses arising from the Company's cash flow hedge relationships were eligible to subsequent reclassification to income. However, IFRS 9 requires that gains and losses arising from hedging of cash flows pertaining to forecast purchases of non-financial assets be incorporated in the initial book values of non-financial assets.

***(figures stated in US dollars)***

## 3. Changes in accounting policies and disclosures (continued)

A derivative is a financial instrument or other contract within the scope of IFRS 9, which meets the following characteristics:

a) Its value changes according to the changes in an interest rate, the price of a financial instrument, the price of merchandise, foreign currency exchange rates, a price index or indicator, credit classification or index or similar variable.

b) Initially, a very small or null net investment is required, in comparison with that required by other types of contracts that respond in a similar manner to changes in market conditions; and

c) It will be settled at a future date.

The following are typical examples of derivatives: term contracts, futures, swaps and options. The Company has opted not to adopt the new hedge accounting model of IFRS 9, as it does not apply to the business operation, as it holds no derivative financial instruments.

Following is a summary of the impact of adoption of IFRS 15 and IFRS 9 at December 31, 2017, through the simplified retrospective method, which only affects the initial balances of the statement of financial position.

| | Amounts with adoption | Increase (decrease) IFRS 15 | Increase (decrease) IFRS 9 | Amounts without adoption |
|---|---|---|---|---|
| Line items of the statement of financial position that are impacted Assets: | | | | |
| Accounts receivable[(a)] | $16,574,940 | $ — | $(152,855) | $16,727,795 |
| Contract assets[(b)] | 1,151,247 | 1,199,388 | (48,141) | — |
| Prepaid taxes[(c)] | 14,426,610 | 1,018,072 | — | 13,408,538 |
| Deferred income tax asset[(d)] | 709,205 | 12,035 | 38,214 | 658,956 |
| | $32,862,002 | $2,229,495 | $(162,782) | $30,795,289 |

| | Amounts with adoption | Increase (decrease) IFRS 15 | Increase (decrease) IFRS 9 | Amounts without adoption |
|---|---|---|---|---|
| Line items of the statement of financial position that are impacted Liabilities: | | | | |
| Deferred income tax Liabilities[(e)] | $ (554,365) | $ (554,365) | $ — | $ — |
| Equity: | | | | |
| First time adoption[(f)] | (1,512,348) | (1,675,130) | 162,782 | — |
| | $(2,066,713) | $(2,229,495) | $162,782 | $ — |

(a) This is the effect of the calculation of impairment of accounts receivable in accordance with IFRS 9, based on expected credit loss rates.

(b) It is the Company's right as a result of the provision of services and sale of equipment that were transferred to the customers when that right is conditional on the passage of time, due to unmet obligations.

(c) It is the asset arising from the Indefeasible Right of Use (IRU) recognized as an anticipated expenditure, until the conditions required by the standard for recognition of the expense in the corresponding period are duly met.

**3. Changes in accounting policies and disclosures (continued)**

(d) It is the effect on the calculation of deferred income tax arising from the impact of adoption of IFRS 15, specifically on assets.

(e) It is the effect on the calculation of deferred income tax arising from the impact of adoption of IFRS 15, specifically on liabilities.

(f) It is the effect on equity of the impact of initial adoption of IFRS 15 and IFRS 9 of transactions conducted prior to 2018.

*b) New standards, amendments and interpretations not yet adopted by the Company*

A number of new standards and interpretations have been published which are not effective for reporting periods at December 31, 2018, and have not been applied in advance by the Company. Following is an explanation of the Company's evaluation of the impact of these new standards and interpretations:

– IFRS 16 requires that companies acting as lessee recognize the assets and liabilities arising from all contracts (except for short-term lease agreements and those involving low value assets) in the statement of financial position.

– The lessors' accounting will not have significant changes. In its main lease agreements, the Company is the lessee, due to which a significant impact is expected.

– Acting as lessee, the Company has lease agreements mainly involving towers, circuits and stores, and land housing own and leased towers. Under the current standard, a significant part of these contracts is classified as operating leasing, recording the corresponding payments on a lineal basis throughout the life the contract.

– The Company's project for implementation of new criteria is complex, due to factors such as the high number of contracts affected and the diversity of data source systems, as well as the need to conduct certain estimations. These include the estimation of the lease term, according to the period not subject to cancellation and of the periods covered by renewal options, at the Company's discretion and is considered reasonably certain, which depends, to a large extent, on the specific facts and circumstances per type of asset in the telecommunications sector. Moreover, hypotheses are used to calculate the discount rate that will mainly depend on the incremental financing rate for the terms estimated. On the other hand, the Company will not record non-lease components separately from those that are for those classes of assets in which the relative importance of non-lease components is not significant with respect to the total value of the lease.

– The Company will opt for the retroactive partial transition method with the accumulated effect of initial application of the standard recognized on the date of first application, January 1, 2019, as an adjustment to the retained earnings. The Company will opt for the practical solution that allows for not conducting a new evaluation of whether or not a contract is, or contains, leasing on the date of initial adoption of IFRS 16, but rather directly applying the new requirements to all contracts that were classified as leasing under the prior standards.

The Company has opted to apply the following practical solutions in the transition to new criteria:

– Valuation of the asset for "right to use" for most contracts, the Company will opt to value the asset for right to use of an amount equivalent to leasing liability at the transition date, adjusted on the basis of the prepayments recognized in the balance sheet immediately prior to the first application.

**3. Changes in accounting policies and disclosures (continued)**

– Discount rate: the Company uses the common discount rates for groups of contracts with similar characteristics with regard to the term, the asset that is the object of the contract, currency and economic environment.

– Contracts expiring in 2019; the Company will opt to apply the practical solution that allows for not adopting the new criteria for contracts expiring during the first twelve months of applying the new standard.

– Initial direct costs: the Company will exclude initial direct costs from the initial valuation of the asset for right of use on the date of the first application.

– From the analysis conducted to date, the Company estimates that the changes arising from adoption of IFRS 16 will have a significant impact on the Company's separate financial statements from the date of adoption, including recognition in the initial balance sheet for 2019 of $52,916,808 as assets for right of use, in connection with most of the contracts classified as operating leases under the current regulations. In contrast, the Company will recognize the corresponding leasing obligations in the 2019 initial balance sheet in the amount of $52,916,808; therefore, with no impact on equity at January 1, 2019. Moreover, as from entry into force of the new criteria, amortizations of the right of use of assets and recognition of interest on the lease obligation will replace a significant part of the amount recognized in the income account as an operating lease expense under the current standard. In addition, the classification of lease payments in the statement of cash flows will be affected by the entry in effect of this new standard. Also, the Company's separate financial statements will include broader breakdowns with relevant information on the leasing contracts.

  With respect to payment commitments for rent reflected in the Company's separate financial statements, it is estimated that the main differences with respect to measurement of the new liability will refer, among other matters, to:

– Differences as to the population of contracts considered: lease liabilities do not include short-term leases, or leases for low value assets or intangibles, which are included in the schedule of expected payments. On the other hand, payments related to cancellable contracts with no cancellation cost are not considered in the figure for lease payment commitments, but are included in lease liabilities.

– Differences as to the leasing term: extension options considered reasonable form part of the valuation of lease liabilities, but are not considered in the schedule of expected operating lease payments.

– Differences as to discount rates: to the extent there are differences in the terms of the discount rates used, they differ as a result of said differences.

– The estimated impact of adoption is based on the evaluations conducted to date. The actual effects at January 1, 2019 could differ, due to the high number of contracts affected and to the complexity of the estimations required, with multiple alternatives available, the Company is testing the new calculation procedures and the new accounting policies will not be definitive until the Company issues separate financial statements after IFRS 16 takes effect.

The Company has identified no other standards that have not yet gone into effect and could have a significant impact on the entity in current and future reporting periods and transactions in the foreseeable future.

## 4. Summary of the main accounting policies

### 4.1. Foreign currency transactions

#### 4.1.1. Functional currency and presentation of the financial statements

The functional and reporting currency is the Balboa (B/.), the legal tender in the Republic of Panama.

#### 4.1.2. Foreign currency transactions and balances

Foreign currency transactions (conducted in a currency other than the functional currency) are recorded at the exchange rate prevailing on the transaction date. In determining its financial position and operating income, the Company values and adjusts its foreign currency assets and liabilities at the exchange rate prevailing on the date of said valuation and determination. Exchange differences resulting from applying these procedures are applied to income for the period in which they arise.

### 4.2. Current and non-current classification

In its statement 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 tax assets and liabilities are classified by the Company as non-current assets and liabilities, in all cases.

### 4.3. Cash and cash equivalents

Cash and cash equivalents are represented by cash and highly liquid short-term deposits maturing at terms equal to or under three months. For the purposes of the statement of cash flows, cash and cash equivalents is presented by the Company net of bank overdrafts, if any.

### 4.4. Financial Instruments

A financial instrument is a contract that gives rise to a financial asset in one entity and a financial liability or equity instrument in another entity, simultaneously. IFRS 9 sets out the requirements for recognition and measurement of financial assets, financial liabilities and agreements for the purchase or sale of non-financial items. This standard replaced IAS 39.

## 4. Summary of the main accounting policies (continued)

### 4.5. Financial assets

#### 4.5.1. Classification of financial assets

Beginning on January 1, 2018, the Company classifies its financial assets in the following measurement categories.

- Those measured subsequently at fair value ( either via comprehensive income or income), and
- Those measured at amortized cost.

The classification depends on the business model of the entity used to handle its financial assets and the contractual terms of cash flows.

For assets measured at fair value, profits and losses are recorded in income and other comprehensive income. For investments in capital stock instruments not held for trading, this will depend on whether the Company made an irrevocable decision at the time of initial recognition to record the investment at fair value via other comprehensive income.

The Company reclassifies debt instruments when, and only when, it changes its business model for managing those assets. The approach used by the Company 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.

#### 4.5.2. Measurement of financial assets

The Company initially recognizes all of its financial assets at fair value, and 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 Company on the dates on which each transaction is conducted, which is the contracting date, the date on which the C0mpany commits to purchase or sell a financial asset.

##### 4.4.2.1. Debt instruments

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow features of the asset. There are three measurement categories, which the Company uses to classify its debt instruments:

1) *Financial assets at amortized cost*

Financial assets are measured at their amortized cost when they meet the following conditions:

i) The financial asset is maintained within a business model, the purpose of which is to obtain contractual cash funds; and

ii) The contractual terms of the financial asset establish specific dates for cash flows arising solely from payments on the principal or interest on the current balance.

Income arising from those financial assets are included in financial income by the effective interest rate method. Any profit or loss arising from the disposal of accounts is recorded directly in income and shown under other income/losses together with exchange gains and losses. Impairment losses are shown as a separate item in the statement of income.

**4. Summary of the main accounting policies (continued)**

*2) Financial assets at fair value through profit or loss (FVTPL).*

Financial assets are measured at fair value with changes in other comprehensive income when the following conditions are met:

i) The financial asset is maintained within a business model, the purpose of which is to obtain contractual cash flows upon selling the financial asset; and

ii) The contractual terms of the financial asset establish specific dates for cash flows arising solely from payments on the principal or interest on the current balance.

Movements in book value are recorded through OCI, except for recognition of impairment profits or losses, interest income and profits or losses arising from exchange rates, which are recorded in income. At the time a financial asset is disposed of, the accrued profit or loss previously recorded in OCI is reclassified from capital stock to income and recorded in other income/losses. Income arising from those financial assets are included in financial income by the effective interest rate method. Exchange profits and losses are shown under other income and (losses) and impairment expenses are shown as a separate item in the statement of income.

*3) Financial assets at fair value through profit or loss (FVTPL)*—The remaining financial assets that failed to qualify in any of the aforementioned categories are measured at fair value with changes in income. Any profit or loss arising from a debt instrument that is subsequently measured at fair value via income is recorded in income and shown in net terms in other income/ (expenses) in the period in which it arises.

Additionally, when initially recognizing a financial asset and under certain circumstances, the Company assigns, on an irrevocable basis, a financial asset that meets the measurement requirements pertaining to the categories prior to measurement at fair value with changes in income, if in doing so, an accounting asymmetry that could otherwise occur is eliminated or reduced.

**4.4.2.2. Equity securities**

The Company subsequently measures all equity securities at fair value. When Company management has opted to show fair value profits and losses arising from equity securities in other comprehensive income, there is no subsequent reclassification of fair value profits and losses to income following disposal of the investment. Dividends on those instruments continue to be recorded in income as other income when the Company's right to receive the payments is established.

Changes in the fair value of financial assets at fair value through income are recognized in other gains/ (losses) in the respective statement of income. Impairment losses (and reversal of impairment losses) arising from equity securities measured at fair value through comprehensive income are not reported separately from other changes in fair value.

**4.5.3. Impairment of financial assets**

The Company recognizes an allowance for credit losses expected on financial assets recognized at amortized cost or at fair value with changes in other comprehensive income and measures the correction of value arising from credit 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 statement of financial position, the credit risk of the financial instrument has not increased significantly as from initial recognition thereof, the Company measures the correction in value arising from losses for this financial instrument at an amount equal to the credit losses expected over the next 12 months.

**4. Summary of the main accounting policies (continued)**

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

For financial instruments at fair value through other comprehensive income, the Company applies the simplification for low credit risk. On each presentation date, the Company evaluates whether or not to consider that the debt instrument has a low credit risk, using all of the information available, with no cost or undue effort. With this evaluation, the Company re-evaluates the internal credit rating of the debt instrument. Moreover, the Company considers that there has been a significant increase in the credit risk when the contractual payments are more than 30-days past due.

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

**4.5.4. Derecognition of financial assets**

Financial assets are no longer recognized when the rights to receive cash flows from investments expire or are transferred and the Company has transferred all the risks and benefits arising from ownership. Regular purchases and sales of financial assets are recognized at the transaction date, which is the date on which the Company commits to purchase or sell the asset.

**4.5.5. Accounting policies applied at December 31, 2017**

The Company has applied IFRS 9 retrospectively, but has decided not to reformulate comparative information. As a result, the comparative information provided continues to be accounted for as per the accounting policy previously in effect.

*Classification*

Until December 31, 2017, the Group classified its financial assets in the following categories:

- Financial assets carried at fair value through profit or loss.
- Loans and accounts receivable.
- Investments held to maturity.
- Financial assets available for sale.

Classification depends on the intended purpose for which investments are acquired. Management determined the classification of its investments during initial recognition and, in the case of assets classified as held to maturity, it reevaluated the classification at the end of each reporting period.

*Reclassification*

The Company could opt to reclassify a non-derivative financial asset pertaining to the held-for-trade category, if the financial asset was no longer held for sale in the short term. Financial assets other than loans and accounts receivable could be reclassified from the held for trade category only under unusual

**4. Summary of the main accounting policies (continued)**

circumstances, as a result of a single and unusual event and very unlikely to repeat itself in the short term. Moreover, the Company could opt to reclassify financial assets that qualify as loans and accounts receivable pertaining to the categories held for trade or available for sale, if the Company intends or can maintain these financial assets in the foreseeable future or at maturity on the date of reclassification.

Reclassifications are made at fair value on the date of reclassification. The fair value became the new cost, or amortized cost, as applicable, and no gains or losses in fair value recorded prior the reclassification date were reversed. The effective interest rate of financial assets reclassified to the categories of loans and accounts receivable and held to maturity were determined on the reclassification date. Additional increases in cash flow estimations adjusted the effective interest rate prospectively.

*Subsequent measurement*

Measurement in initial recognition did not change with adoption of IFRS 9, see description above.

After initial recognition, loans and accounts receivable, and investments held to maturity were measured at amortized cost using the effective interest method.

Financial assets available for sale and financial assets at fair value through income are recognized at fair value. Gains or losses on changes in fair value are recognized as follows:

- For financial assets at fair value with changes through income—in income in other gains/ (losses).
- For financial assets available for sale that are monetary instruments denominated in a foreign currency—translation differences related to changes in the amortized cost of the instrument were applied to income and other changes in book value were applied to other comprehensive income.
- For other monetary and non-monetary instruments classified as available for sale—in other comprehensive income.

Details on how the fair value of financial instruments is determined are shown in note 36.

*Impairment*

At the end of each reporting period, the Company assesses whether or not there is objective evidence that a financial asset or group of financial assets is impaired. Impairment of a financial asset or group of financial assets and the impairment loss were recognized only if there was objective evidence of impairment resulting from one or more events occurred after initial recognition of the asset (loss event) and the loss event (or events) had an impact on the estimated cash flows of the financial asset or group of financial assets that could be reliably estimated. With respect to capital stock investments classified as available for sale, a significant or prolonged decrease in the fair value of the instruments below its cost is considered an indicator that the assets are impaired.

*Assets valued at amortized cost*

As for loans and accounts receivable, the loss was measured as the difference between the book value of the asset and the present value of estimated future cash flows (excluding future credit losses not incurred), discounted at the original effective interest rate of the financial assets. The book value of the asset was reduced and the amount of the loss was recognized in income. If a loan or an investment held to maturity was subject to a variable interest rate, the discount rate used to measure impairment losses was the present effective interest rate determined for contractual purposes. As a practical recourse, the Company was able to measure impairment based on the fair value of a financial instrument using its observable market price.

**4. Summary of the main accounting policies (continued)**

If, in a subsequent year, the impairment loss was reduced due to objective verification of an event occurred subsequent to the date on which said impairment was recorded (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss was recorded in income. Impairment tests of trade receivables are described in note 6.

*Assets classified as available for sale*

In the event of objective evidence of impairment of financial assets available for sale, the accumulated loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss of this financial asset previously applied to income, was eliminated from capital stock and applied to income.

Impairment losses in capital stock instruments that were applied to income were reversed to income in a subsequent period.

If the fair value of a debt instruments classified as available for sale increased in a subsequent period and the increase could be objectively related to an event occurred after the impairment loss was applied to income, the impairment loss was reversed through income.

**4.6. Financial liabilities**

**4.6.1. Recognition and initial measurement of financial liabilities**

Financial liabilities are classified as financial liabilities at fair value with changes in income, documents and loans payable, or as derivative financial instruments designated as hedge instruments in effective hedging, as applicable. The Company determines the classification of its financial liabilities at the date of their initial recognition.

The Company 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 loans payable.

The Company's financial liabilities include accounts payable and other accounts payable, accounts payable to related parties and loans payable.

**4.6.2. 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.

**Accounts payable and loans payable**

After initial recognition of loans payable, accounts payable and other accounts payable are measured at their amortized cost using the effective interest method. The Company applies gains or losses to income for the period when the financial liability is derecognized, as well as through the amortization process.

**4.6.3. Derecognition of financial liabilities**

Financial liabilities are derecognized by the Company 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 Company 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.

## 4. Summary of the main accounting policies (continued)

### 4.7. Derivative financial instruments and hedge accounting

#### 4.7.1. Initial recognition and subsequent measurement

On the matter of hedge accounting, the Company classifies hedges under the following parameters:

a) As fair value hedging, when involving a hedge of exposure to changes in the fair value of assets or liabilities recognized or of firm commitments not recognized.

b) As cash flow hedging, when it qualifies as hedging of exposure to the variation of cash flows attributable to a particular risk related to a recognized asset or liability, or to a highly probable forecast transaction, and that can affect income for the period.

c) As hedging of the net investment in a business abroad.

Hedges that meet the criteria for hedge accounting are recorded as follows:

*Fair value hedging*

If a fair value hedge relationship meets the requirements established for recording as such during the period to which the financial information presented refers, said relationship is recorded as follows:

a) The loss or gain on the hedge instrument is applied to income for the period.

b) The loss or gain experienced in the hedged item, arising from the risk that is the hedging object will adjust the book value of said item and is corded in the statement of income.

In the event only some of the risks were hedged, the changes in fair value of the hedged item, which are not related to the hedging operation, are recorded as per the general criteria according to the classification of the hedged item.

*Cash flow hedges*

If a cash flow hedge relationship meets the requirements established for recording as such during the period to which the information presented refers, said relationship is recorded as follows:

a) The portion of the loss or gain on the hedging instruments, that constitutes effective hedging, must be recognized directly in net worth (other comprehensive income), through the statement of changes in stockholders' equity. This implies that the amount accrued in equity of said loss or gain must be below the accrued loss or gain of the hedging instrument from the start of the hedging, and the accrued change in fair value of the hedged item, from the start of the hedging.

b) The rest of the gain or loss of the hedging instrument or of the component thereof that was designated as such the hedge ineffectiveness and must be applied to income for the period.

Accumulated gains or losses recognized directly in equity accounts are eliminated from equity and included in: income for the period as a reclassification adjustment in the same period or periods during which hedged future cash flows are applied to income for the period or, in the event the forecast transaction gives rise to the acquisition of an non-financial asset or liability, the amounts accrued in equity are included in the initial cost of the asset or liability and this does not represent a reclassification adjustment; therefore, it has no effect on comprehensive income. If the amount in question is a loss and some or none of it is expected to be recovered in one or more future periods, the amount not expected to be recovered is immediately reclassified to income for the period, representing a reclassification adjustment.

**4. Summary of the main accounting policies (continued)**

Upon finalizing the hedge accounting for cash flow hedging of a highly probable transaction, the amount accrued in equity remains in equity, if the forecast future cash flows are still expected to occur, until they do so, and are accorded the treatment described in the accounting of this type of hedges. If the future cash flows are no longer expected to occur, the amount is immediately reclassified to income for the period as a reclassification adjustment.

*Hedging of the net investment in a business abroad*

If a hedge relationship of a net investment in a foreign operation, including hedging of a monetary item recorded as part of the net investment, meets the requirements established for recording as such during the period, said relationship is recorded in a manner similar to that of cash flow hedges: the portion of the loss or gain on the hedging instrument that constitutes effective hedging must be applied directly to other comprehensive income and the ineffective portion must be applied to income for the period.

**4.8. Accounts receivable**

Commercial accounts receivable are amounts owed by customers on goods sold or services rendered in the ordinary course of business. 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 invoices issued. After initial recognition thereof, accounts receivable are recorded by the Company at their amortized cost, because they are a financial asset, the purpose of which is to obtain contractual cash flows and the contractual terms establish the specific collection dates. If collection of these amounts is expected in one year or under, they are classified as current assets. Otherwise, they are shown as non-current assets. Accounts receivable are generally settled within a 30 day term, and are therefore classified as current.

*For the determination of impairment of accounts receivable, the Company has opted for the simplified model,* which is based on an estimated uncollectability rate approach, to allow for estimating the expected credit loss over the lifetime of the asset. The model is applied to residential accounts receivable, companies, businesses and financed portfolio where the financing component is not significant.

*Impairment of accounts receivable arising from operating traffic:* The policy is based on uncollectability rate averages for each range of aging, present and expected future economic conditions.

*Impairment of accounts receivable—financed portfolio:* The policy is based on the Provision Up Front methodology. This calculation methodology uses ratios of historical uncollectability to forecast the customer behavior for the duration of the contract, that is to say, defaulting on established monthly dues, allows for estimating, in an approximate basis, the percentage of debt that will remain outstanding (expected loss), for recording thereof at the initial moment.

*Fair value of trade receivables and accounts receivable:* Given the short-term nature of accounts receivable, the book value thereof closely resembles their fair value.

**4.9. Contract assets**

Entities have the right to compensation in exchange for goods or services that the entity has transferred to a customer when that right is conditioned by something other than the passage of time.

The Company assesses impairment of contract assets in accordance with IFRS 9. Impairment of an asset under contract is measured, presented and disclosed in the same manner as that of financial assets that falls within the scope of IFRS 9. Impairment is reversed when impairment conditions cease to exist or have improved.

**4. Summary of the main accounting policies (continued)**

*For the determination of impairment of contract assets, the Company has opted for the simplified model,* which is based on an estimated uncollectability rate approach, to allow for estimating the expected credit loss over the lifetime of the asset. The model is applied to contract assets where the financing component is not significant.

*Impairment of contract assets:* The policy is based on uncollectability rate averages for each range of aging, present and expected future economic conditions.

### 4.10. Receivables from related parties

Receivables from related parties are balances stemming from transactions between related parties. Sales to related parties are conducted in terms equivalent to those prevailing in transactions with third parties. Balances still outstanding at the end of the year are not guaranteed, do not generate interest and are settled in cash.

Historically, the Company does not consider its receivables to related parties to represent a collection risk; however, in the event of an element that would give rise to questions as to the recoverability of said balances, impairment is calculated as per the policy on impairment of accounts receivable from third parties.

### 4.11 Other financial assets at amortized cost

Other financial assets at amortized cost correspond mainly to prepayments to suppliers, accounts receivable from personnel and accounts receivable from the tax authorities.

The Company classifies its financial assets at amortized cost only if they meet the following two criteria:

- The asset remains within a business model, the purpose of which is to collect contractual cash funds, and
- The contractual terms give rise to cash flows that are only payments of principal and interest.

Historically, the Company does not consider other financial assets at amortized cost to represent a collection risk, due to the fact that they are comprised by accounts receivable from the tax authorities, prepayments to suppliers and accounts receivable from employees.

### 4.12. Inventory

Inventory is mainly comprised of terminals and accessories, which are valued at the lower of cost and net realization value. Net realization value is the sales price in the normal course of operations, less the estimated costs required to make the sale. The cost methods are specific cost for terminals, average cost for accessories and invoice cost for inventory in transit.

Inventories are reviewed periodically and adjusted at their realization value, taking into account obsolete, defective or slow-moving products. The recovery value of inventory stock is calculated according to aging thereof. This adjustment is applied to income for the period. Calculation and recording of obsolescence applies to inventory of terminals with stock more than 365 days old. Inventory of prepayment cards and SIM-Cards is not considered in the calculation of obsolescence, because their useful life is indefinite.

### 4.13. Property, furniture and equipment

The components of property, furniture and equipment are originally recorded at their acquisition cost, less accumulated depreciation and possible impairment losses. Land is not subject to depreciation.

## 4. Summary of the main accounting policies (continued)

The acquisition cost includes external costs, plus internal costs made up of consumption of warehouse materials, cost of labor used directly at the facilities and indirect costs necessary to effect the investment. The acquisition cost is comprised of, if any, the initial estimation of costs related to the dismantling or withdrawal of the element and the rehabilitation of the site when, as a result of use of the element, the Company is required to conduct said activities.

Expansion, modernization or improvement costs that represent an increase in productivity, capability or efficiency, or lengthening of the useful lives of the goods, are capitalized at a cost higher thereof when they meet the requirements for recognition as an asset. Disbursements for repairs and maintenance that fail to meet the conditions for recognition as an asset and depreciation and amortization are recognized as expenses in the year in which they occur.

The Company analyzes the need to make, as applicable, the necessary valuation corrections, with a view to attributing to each element of the goods the lesser recovery value allowed at the period close, provided certain circumstances or changes are produced that serve to support that the net book value may not be entirely recoverable, with respect to the generation of sufficient income to cover all costs and expenses.

Goods depreciate from the moment they are in working condition, linearly distributing the cost of the assets among the years of estimated useful life, calculated according to technical studies that are periodically reviewed based on technological advances and the rate of disassembly. The best estimate of said useful life is as follows:

| | Average estimated useful life in years |
|---|---|
| Constructions | 10 – 20 years |
| Technical installations and machinery | 4 – 20 years |
| Data processing equipment | 4 years |
| Transportation equipment | 4 – 7 years |
| Furniture and equipment | 4 – 10 years |

A component of property, furniture and equipment is disposed of when it is unappropriated or when the Company expects no further future economic benefits 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.

Construction and installation costs are charged to transitory accounts and subsequently transferred to the respective asset accounts upon completion of the works. These works in process include all disbursements directly related to the design, development and construction of real property or others, and financial costs directly attributable to the works.

Improvements to leaseholds under operating lease agreements are amortized by the straight-line method, calculated on the extension of the respective lease agreements.

### 4.13.1. Current assets

It is Company policy to record, works in process, the cost of construction, services contracted and other direct and indirect costs incurred in the construction and operating start-up of the goods, prior to capitalization thereof. Construction in progress is not depreciated. Once construction of the assets is completed, the balances are transferred from constructions in progress to the respective asset category and starts to depreciate.

## 4. Summary of the main accounting policies (continued)

### 4.13.2. Obligations arising from asset dismantling

It is Company policy to record a provision for withdrawal of long-lived assets. Said policy provides the accounting base for recording of asset withdrawal costs, which require recognition of the fair value of the liability assumed from said obligation in the period in which it was contracted and amortize it during the period the leasing period, defined as the lesser.

The Company recognizes, as part of the cost of property and equipment, the costs estimated to dismantle the assets, as well as those corresponding to site restoration, to the extent they must be recognized as a provision for future expenses. The obligation is recorded, applying the current value method, with a discount rate and current-inflation rate.

Financial costs (interest) are charged to income over the lifetime of the contract.

### 4.14. Intangible assets

Intangible assets acquired separately are initially recorded at cost. After initial recognition, intangible assets are accounted for at cost less accumulated amortization and the accumulated amount of impairment losses, if any. The Company applies, as expenses, intangible assets generated internally, to income for the year in which they occur, except development costs that are capitalized. The cost of intangible assets acquired in a business combination is recorded at fair value at the acquisition date.

The useful lives of intangible assets are defined as finite or indefinite. Intangible assets with a finite useful life are amortized by the straight-line method over the estimated useful lives of the assets, which are reviewed by the Company annually. Expenses corresponding to amortization of intangible assets are applied to income for the year in which they were incurred.

Gains or losses arising upon disposal of an intangible asset are determined by the Company 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.

### 4.14.1. Administrative concessions

Administrative concessions refer mainly to licenses acquired by the Company pertaining to Usufruct Titles to Frequencies (UTF), which have a finite lifetime. These assets are valued at their historical acquisition cost and are amortized by the straight-line method, at fixed rates according to the term of the licenses' usufruct agreement.

### 4.14.2. Computer applications and other

These are recorded by the acquisition cost and are amortized lineally over their useful lives, estimated in general terms at three years. Costs incurred in restoring and maintaining the future economic benefits that the Company can expect from the performance standard originally evaluated of existing systems applications, are recognized as an expense as they are incurred.

### 4.15. Investment in shares in related parties

Related parties are those that make up the consolidation perimeter to which the Company pertains, Telefónica Móviles Panamá, S. A. and in turn, the company of Grupo Telefónica, S. A. Intercompany transactions have been conducted in the terms agreed by the parties.

The Company's investment in shares has no significant influence, control or management of Telefónica Centroamérica, S. A., based in the Republic of Panama.

**4. Summary of the main accounting policies (continued)**

The Company records the investment at cost, considering the exemptions to application of the equity method described in paragraph 17, of IAS 28—Investments in associates and joint ventures:

Entities are not required to apply the equity method to their investment in an associate or joint venture if the entity is a controlling company that is exempt from preparing consolidated financial statements due to the exemption to the scope set out in paragraph 4(a) of IFRS 10, or if all of the following elements are applied:

a. The entity is a subsidiary totally or partially owned by another entity, and its other owners, including those that have no voting rights, have been informed that the entity will not apply the equity method and have expressed no objections in this regard.

b. The entity's debt and equity instruments are not traded in a public market (whether a domestic of foreign stock exchange, or a non-organized market, including local or regional markets).

c. The entity did not record, and is not in the process of recording, its financial statements in a securities commission or other regulatory organization for the purpose of issuing any type of instrument in a public market.

d. The final controlling company, or any of the intermediary controlling companies, prepares financial statements that are available for public use and comply with IFRS, in which the subsidiaries consolidate or are measured at fair value with changes in income in accordance with IFRS 10.

**4.16. Indefeasible rights of use (IRU)**

The Company makes prepayments to obtain Indefeasible Rights of Use (IRU) that have been recorded as intangible assets to be referred to contracts whose period to enjoy said rights averages 15 years. The amounts paid for the rights acquired are applied to income as an expense to be amortized linearly for the duration of the contract.

**4.17. Impairment of non-financial assets**

The Company conducts a review at the end of every accounting period 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. In the event of such an indication and if the book value exceeds the recoverable amount, the Company 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 Company evaluates, at each period close, whether or not there are signs of impairment in the value previously recognized for a non-financial asset, it has decreased or no longer exists. In the event of such an indication, the Company re-estimates the recovery value of the asset, and if applicable, reverses the loss, increasing the asset up to its new 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.

For the purposes of calculating impairment, the Company uses the strategic plans of the cash-generating unit to which the assets were assigned. Said strategic plans generally span a period of three to five years. The discount rates used are determined before taxes and are adjusted according to the corresponding country risk and business risk.

## 4. Summary of the main accounting policies (continued)

### 4.17.1. Impairment of intangible assets

Impairment of intangible assets with an indefinite useful life is recognized as a loss the close of the accounting period, when the carrying amount exceeds the amount recoverable.

### 4.18. Suppliers and other accounts payable

These balances represent the liabilities related to goods and services provided to the Company prior to the period end, and which remain outstanding. The balances are not guaranteed and are generally settled within 30 days from recognition thereof. Suppliers and other accounts payable are shown as a current liability, unless payment is not due within 12 months after the period reported on. They are initially recorded at fair value and are subsequently valued at amortized cost using the effective interest method.

### 4.19. Contract liabilities

It is an entity's obligation to transfer goods or services to a customer, for which the entity has received a consideration from the customer.

Contract liabilities include the amount of sales made to customers of the prepaid cellular telephone services involving the acquisition of prepaid refill cards or electronic airtime refills, which is recognized as income as the cards or refills are activated and the subscriber consumes the amount. Also the sale of terminals, which is applied as such to income upon activation thereof.

Under IFRS 15, upon collection of a prepayment from a customer, an entity must recognize a contract liability for the amount of the prepayment for the obligation to transfer, or be billing to transfer, goods or services in the future. The Company cancels that liability in the books of account and recognizes income, when the goods or services are transferred, thus satisfying the compliance obligation. Moreover, as a long-term contractual obligation, it is subject to restatement.

Contract liabilities are classified as current contract liabilities if they are linked to the operating cycle, which is usually considered one year. Otherwise, they are classified as non-current contract liabilities. Due to this temporary difference, the IRU model could generate different income and cash inflows, which is to say that the Company would obtain cash inflows before the corresponding income is recorded. The net impact on cash flows for the year will depend on the total recorded amount of income arising from the IRU model and of the cash generated in that same year, as a result of the sale of new IRU contracts.

### 4.20. Bank loans

Loans are initially recognized at fair value, net of related costs incurred, and are subsequently recognized at amortized cost. Any differences between the funds received (net of transaction costs incurred) and the redemption value are recorded in the statement of income over the term of the loan by the effective interest method. Fees incurred to obtain loans are recorded as transaction costs depending on the likelihood that a portion of or the entire loan will be received. In this case, fees are deferred until the loan is received. As far as there is no evidence that a portion of or the entire loan will be received, the related expenses are capitalized as prepayments made for services to obtain funding and are amortized over the term of the respective loan.

### 4.21. Financing costs

The Company capitalizes, as part of the cost of an asset, financing costs directly attributable to the acquisition, construction, production or installation of an asset that requires a period of time to be apt for use or sale. Financing costs include interest, exchange differences and other financing costs. Financing costs that fail to meet the capitalization conditions are recognized with a charge to income for the year in which they are incurred.

## 4. Summary of the main accounting policies (continued)

### 4.22. Provisions

A provision is recognized when the Company 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 valued periodically and the adjustments required are applied to income for the year.

When important, the financial effect arising from discounting the amounts from the provision, said amounts are discounted at the present value of the disbursements expected to be required to settle the respective obligations, using a pretax discount rate that properly reflects the value of the money over time and the specific risks of the obligation.

### 4.23. Deferred income

Deferred income includes the amount of sales made to customers of prepaid cell phone services involving the acquisition of prepaid refill cards or electronic airtime refills, which is recognized as income as the cards or refills are activated and the subscriber consumes the amount. Deferred income also includes the sale of terminals, which is applied as such to income upon activation thereof.

Under IAS 18, the Company recognizes, as deferred income, the advance price of the service included in the contract and recognizes it linearly over the term of the contract. With the adoption of IFRS 15, upon collection of a prepayment from a customer, the entity must recognize a contract liability for the amount of the prepayment for the obligation to transfer, or be billing to transfer, goods or services in the future. The Company cancels the contract liability and recognizes income, when the goods or services are transferred, thus satisfying the compliance obligation. Moreover, the contractual obligation is subject to restatement.

### 4.24. Financial leasing

The determination of whether or not an agreement is, or contains, a lease is based on the economic essence of the agreement. The Company evaluates whether or not compliance with the agreement depends on use of the specific asset and whether or not the agreement implies a right to use of the asset.

#### 4.24.1. Capacity as lessor

Assets acquired through financial lease, involving the substantial transfer to the Company of risks and benefits inherent to ownership of the assets, are capitalized at the date of the lease at the fair value of the leased goods or, is the lesser of the two, at the present value of the minimum lease payments, simultaneously recognizing the corresponding liability. The monthly rate of the lease agreements is comprised of financial charges and debt amortization. Financial charges are applied directly to income for the period. Capitalized assets are depreciated according to the estimated useful life of the leased goods.

### 4.25. Operating leases

#### 4.25.1. Capacity as lessor

Leases where the lessor 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 expenses linearly over the term of the lease.

### 4.26. Revenue recognition

**Revenue from contracts with customers**

Revenue from contracts with customers is recognized when (or as) compliance obligations are satisfied through the transfer of goods and services committed to (that is to say, one or more assets) to the customer.

**4. Summary of the main accounting policies (continued)**

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

- The customer receives and consumes the benefits of the entity"s service provision as the entity provides the service;
- Through its service provision, the entity creates or improves an asset that is under the customer's control during creation thereof; or
- With the service provision, the entity creates an asset with no alternative use and is entitled to payment for the service provision up to date, at a price, that reflects the cost, and the margin incurred.

*Contract obligations:* The Company observed that the compliance obligations set out in the contract correspond to a series of different goods or services that are substantially the same and that have the same pattern for transfer to the customer. The Company's revenue is mainly obtained from the provision of the following telecommunications services: traffic, interconnection, roaming, value added, sale of terminals and accessories. The products and services can be sold separately or jointly in commercial packages.

*Transaction price:* The Company meets its compliance obligations based on the contractual conditions established with its customers according to the provision of committed services and through the transfer of ownership of goods and equipment agreed that fall within the scope of IFRS 15.

The payment terms imposed on customers, along with the Company's future obligations to customers, such as guarantees and returns, are those established in the contracts entered into by the parties.

The guarantees, reimbursements and return policies are those set out according to the legal requirements established in Panama.

Following are, for each type of income, the disclosures related to contractual obligations and transaction price, established in IFRS 15:

**4.26.1. Service income**

The provision of services is characterized by intangibility. Service income is recognized when the performance obligations are met over time or in the period in which the transaction occurred. This is determined according to the nature of the income.

Service income includes the following:

**4.26.1.1. Traffic income**

Income is recognized when the performance obligations are met over time, because the customer receives the benefits as the services are rendered. Traffic income is based on the initial call set-up fee, plus rates per call, that vary according to the time consumed by the user, the distance of the call and the type of service.

With respect to prepayment, income is earned as the balance of the prepaid refill card is consumed, collection from dealers is made in cash and/or credit, and collection from direct consumers is made in cash. The amount corresponding to traffic paid and not yet consumed generates deferred income. Expiration of prepaid cards is applied directly to income when the card expires, because as from that point, the Company is no longer obligated to provide the service.

**4. Summary of the main accounting policies (continued)**

With respect to post-payment, the compliance obligation is to provide access to telecommunications services to customers during the period of time set out in the contract, in exchange for a fee, irrespective of the customer's use of said services. Invoices are collected on according to the payment deadline. There are no obligations related to returns, reimbursements or other similar obligations, and there are no related guarantees or obligations.

**4.26.1.2. Interconnection income**

This income stems from all other-operator calls ending in the Company's network (incoming interconnection). Said services are recognized in the period in which the calls were made, based on the rates previously agreed with the other operators, which are defined as the transaction price. Invoices are collected on according to the payment deadline. There are no obligations related to returns, reimbursements or other similar obligations, and there are no related guarantees or obligations.

**4.26.1.3. Roaming income**

Roaming income represents the airtime charged to customers when they make or receive calls when in a country other than the service area where they are activated (Panama). Said services are recognized based on the rates established and agreed with related parties abroad, as well as with other international operators, which are defined as the transaction price. Invoices are collected on according to the payment deadline. There are no obligations related to returns, reimbursements or other similar obligations, and there are no related guarantees or obligations.

**4.26.1.4. Added value and other income**

This income includes, aside from other voice services, data services (such as written messages, two way messages, backtones, among others) and is recognized as income as consumed. Invoices are collected on according to the payment deadline. There are no obligations related to returns, reimbursements or other similar obligations, and there are no related guarantees or obligations.

**4.26.2. Income from the sale of goods**

This income corresponds to income from the sale of goods and is recognized when the sale is considered to be completed, usually when the products are shipped to the customers.

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

**4.26.2.1. Sale of cellular telephones**

This income corresponds to the sale of mobile phones, and is recognized when the sale thereof is considered to have been completed. For the most part, these sales are made to authorized dealers and are consistent with the moment of delivery of the products; otherwise, it is recorded as a contract liability and recognized as income at the moment of activation. Collections from dealers are in cash and/or credit, and collections from direct consumers are made in cash.

Discounts on the sale of cellular equipment to wholesale dealers, retailers and commercial chains are recognized as a decrease in the selling value of the telephone, cards and prepaid airtime refills. The price is determined based on the cost of the sale, plus a margin, which varies according to the commercial offers. Guarantees are covered by the suppliers of mobile phones and accessories.

**4. Summary of the main accounting policies (continued)**

**4.26.2.2. Sales of accessories**

Income from the sale of accessories is recorded upon delivery of the product to the customer. This includes income from the sale of batteries, hands free devices, covers, straps, and other elements related to the sale of mobile terminals, as well as the sale of other electronic devices, such as MP3 players and other.

**4.26.3. Operating lease income**

Operating lease income is recorded linearly over the term of the lease.

*Significant judgments*: The main judgments applied by the Company for revenue recognition are as follows:

i) Under IFRS 15, in the offers of commercial packages that combine different goods and telephone services, revenue is assigned to each compliance obligation on the basis of the selling prices, irrespective of each individual component with respect to the total price of the package and is recognized when (or as) the obligation is met, irrespective of whether or not there are elements yet to be delivered. The difference between revenue from the sale of equipment and cell phones the amount received from the customer at the start of the contract is a contract asset in the statement of financial position.

ii) The Company recognizes the costs of obtaining contracts as expenses as they are incurred, when the amortization period is equal or less than a year.

iii) Changes to contracts are recorded with a retroactive effect, when involving the continuation of the original contract, whereas other changes are recognized prospectively as a separate contract, recording the termination of an existing contract and the creation of a new one.

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

- It estimates that the period between the moment the goods or services (committed to the customer) are transferred and the moment the customer pays for the goods or service, be it a year or under.

- It estimates that the monetary impact is not material.

**4.27. Direct operating costs and acquisition of subscribers**

The main costs correspond to the use of infrastructure, cost of sales of the equipment, interconnection services and commissions on sales. Infrastructure costs are recognized as the services are provided and received; the costs of terminals sold are deferred and are recognized as a cost when the terminal is activated; the costs of accessories are recognized when the accessories have been transferred to and accepted by the customer; the costs of interconnection services are recognized as the services are provided and received; the costs of commissions are recognized according to the type of income to which they correspond. Operating expenses are recognized when they are incurred.

**4.27.1. Cost of network interconnections, long distance and rental of infrastructure**

These cases are represented by the cost of call termination in the networks of other operators, the costs of links between the landline network and the cellular network, payments for long distance service and the right of use of circuits (links, ports and measured service, as well as the exchange of messages between operators, and are recognized as cost when the service is received by the landline or cell phone operators.

**4. Summary of the main accounting policies (continued)**

**4.27.2. Cost of Equipment**

These costs are represented by the cost of the purchase of terminals and the import costs are recognized as costs when the terminal is activated.

**4.27.3. Commission paid to dealers**

The commission expense for new customers contracted under post-payment services is recognized as cost when the customer is activated and can use the cellular network. Commissions for permanence and volume of activations are applied monthly to income based on statistical information, on customer retention, volume of sales and the number of customers contracted through each dealer. Commissions for permanence are paid when customers remain activated for a new period and volume commissions when the dealer reaches a certain range of activated customers.

**4.28. Commitments with the personnel**

Contributions to defined benefits are recorded as expenses in the statement of comprehensive income as they accrue.

**4.28.1. Termination benefits**

The labor laws require employers to set up a severance fund for cover payment to workers upon termination of employment, whatever the cause, a seniority premium and severance. The Company pays dues to the severance fund at the rate of 2.25% of the total salaries paid.

**4.28.2. Share plan for directors "Global Employee Share Plan" GESP**

With a view to strengthening Telefónica's global employer status, creating a common retributive culture throughout the Company, encouraging employee sharing in the Group's profits, as well as employee motivation and loyalty, at the May 18, 2011 Ordinary General Stockholders' Meeting, the stockholders approved the implementation of a Telefónica, S. A. (2012-2014) stock option plan for Group employees on an international scale (including directors and executive advisors) known as the "Global Employee Share Plan" ("GESP"). In 2015, a new plan was launched denominated GESP 15, in which the investment per employee was between 25 and 150 euros monthly. The shareholding plan is 12 months, with the maximum annual investment per employee totaling 1,800 euros and the minimum totaling 300 euros.

The context of Central America, this plan has a scope for over 1,200 staffers, employed at the Group's five affiliates located in Guatemala, El Salvador, Nicaragua, Costa Rica and Panama.

Said plan consists of offering all Telefónica employees the possibility of acquiring a number of Company shares for maximum and minimum amounts set for said acquisition (1,800 and 300 euros, respectively), that generate the right to receive, at the end of the consolidation period, a free share for every share acquired, provided the conditions set out in the plan are duly met, which are supported by the employee's commitment to hold said shares an year more than the purchase period.

**4.28.3. Talent for the Future Share Plan (TFSP)**

This is a specific plan approved by at the March 2014 General Stockholders' Meeting, intended for Pre Directors and management staff considered Talent within the organization, by which they share in the organization's profits through delivery of a number of shares to be awarded at the end the three-year period, based on conditions related to share behavior during that period. The plan took effect on October 1, 2014, and differs from other plans in that it involves no condition for conversion.

**4. Summary of the main accounting policies (continued)**

This compensation is recorded as a personnel expense, during the three-year term of each of the deliveries of the plan, to be applied to accounts payable to Telefónica, S. A., which is responsible for paying this benefit to the directors.

**4.28.4. Compensation plan for directors Performance and Investment Plan (PIP)**

This plan was approved at the Telefónica, S. A. May 18, 2011 General Stockholders' Meeting, and consists of a compensation plan of upper management (senior executives and members of the Group management team) for a total five-year term, divided into three cycles (or independent deliveries to each other) with a three-year term each, with the first taking effect on July 1, 2011. Each cycle grants the right to receive, at the end the cycle, a certain number of Telefónica, S. A. shares, subject to certain conditions related to performance of the shares during the period and the employee's permanence. Additionally, there is an "Investment condition" establishing that if the employee holds a pre-set number of shares for a determined period of time, the number of shares to be received at the end of the cycle will be increased an additional 25%.

This compensation is recorded as a personnel expense, during the three-year term of each of the deliveries of the plan, to be applied to accounts payable to Telefónica, S. A., which is responsible for paying this benefit to the directors.

At the Telefónica, S. A. General Stockholders' Meeting held on May 30, 2014, the stockholders approved implementation of the second stock option plan also denominated: "Performance and Investment Plan" (PIP) intended for senior executives and members of the group management team, which takes effect after the end of the first "Performance and Investment Plan".

The plan consists of delivering a determined number of Telefónica, S. A. shares, upon compliance with the requirements established in the General Conditions of the Plan, to the persons selected for this purpose by the Company, and who decide to participate in it. The plan includes an additional condition consisting of compliance by the participant with an investment goal in, and holding of Telefónica, S. A. shares, during the term of each cycle (hereinafter, "Co-Investment"). The plan's term is for a total of five years, divided into three cycles.

The first stock assignment under this plan took place on October 1, 2014, and the second and third took place on October 1, 2015 and 2015.

The unitary fair value for the Performance and Investment Plan (PIP) and the Talent for the Future Share Plan (TFSP) 2015-2018 is €6,4636 euros per share. In the case of the PIP, said value is applied to the maximum number of shares to be delivered, including those related to the investment condition (additional 25%) and not only to the initial number of shares assigned to each participant. The starting date of each plan, for the purposes of calculation of the expense accrued, is October 1, 2015.

**4.29. Financial income and expenses**

Income stemming from the return in transitory investments are recorded on a time basis, with respect to the principal amount invested, which is held as investment, applying the agreed upon rates of return.

Interest, exchange differences and other related financial expenses are charged to income for the year in which they were incurred.

## 4. Summary of the main accounting policies (continued)

### 4.30. Taxes

#### 4.30.1. Current income tax

The Company 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 Company recognizes income tax related to the elements of other comprehensive income statement and recognizes it in the statement of comprehensive income.

#### 4.30.2. Deferred income tax

Deferred income tax is determined by the liability method for all temporary differences existing at the date of the statement of financial position between the tax base of assets, liabilities and net equity and the respective book figures for financial purposes at the date of the statement 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 book value of a deferred tax asset is reviewed on the date of each statement of financial position. The Company decreases the amount of the deferred tax asset balance to the extent it considers it probable its tax profit will be insufficient in the future to allow for charging all or part of the benefits that make up the deferred tax asset against the tax profit. Moreover, at the date closing of each financial period, the Company reconsiders the deferred tax assets not yet recognized.

The Company recognizes income tax and deferred income tax related to other components of comprehensive income.

The Company offsets its currently payable and deferred tax assets against its currently payable and deferred tax liabilities, respectively, when legally entitled to offset the amounts recognized and when it intends to settle them for the net amount or to realize the asset and cancel the liability simultaneously.

#### 4.30.3. Tax on the Transfer of Equipment and Rendering of Services

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

### 4.31. Key source of uncertainty arising from estimation

The Company makes estimations and judgments with respect to the future. The resulting accounting estimations, by definition, rarely equal those corresponding to actual results. Following are estimations and assumptions with a significant risk of resulting in material adjustments to the book values of assets and liabilities during the following period:

## 4. Summary of the main accounting policies (continued)

### 4.31.1. Income Tax

The Company is subject to payment of income tax in the Republic of Panama. An in-depth evaluation is required to determine the income tax reserve. There are many transactions and calculations for which accurate tax determination is uncertain. The Company recognizes liabilities for matters possibly arising from an official tax audit based on estimations of whether or not additional tax debts would arise. When the final tax result of these matters differs from the amounts initially recorded, said differences will have an impact on current-payable taxes and deferred tax assets and liabilities in the period in which said determination is made.

### 4.31.3 Contingencies

The Company is subject to administrative and tax matters, which could give rise to legal procedures, with are evaluated to determine the probability that they will materialize as a payment obligation. In this regard, the legal situation at the date of the estimation and the opinion of the company's legal advisors are considered periodically.

### 4.21. Lawsuits, estimations and significant accounting assumptions

Preparation of the Company's financial statements requires that management make judgments, estimations and assumptions that affect the figures reported for income, expenses, assets and liabilities and the corresponding disclosures, as well as the disclosure on contingent liabilities. However, uncertainty as to said lawsuits, estimations and assumptions could lead to situations requiring relatively important adjustments to the values recorded for assets and liabilities in future periods.

In the process of applying its accounting policies, the Company has conside3r5ed the following relevant judgments, estimations or assumptions:

### 4.21.1. Useful life of tangible assets

The Company determines the useful life and depreciation of fixed assets based on projections of intended use of assets in the future.

### 4.21.2. Useful life of intangible assets

The Company determines the useful life and amortization of intangible assets based on projections of intended use of those assets in the future or according to the term of the contracts obtained.

### 4.21.3. Impairment of non-financial assets

The Company estimates there are no indicators of impairment of any of its non-financial assets at the date of the financial statements. Every year, and when signs of impairment are detected, the Company tests the goodwill purchased and other indefinite life intangible assets for impairment. All other non-financial assets are tested for impairment when there are signs that the values recorded will not be recovered.

### 4.21.4. Deferred tax assets

Deferred tax assets have been recognized taking into account there is a reasonable probability of realization thereof through the application of future tax profits along with tax strategies designed by Company Management.

***(figures stated in US dollars)***

## 4. Summary of the main accounting policies (continued)

### 4.21.5 Asset dismantling

The Company estimates and records provisions for impairment based on future projections to decommission long-lived assets based on the estimated costs of dismantling or site restoring. The obligation is recorded, applying the current value method, with a discount rate and current-inflation rate.

## 5. Cash and cash equivalents

Following is a summary of cash and cash equivalents as of December 31:

| | 2018 | 2017 |
|---|---|---|
| Cash on hand | $ 53,342 | $ 56,921 |
| Cash in banks[(a)] | 6,480,020 | 10,150,416 |
| Cash equivalents (Note 7)[(b)] | 9,349,092 | 2,273,138 |
| | $15,882,454 | $12,480,475 |

(a) Cash deposited in bank accounts earns interest based on daily rates determined by the corresponding banks.

(b) At December 31, 2018, cash equivalents in foreign currency corresponds to an investment in Telfisa Global B.V. (a group company based in the Netherlands), which can be converted to cash without penalty at any time, at 0.017% (0.617% in 2017) payable quarterly (note 7).

At December 31, 2018 and 2017, cash is unrestricted and is considered immediately available, at the Company's request.

The credit risk classification of the financial institutions where the bank deposits and cash equivalents are held according to the Fitch Rating, S. A. y Moodys rating agencies at December 31, 2018 and 2017 is as follows:

| | 2018 | 2017 |
|---|---|---|
| AAA | $ 3,925,864 | $ 1,691,646 |
| AA+ | 41,417 | 21,622 |
| AA | 21,620 | 1,397,581 |
| BBB+ | 2,485,453 | 7,021,661 |
| BAA3 | — | 17,906 |
| | 6,474,354 | 10,150,416 |
| No reference (Note 8)[(a)] | 9,354,758 | 2,273,138 |
| | $15,829,112 | $12,423,554 |

(a) Corresponds to cash equivalent balances of Telfisa in the amount of $9,349,092 and $2,273,138 in 2018 and 2017, respectively and of St. Georges Bank in the amount of $5,666 in 2018, for which there is no credit rating.

***(figures stated in US dollars)***

## 6. Accounts receivable

Following is a summary of accounts receivable at December 31,

| | 2018 | 2017 |
|---|---|---|
| Operator customers (interconnection) | $ 8,548,298 | $ 5,494,459 |
| Dealer customers | 4,889,260 | 1,470,882 |
| Company customers | 3,407,212 | 3,559,543 |
| Business customers | 1,375,625 | 1,227,336 |
| Financed account receivable | 1,301,014 | 4,094,669 |
| Residential customers | 501,412 | 1,477,509 |
| Commercial portfolio other | 1,929,817 | 1,271,427 |
| | 21,952,638 | 18,595,825 |
| Less – Allowance for impairment of accounts receivable | (916,437) | (1,868,030) |
| | $21,036,201 | $16,727,795 |

Accounts receivable include balances corresponding to services rendered yet to be billed, which correspond to services that do not cover the entire month because they have different cutoff dates, and are billed the following month. Because income is earned in the month, it is recognized irrespective of whether or not the bill has been issued.

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 and do not generate interest and are recoverable in the functional currency of the financial statements.

In December 2018, negotiations were completed for the sale of the financed portfolio to Greensill, in which it was agreed that after the sale, the Company would play the role of collections agent, according to the conditions contractually agreed with the customer. Therefore, the financed portfolio suffered the following movements:

| | 2018 |
|---|---|
| Balance at beginning of year (short and long term) | $ 4,673,091 |
| Contract additions | 4,343,824 |
| Sale of portfolio | (4,118,884) |
| Portfolio recovery | (3,409,182) |
| Balance at end of year (short and long term) | $ 1,488,849 |

Movements in the estimation of impairment of accounts receivable are as follows:

| | 2018 | 2017 |
|---|---|---|
| Balance at beginning of year | $ 1,868,030 | $ 2,580,072 |
| Effect of transition from IFRS 9 | 152,855 | — |
| Balance at January 1, 2018, reestablished | 2,020,885 | 2,580,072 |
| Charges to income from credit losses | 132,453 | 547,755 |
| Cancellation of impaired accounts | (1,236,901) | (1,259,797) |
| Balance at end of year | $ 916,437 | $ 1,868,030 |

**6. Accounts receivable (continued)**

Following are the factors considered in the determination of the expected credit loss rate:

*i) Expected credit loss of dealer portfolio*

The estimation of expected loss of billing to dealers is determined when calculating 100% impairment on balances more than 90 days old. Moreover, the portfolio less than 90 days old exhibits balances with delays in collections, and a determination is made as to whether or not calculation of specific impairment is required. Although Company policy does not meet the requirements set out in the models established in IFRS 9, the evaluation for the determination of the impact of use of this policy was not material with respect to balances receivable at December 31, 2018.

*ii) Expected credit loss of operator portfolio*

The estimation of expected loss of billing to operators is determined when calculating 100% impairment on balances more than 120 days old. Although Company policy does not meet the requirements set out in the models established in IFRS 9, the evaluation for the determination of the impact of use of this policy was not material with respect to balances receivable at December 31, 2018.

*iii) Expected credit risk in billing to company, business and residential customers*

The estimation of expected loss in the billing cycle is based on actual amounts not collected over the past 12 months. These amounts define a ratio of loss per bracket, which is multiplied at the month-end close by the total amount of the portfolio, in the same aging range. The above calculation generates an accumulated estimation for the future loss of each charged invoice not collected, which guarantees recording of doubtful accounts more than 365 days outstanding.

1. The recovery ladder of the invoice cycle is used to determine the actual amounts still outstanding per default bracket in each charged invoice but not collected

   With respect to the remaining balances, the loss ratios are determined per default bracket, which in turn are used to establish the average ratio for each aging range over the past 12 months.

2. The maximum ratio of loss at more than 365 days serves to determine the reserve set up month after per default bracket. If the accumulated loss is 2%, a proportional 2% of the loss is reserved of each aging range.

*iv) Expected credit loss of the financed portfolio*

The estimation of expected loss pertaining to financed billing is based on the actual amounts uncollected in the portfolio for the past 24 months. These amounts determine a ratio of loss per each charged invoice not collected, and an average ratio of loss is subsequently established for all charged invoices not collected over the past 24 months (based on those obtained for each bracket.

1. The average ratio is multiplied by the portfolio total in each month-end close and that is the amount that is reserved.

***(figures stated in US dollars)***

### 6. Accounts receivable (continued)

The estimation for impairment of the portfolio at December 31, 2018 is made up of the elements described as follows:

| | Balance at 31/12/2018 as per IFRS 9 | Balance at 31/12/2017 as per IAS 39 |
|---|---|---|
| Operators (interconnection)[(a)] | $ 27,491 | $ 38,934 |
| Distributors[(b)] | 255,497 | 418,607 |
| Companies[(c)] | 258,694 | 165,505 |
| Businesses[(d)] | 233,801 | 438,287 |
| Financed portfolio[(e)] | 69,083 | 581,296 |
| Residential[(f)] | 71,871 | 225,401 |
| | $916,437 | $1,868,030 |

(a) Impairment corresponds to 100% to balances more than 120 days old.

(b) Impairment corresponds to 100% of balances more than 90 days old and the balance of dealers, recovery of which is not probable.

(c) Following is the information pertaining to exposure to the credit risk in accounts receivable from company customers, using the estimation matrix approved at December 31, 2018:

| | Assets evaluated | Expected credit loss rate | Expected loss |
|---|---|---|---|
| Current | $2,271,170 | 0.61% | $ 13,869 |
| Less than 30 days | 551,743 | 2.54% | 14,008 |
| 31 to 60 years | 144,789 | 5.26% | 7,619 |
| 61 to 90 years | 80,527 | 8.15% | 6,560 |
| 91 to 120 years | 46,024 | 11.07% | 5,095 |
| 121 to 150 years | 23,485 | 13.47% | 3,163 |
| 151 to 180 years | 21,301 | 14.81% | 3,155 |
| 181 to 210 years | 20,262 | 16.43% | 3,330 |
| 211 to 240 years | 21,312 | 20.88% | 4,451 |
| 241 to 270 years | 15,363 | 26.48% | 4,069 |
| 271 to 300 years | 17,566 | 31.73% | 5,573 |
| 301 to 330 years | 4,521 | 36.49% | 1,650 |
| 331 to 365 years | 5,591 | 46.40% | 2,594 |
| Over 365 days old | 183,558 | 100.00% | 183,558 |
| | $3,407,212 | | $258,694 |

***(figures stated in US dollars)***

## 6. Accounts receivable (continued)

(d) Following is the information pertaining to exposure to the credit risk in accounts receivable from business customers, using the estimation matrix approved at December 31, 2018:

| | Assets evaluated | Expected credit loss rate | Expected loss |
|---|---|---|---|
| Current | $1,013,326 | 1.26% | $ 12,724 |
| Less than 30 days | 130,108 | 26.31% | 34,234 |
| 31 to 60 years | 42,627 | 52.90% | 22,552 |
| 61 to 90 years | 29,486 | 68.02% | 20,055 |
| 91 to 120 years | 22,133 | 78.68% | 17,415 |
| 121 to 150 years | 7,743 | 81.35% | 6,299 |
| 151 to 180 years | 15,829 | 82.30% | 13,027 |
| 181 to 210 years | 10,436 | 83.27% | 8,690 |
| 211 to 240 years | 10,054 | 88.25% | 8,872 |
| 241 to 270 years | 8,933 | 89.68% | 8,011 |
| 271 to 300 years | 13,419 | 90.59% | 12,156 |
| 301 to 330 years | 8,201 | 92.29% | 7,568 |
| 331 to 365 years | 18,173 | 93.77% | 17,041 |
| Over 365 days old | 45,157 | 100.00% | 45,157 |
| | $1,375,625 | | $233,801 |

(e) Following is the information pertaining to exposure to the credit risk in accounts receivable pertaining to the Company's financed portfolio, using the estimation matrix approved at December 31, 2018:

| | Assets evaluated | Expected credit loss rate | Expected loss |
|---|---|---|---|
| Financed portfolio short term | $1,301,014 | 4.64% | $60,367 |
| Financed portfolio (Note 15) | 187,835 | 4.64% | 8,716 |
| | $1,488,849 | | $69,083 |

***(figures stated in US dollars)***

## 6. Accounts receivable (continued)

(f) Following is the information pertaining to exposure to the credit risk in accounts receivable from residential customers, using the estimation matrix approved at December 31, 2018:

| | Assets evaluated | Expected credit loss rate | Expected credit loss |
|---|---|---|---|
| Current | $407,301 | 0.84% | $ 3,424 |
| Less than 30 days | 26,393 | 29.81% | 7,867 |
| 31 to 60 years | 7,542 | 51.28% | 3,868 |
| 61 to 90 years | 4,107 | 67.09% | 2,755 |
| 91 to 120 years | 3,523 | 80.80% | 2,847 |
| 121 to 150 years | 1,475 | 88.54% | 1,306 |
| 151 to 180 years | 5,526 | 91.18% | 5,039 |
| 181 to 210 years | 3,477 | 92.28% | 3,209 |
| 211 to 240 years | 3,540 | 94.66% | 3,351 |
| 241 to 270 years | 4,474 | 95.21% | 4,260 |
| 271 to 300 years | 4,461 | 98.33% | 4,387 |
| 301 to 330 years | 4,623 | 99.25% | 4,588 |
| 331 to 365 years | 7,237 | 100.00% | 7,237 |
| Over 365 days old | 17,733 | 100.00% | 17,733 |
| | $501,412 | | $71,871 |

Accounts receivable are canceled when there is no reasonable expectation of recovery. Indicators showing that there is no reasonable expectation of recovery include the fact that the debtor suggests no payment plan to the Company and the impossibility of making contractual payments over a period of more than 365 days past due.

Impairment losses from accounts receivable are shown as net impairment losses under operating income. Subsequent recovery of amounts previously canceled are credited to the same line.

*The previous accounting policy for the impairment of accounts receivable*

In the preceding year, impairment of accounts receivable was evaluated on the basis of the incurred loss model. Individual accounts receivable that were known to be uncollectible were canceled by directly subtracting the amount in question in the books. Other accounts receivable were evaluated collectively with a view to determining whether there was objective evidence of impairment. None had been identified. For those accounts receivable, estimated impairment losses were recorded in a separate impairment provision. The Company considered that the presence of any of the following indicators qualified as evidence of impairment:

- Significant financial difficulties of the debtor;
- The likelihood that the debtor would declare bankruptcy or be involved in a financial reorganization; and
- Default or delays with payments (more than 30 days overdue).

Accounts receivable for which an impairment estimation was recorded were canceled against the provision when there was no expectation for recovery of any additional amount in cash.

***(figures stated in US dollars)***

## 7. Balances and transactions with related parties

Following is a summary of balances with related parties at December 31:

a) Cash and cash equivalents

| | 2018 | 2017 |
|---|---|---|
| In related parties (Note 5) | $9,349,092 | $2,273,138 |

During the years ended December 31, 2018 and 2017, interest earned totaled $160,594 and $68,835, of which $28,960 and $10,388, respectively, was still outstanding to be paid.

b) Commercial balances receivable

| | 2018 | 2017 |
|---|---|---|
| Controlling company | $ 9,334 | $ 9,334 |
| Associated company | 31,647 | 18,207 |
| Other related parties | 2,781,085 | 2,785,467 |
| | $2,822,066 | $2,813,008 |

The Company considers there is no risk of impairment of receivables from related parties. An evaluation was conducted in accordance with the models established in IFRS 9, which showed no material impact on the balances receivable from related parties at December 31, 2018.

Given the short-term nature of receivables from related parties, the book value thereof is considered the same as their fair value.

c) Commercial balances payable

| | 2018 | 2017 |
|---|---|---|
| Controlling company | $ 4,174,025 | $ 2,597,108 |
| Other related parties | 11,355,318 | 9,196,755 |
| | $15,529,343 | $11,793,863 |

d) Investment in shares in related parties

| | 2018 | 2017 |
|---|---|---|
| Related parties (Note 14) | $1,060,572 | $161,177 |

E) Other non-current assets

| | 2018 | 2017 |
|---|---|---|
| Related parties (Note 15) | $1,681,000 | $1,681,000 |

Following is a summary of transactions with related parties for the years ended December 31,

f) Income from service contracts

| | 2018 | 2017 |
|---|---|---|
| Controlling company | $ — | $ 3,550 |
| Other related parties | 4,396,074 | 3,026,570 |
| | $4,396,074 | $3,030,120 |

***(figures stated in US dollars)***

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

g) Other income and brand free

| | 2018 | 2017 |
|---|---|---|
| Controlling company | $3,479,133 | $3,424,567 |
| Other related parties | 177,065 | — |
| | $3,656,198 | $3,424,567 |

h) Operating costs

| | 2018 | 2017 |
|---|---|---|
| Controlling company | $ 779 | $ — |
| Associated company | — | 365,634 |
| Other related parties | 7,213,649 | 6,217,415 |
| | $7,214,428 | $6,583,049 |

i) Operational services

| | 2018 | 2017 |
|---|---|---|
| Controlling company | $ 7,677 | $ 2,888 |
| Other related parties | 6,309,243 | 950,606 |
| | $6,316,920 | $953,494 |

j) Royalty expenses

| | 2018 | 2017 |
|---|---|---|
| Other related parties | $65,028 | $251,433 |

k) Financial income

| | 2018 | 2017 |
|---|---|---|
| Other related parties | $160,594 | $68,835 |

l) Financial expenses

| | 2018 | 2017 |
|---|---|---|
| Other related parties | $ — | $19,430 |

m) Impairment of investment in associated company

| | 2018 | 2017 |
|---|---|---|
| Associated company | $(199,395) | $3,140,823 |

n) Other expenses—net

| | 2018 | 2017 |
|---|---|---|
| Other related parties | $46,956 | $44,271 |

***(figures stated in US dollars)***

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

### Terms and conditions of transactions with related parties

Sales and purchases of goods and services between related parties are conducted at prices previously agreed between companies. Accounts receivable from and payable to related parties have no guarantees, bear no interest and are recoverable or payable in cash. The terms for payment of accounts receivable from and payable to related parties are extended up to 60 days, as from the date of issuance of the respective notes or bills, are not subject to discount for prompt payment and are recoverable or payable in the functional currency of the financial statements. During the years ended December 31, 2018 and 2017, the Company has recorded no loss related to the recovery of receivables from related parties.

o) Compensation for key personnel:

Key management personnel includes the Country Director, compensation incurred and payable to key management personnel are as follows:

| | 2018 | 2017 |
|---|---|---|
| Salaries and compensation | $3,307,129 | $1,016,498 |

p) Obligations for key personnel:

| | 2018 | 2017 |
|---|---|---|
| Obligations for personnel | $645,084 | $108,953 |

## 8. Contract assets

Following is a summary of contract assets at December 31, 2018:

| | 2018 |
|---|---|
| **Balance at December 31, 2017** | |
| Plus (less) effect of transition: | |
| Revenue from contracts with customers | $1,042,013 |
| Direct operating costs and acquisition of subscribers | 157,375 |
| Loss from impairment of contract assets | (48,141) |
| **Balance at January 1, 2018** | 1,151,247 |
| Revenue from contracts with customers | (159,849) |
| Recovery of impairment of contract assets | 5,585 |
| **Balance at December 31, 2018** | $ 996,983 |

The contract asset balance is related to service income and income from the sale of equipment. Contract assets during the period ended December 31, 2018 were affected by the recovery of impairment of $17,160.

Following is a breakdown of the allowance for expected credit losses:

| | 2018 |
|---|---|
| Balance at December 31, 2017 | $ — |
| Effect of transition from IFRS 9 | 48,141 |
| Balance at January 1, 2018, reestablished | 48,141 |
| Recovery of impairment of contract assets | (5,585) |
| Balance at December 31, 2018 | $42,556 |

***(figures stated in US dollars)***

## 8. Contract assets (continued)

The reserve for expected loss is based on the actual amounts uncollected in the portfolio for the past 24 months. These amounts determine a ratio of loss per billing batch, and an average ratio of loss is subsequently established for all charged invoices not collected over the past 24 months (based on those obtained for each bracket).

1. The average ratio is multiplied by the portfolio total in each month-end close and that is the amount that is reserved.

Following is the information pertaining to exposure to the credit risk in the Company's contract assets, using the estimation matrix approved at December 31, 2018:

| | Assets evaluated | Expected credit loss rate | Expected credit loss |
|---|---|---|---|
| Contract assets | $917,155 | 4.64% | $42,556 |

## 9. Other financial assets at amortized cost

Following is a summary of balances of other financial assets at amortized cost at December 31:

| | 2018 | 2017 |
|---|---|---|
| Taxes receivable | $5,172,584 | $5,197,491 |
| Advances to suppliers | 174,652 | 88,407 |
| Other accounts receivable | 89,341 | — |
| | $5,436,577 | $5,285,898 |

At December 31, 2018 and 2017, no indication of impairment has been identified.

## 10. Inventory

Following is a summary of inventories at December 31:

| | 2018 | 2017 |
|---|---|---|
| Mobile and landline terminals | $1,829,586 | $1,468,337 |
| Accessories and cards | 145,381 | 323,996 |
| Audiovisual equipment | 226,386 | — |
| Other accessories | 85,956 | — |
| | 2,287,309 | 1,792,333 |
| Allowance for impairment of inventories | (91,037) | (234,086) |
| | 2,196,272 | 1,558,247 |
| Inventory in transit | 806,155 | 1,111,696 |
| | $3,002,427 | $2,669,943 |

Movements in the allowance for impairment of inventory are as follows:

| | 2018 | 2017 |
|---|---|---|
| Balance at beginning of year | $ 234,086 | $217,904 |
| (Credit) debit to impairment result | (143,049) | 16,182 |
| Balance at end of year | $ 91,037 | $234,086 |

*(figures stated in US dollars)*

## 11. Prepaid expenses

Following is a summary of expenses and taxes paid in advance at December 31:

| | 2018 | 2017 |
|---|---|---|
| **Short term** | | |
| Indefeasible Rights Of Use (IRUs) | $2,213,790 | $ 1,084,452 |
| Prepaid expenses with other companies | 330,012 | 1,232,764 |
| Prepaid insurance | 53,565 | 32,920 |
| Prepaid leases | — | 542,330 |
| Other prepaid expenses | (42,070) | 6,975 |
| | $2,555,297 | $ 2,899,441 |
| **Long term** | | |
| Indefeasible Rights of Use (IRUs) | $9,507,614 | $10,509,097 |

## 12. Property, furniture and equipment

Following is a summary of property, furniture and equipment and movements thereof at December 31, 2018:

| | Constructions | Technical installations and machinery | Furniture, tooling and other assets | Land and natural resources | Current assets | Total |
|---|---|---|---|---|---|---|
| **Balance at January 1, 2018** | | | | | | |
| Cost | $ 55,154,307 | $ 235,518,825 | $ 26,105,545 | $2,853,461 | $ 11,644,616 | $ 331,276,754 |
| Accumulated depreciation | (36,195,797) | (158,016,653) | (22,438,530) | — | — | (216,650,980) |
| Net book value | $ 18,958,510 | $ 77,502,172 | $ 3,667,015 | $2,853,461 | $ 11,644,616 | $ 114,625,774 |
| **Movements for the 2018 period** | | | | | | |
| Initial book balance | $ 18,958,510 | $ 77,502,172 | $ 3,667,015 | $2,853,461 | $ 11,644,616 | $ 114,625,774 |
| Additions | — | — | — | — | 16,790,428 | 16,790,428 |
| Disposals | — | (7,040) | (249,176) | — | — | (256,216) |
| Transfers | 2,061,614 | 13,461,724 | 593,272 | — | (16,116,610) | — |
| Depreciation charge | (2,706,186) | (17,642,133) | (930,199) | — | — | (21,278,518) |
| Depreciation related disposals and transfers | — | 10,053 | 248,790 | — | — | 258,843 |
| Cost reclassification | — | (420,671) | (15,073) | — | 435,744 | — |
| Adjustments to amortization | (983) | 1,345,184 | (1,344,203) | — | 2 | — |
| | $ 18,312,955 | $ 74,249,289 | $ 1,970,426 | $2,853,461 | $ 12,754,180 | $ 110,140,311 |
| **Balance at December 31, 2018** | | | | | | |
| Cost | $ 57,215,921 | $ 248,552,838 | $ 26,434,568 | $2,853,461 | $ 12,754,178 | $ 347,810,966 |
| Accumulated depreciation | (38,902,966) | (174,303,549) | (24,464,142) | — | 2 | (237,670,655) |
| Net book value | $ 18,312,955 | $ 74,249,289 | $ 1,970,426 | $2,853,461 | $ 12,754,180 | $ 110,140,311 |

***(figures stated in US dollars)***

## 12. Property, furniture and equipment (continued)

Following is a summary of property, furniture and equipment and movements thereof for the year ended December 31, 2017:

| | Constructions | Technical installations and machinery | Furniture, tooling and other assets | Land and natural resources | Current assets | Total |
|---|---|---|---|---|---|---|
| **Balance at January 1, 2017** | | | | | | |
| Cost | $ 52,503,046 | $ 221,342,441 | $ 24,770,234 | $2,853,461 | $ 17,050,431 | $ 318,519,613 |
| Accumulated depreciation | (33,739,612) | (138,882,573) | (21,416,015) | — | — | (194,038,200) |
| Net book value | $ 18,763,434 | $ 82,459,868 | $ 3,354,219 | $2,853,461 | $ 17,050,431 | $ 124,481,413 |
| **Movements for the 2017 period** | | | | | | |
| Initial book balance | $ 18,763,434 | $ 82,459,868 | $ 3,354,219 | $2,853,461 | $ 17,050,431 | $ 124,481,413 |
| Additions | — | — | — | — | 13,500,984 | 13,500,984 |
| Disposals | (5,617) | (558,272) | (179,954) | — | — | (743,843) |
| Transfers | 2,656,878 | 14,734,656 | 1,515,265 | — | (18,906,799) | — |
| Depreciation charge | (2,461,911) | (19,674,227) | (1,203,637) | — | — | (23,339,775) |
| Depreciation related disposals and transfers | 5,726 | 540,147 | 181,122 | — | — | 726,995 |
| | $ 18,958,510 | $ 77,502,172 | $ 3,667,015 | $2,853,461 | $ 11,644,616 | $ 114,625,774 |
| **Balance at December 31, 2017** | | | | | | |
| Cost | $ 55,154,307 | $ 235,518,825 | $ 26,105,545 | $2,853,461 | $ 11,644,616 | $ 331,276,754 |
| Accumulated depreciation | (36,195,797) | (158,016,653) | (22,438,530) | — | — | (216,650,980) |
| Net book value | $ 18,958,510 | $ 77,502,172 | $ 3,667,015 | $2,853,461 | $ 11,644,616 | $ 114,625,774 |

*a) Investments*

The main investments for the periods ended December 31, 2018 and 2017 are intended for evolution of the 3G network, through the acquisition of electronics pertaining to the technology, adaptations to civil works necessary for expanding the 4G network, IP project, Multimedia Subsystems to optimize voice, data and video services, as well as other projects aimed at sustainability of the telephone service through the acquisition of batteries, power plants and generator engines.

*b) Assets pledged*

To date, the Company has no assets that constitute a guarantee of compliance with commercial and financial obligations.

*c) Revaluation*

At December 31, 2018 and 2017, the Company holds no assets that were revalued.

*d) Impairment losses*

At December 31, 2018 and 2017, no impairment losses were recognized.

***(figures stated in US dollars)***

## 12. Property, furniture and equipment (continued)

*e) Totally depreciated assets*

The amounts for depreciated elements (at cost) are as follows:

| | 2018 | 2017 |
|---|---|---|
| Technical installations and machinery | $ 99,063,900 | $ 83,063,880 |
| Construction | 18,977,065 | 18,380,131 |
| Furniture, tooling and other assets | 20,821,969 | 21,312,610 |
| Total | $138,862,934 | $122,756,621 |

*f) Lease agreements*

A review was conducted of real property lease agreements entered into by the Company with private entities and government agencies that involves the location of certain assets at certain facilities (switching equipment, radio stations, antennas and other equipment). No significant obligations were identified, either with respect to the term thereof or to conditions for renewal.

*g) Financial leasing*

At December 31, 2018 and 2017, the Company has recorded mobile radio support equipment cellular bases and security cameras installed in stores and buildings where the Company conducts its commercial activities, both acquired under financial leasing from SBA Torres Panamá, S. A. and 3D Smart Technology, S. A. On both dates, there is an unamortized debt of $498,821 and $638,986, respectively (note 18).

## 13. Intangible assets

Following is a summary of intangible assets and movements thereof at December 31, 2018:

| | Administrative concessions | Computer applications | Intangible assets—current | Total |
|---|---|---|---|---|
| **Balance at January 1, 2018** | | | | |
| Cost | $ 209,531,406 | $ 93,327,259 | $ 6,672,159 | $ 317,200,118 |
| Accrued amortization | (112,473,334) | (84,941,299) | — | (197,414,633) |
| Net book value | $ 97,058,072 | $ 8,385,960 | $ 6,672,159 | $ 119,785,485 |
| **Movements for the 2018 period** | | | | |
| Initial book balance | $ 97,058,072 | $ 8,385,960 | $ 6,672,159 | $ 112,116,191 |
| Additions | — | — | 11,900,899 | 11,900,899 |
| Disposals | — | (3,013) | — | (3,013) |
| Transfers | 27,500 | 14,206,571 | (14,234,071) | — |
| Unamortized charge | (5,429,236) | (4,711,033) | — | (10,140,269) |
| Amortization disposals | — | — | — | — |
| Cost reclassification | — | (1,483,133) | 1,483,133 | — |
| Reclassification of accumulated depreciation | 822,231 | (822,231) | — | — |
| | $ 92,478,567 | $ 15,573,121 | $ 5,822,120 | $ 113,873,808 |

*(figures stated in US dollars)*

**13. Intangible assets (continued)**

| | Administrative concessions | Computer applications | Intangible assets—current | Total |
|---|---|---|---|---|
| **Balance at December 31, 2018** | | | | |
| Cost | $ 209,558,906 | $106,047,684 | $ 5,822,120 | $ 321,428,710 |
| Accumulated depreciation | (117,080,339) | (90,474,563) | — | (207,554,902) |
| Net book value | $ 92,478,567 | $ 15,573,121 | $ 5,822,120 | $ 113,873,808 |

Following is a summary of intangible assets and movements thereof at December 31, 2017:

| | Administrative concessions | Computer applications | Intangible assets—current | Total |
|---|---|---|---|---|
| **Balance at January 1, 2017** | | | | |
| Cost | $ 209,531,406 | $ 86,796,229 | $ 1,900,275 | $ 298,227,910 |
| Accrued amortization | (106,238,368) | (77,292,823) | — | (183,531,191) |
| Net book value | $ 103,293,038 | $ 9,503,406 | $ 1,900,275 | $ 114,696,719 |
| **Movements for the 2017 period** | | | | |
| Initial book balance | $ 103,293,038 | $ 9,503,406 | $ 1,900,275 | $ 114,696,719 |
| Additions | — | — | 11,302,914 | 11,302,914 |
| Disposals | — | — | | — |
| Transfers | — | 6,531,030 | (6,531,030) | — |
| Unamortized charge | (6,234,966) | (7,648,427) | — | (13,883,393) |
| Amortization disposals | — | (49) | — | (49) |
| | $ 97,058,072 | $ 8,385,960 | $ 6,672,159 | $ 112,116,191 |
| **Balance at December 31, 2017** | | | | |
| Cost | $ 209,531,406 | $ 93,327,259 | $ 6,672,159 | $ 309,530,824 |
| Accumulated depreciation | (112,473,334) | (84,941,299) | — | (197,414,633) |
| Net book value | $ 97,058,072 | $ 8,385,960 | $ 6,672,159 | $ 112,116,191 |

On February 5, 1996, the Government of Panama granted Telefónica Móviles Panamá, S. A. a 20-year period concession Contract No.30, at a cost of US$72,610,000 . Through this contract, the Company acquired a license to operate, install, maintain, manage and commercially exploit 850 MHz Band "A" Mobile Cellular Service, as well as the link frequencies necessary for the provision of mobile cellular phone service.

On October 26, 2007, through resolution No.AN No.1234-Telco, the National Public Services Authorities assigned to Telefónica Móviles Panamá, S. A., at a cost of US$28,666,693, an additional segment of frequencies of the radio electric spectrum, 10MHz band width, comprised within the frequency ranges from 1890 MHz to 1895 MHz (5MHz upstream) and 1970 MHz to 1975 MHz (5MHz downstream) for the provision of Band "A" Mobile Cellular Service.

Through Resolution AN No. 7231-Telco of April 2, 2014, the National Public Services Authorities granted Telefónica Móviles Panamá, S. A. additional frequency segments for use in the provision of Mobile Cellular Service: a 10 MHz segment of the radio electric spectrum in the 1900 MHz Band, comprising the frequency ranges from 1895 MHz to 1900 MHz (5 MHz upstream) and in the frequency range from

## 13. Intangible assets (continued)

1975 MHz to 1980 MHz (5 MHz downstream) and 20 MHz of the radio electric spectrum in the 700 MHz Band corresponding to channels D-E and D'E', comprised within the frequency ranges from 718 MHz to 728 MHz (10 MHz upstream) and 773 to 883 MHz (10 MHz downstream).

The State granted Telefónica Móviles Panamá, S. A., through concession contract No.01-OAL- 2014 dated March 27, 2014, a new concession for the provision of Mobile Cellular Service, for the purpose of installing, maintaining, managing, operating and commercially exploiting at its own risk, in competition, the Mobile Cellular Service. The new contract was published in Official Gazette No.27587-A of July 28, 2014.

The most important clauses of this new contract are as follows:

1. The concession will be in effect for a 20-year term as from February 5, 2016.
2. The Company can opt to request a new concessional, on a preferential basis, for which it must file said request in writing prior to the three years before the end of the concession period.
3. The Concession right is for a total US$108,146,566, which includes the right of use of the frequencies comprised in the following Bandwidths: 850 MHz (25 MHz), 1900 MHz (20 MHz) and 700 MHz (20 MHz), as well as the link frequencies necessary for the provision of Mobile Cellular Service.
4. The Company is subject to payment of a control, surveillance and inspection fee to the Regulatory Authorities on its total gross monthly income stemming exclusively from the operation and provision of Mobile Cellular Service, plus income from interconnection contracts, less expenditures arising from interconnection contracts, as follows:

    - From the first to the fifth year, the Company will pay an amount equivalent to up to zero point thirty five percent (0.35%).
    - From the sixth to the tenth year, the Company will pay an amount equivalent to up to zero point fifty percent (0.50%).
    - From the eleventh to the fifteenth year, the Company will pay an amount equivalent to up to zero point seventy five percent (0.75%).
    - From the sixteenth to the twentieth year, the Company will pay an amount equivalent to up to one percent (1%).
    - The Company can assign or transfer in any manner, all or part of the concession, the rights thereto, or exclusive and direct exploitation of the service, after five years as from the date of completion of the Concession Contract, having filed a request with the Regulatory Authorities and obtained authorization from the Cabinet Council.

## 14. Investment in shares in related parties

The Company has an investment in Telefónica Centroamérica, S. A.; a company incorporated under the laws of the Republic of Panama, and authorized to operate for an indefinite period of time. This Company's legal status was recognized on April 25, 2012 and it started up operations late that same year.

The company is mainly engaged in establishing and operating as a regional office of the multinational company to provide payroll services to Telefónica operators in Central America, each of which holds 20% of the total capital stock.

***(figures stated in US dollars)***

## 14. Investment in shares in related parties (continued)

Following is a breakdown of the investment in shares for 2018 and 2017 (note 7):

| | Percentage of interest | 2018 | 2017 |
|---|---|---|---|
| Telefónica Centroamérica, S.A. | 20% | $ 4,002,000 | $ 3,302,000 |
| Impairment of the investment (Note 24)[(a)(b)] | | (2,941,428) | (3,140,823) |
| | | $ 1,060,572 | $ 161,177 |

---

(a) At December 31, 2018, Telefónica Centroamérica, S. A. shows a profit for the period of $996,974. This amount represents a recovery of impairment of the investment for each operator of $199,395.

(b) At December 31, 2018, Telefónica Centroamérica, S. A. shows accumulated losses of $15,704,113. The amount recorded for impairment of the investment for each operator was of $3,140,823.

Following is a breakdown of the movements of the investment in shares for 2018 and 2017 (note 7):

| | 2018 | 2017 |
|---|---|---|
| Balance at beginning of year | $ 161,177 | $ 2,302,000 |
| Investment acquisition | 700,000 | 1,000,000 |
| Reversal (impairment) of the investment (Note 29) | 199,395 | (3,140,823) |
| Balance at end of year | $1,060,572 | $ 161,177 |

Movements in the allowance for impairment of the investment are as follows:

| | 2018 | 2017 |
|---|---|---|
| Balance at beginning of year | $3,140,823 | $ — |
| (Credit) debit to impairment result (Note 29) | (199,395) | 3,140,823 |
| Balance at end of year | $2,941,428 | $3,140,823 |

Following is a summary of the most relevant unaudited information pertaining to Telefónica Centroamérica, S. A. for 2018 and 2017:

| | Total assets | Total liabilities | Total capital stock | Income for the year |
|---|---|---|---|---|
| 2018 | $13,601,451 | $8,298,590 | $5,302,861 | $ 996,974 |
| 2017 | $ 9,635,964 | $8,830,077 | $ 805,887 | $(2,687,654) |

## 15. Other non-current assets

Following is a summary of other non-current assets at December 31:

| | 2018 | 2017 |
|---|---|---|
| Severance fund | $1,971,731 | $1,910,316 |
| Guarantee deposit (Note 7) | 1,681,000 | 1,681,000 |
| Bonds and deposits | 167,663 | 166,166 |
| Financed terminals | 187,835 | 578,422 |
| Other non-current assets | 30,119 | — |
| | $4,038,348 | $4,335,904 |

***(figures stated in US dollars)***

## 15. Other non-current assets (continued)

At December 31, 2018 and 2017, the Company holds a guarantee deposit with Telfisa Global, B.V. of $1,681,000, which is restricted as a guarantee of obligations with Apple, Inc., with interest accrued in the amount of $3,454 ($23,474 in 2017).

## 16. Impairment of non-current assets

The Company reviews its long-lived goods, including fixed and intangible assets, for the purpose of identifying possible signs of impairment of the goods associated to the cash-generating unit, as shown below:

| | 2018 | 2017 |
|---|---|---|
| Property, furniture and equipment (Note 12) | $110,140,311 | $114,625,774 |
| Intangible assets (Note 13) | $113,873,808 | $112,116,191 |

*Cash-generating unit—Telecomunicaciones* The recovery value of the cash-generating unit—Telecomunicaciones—is determined based on the calculation of the value in use, through discounts of future cash flows estimated for the coming years, applying a pretax discount rate that reflects the value of the money over time and considers the specific risks related to the asset. At December 31, 2018 and 2017, the current rates were from 9.06% to 8.48%, respectively.

*Key considerations* Calculation of the value in use for the cash-generating unit—Telecomunicaciones—is based on the following key considerations:

- Discount rate
- Growth of operations
- Market share
- Operating income before depreciation and amortization (OIBDA)

*Discount rates:* the pretax discount rates reflect the value of money over time. These are used by Management to evaluate operating income and possible future investments. The rates used are the weighted average cost of capital stock determined corporately.

*Growth of operations:* growth rates projected for future periods are based on the Management's considerations regarding their market position and the effect of investments made in new technologies and services.

*Market share:* Considerations regarding the growth of operations are based on information on market growth. Management evaluates the cash-generating unit's position on competition, considering the fact that Management expects to maintain a stable market-share percentage during the budgeted periods, and that the Company strengthens its position with respect to its competitors.

*OIBDA:* Operating income before depreciation and amortization is considered by Management as the objective indicator of expected benefits in projections budgeted for future periods.

*Sensitivity to changes in key considerations:* with respect to the evaluation of the value in use of the cash-generating unit, at December 31, 2018 and 2017, no impairment losses were recorded on the value of long-lived assets, as it is Management's opinion that there were no significant changes in the aforementioned key considerations that would affect the book value of the assets and that would exceed the recovery value of the cash-generating unit.

***(figures stated in US dollars)***

## 17. Accounts payable

Following is a summary of accounts payable for the years ended December 31:

| | 2018 | 2017 |
|---|---|---|
| Local suppliers | $30,209,572 | $23,308,760 |
| Foreign suppliers | 3,923,409 | 9,105,883 |
| Local operators | 5,797,924 | 5,260,323 |
| Foreign operators | 1,750,501 | 476,389 |
| | $41,681,406 | $38,151,355 |

The maturities of debts from the purchase or provision of services have a term of up to 60 days as from the date of issuance of the purchase order, are subject to no discount for prompt payment, generate no interest for late payment and are payable in the functional currency of the financial statements, except if they are contracted in a currency other than the quetzal. At December 31, 2018 and 2017, balances payable in foreign currency total $686,536 and $7,989,219, respectively.

The Company has interconnection agreements in place with both local and international operators. These agreements regulate the income and expenditures arising from the origin and termination of calls and text messages between the mobile cellular service provided by Telefónica Móviles Panamá, S. A. and the landline services (local basic, national and international long distance and public telephone service provided by other operators.

## 18. Loans payable

Following is a summary of loans payable classified per type and term at December 31:

| | 2018 | 2017 |
|---|---|---|
| **Short term** | | |
| Bank loan[a)] | $22,000,000 | $29,000,000 |
| Financial leasing[b)] | 263,436 | 276,056 |
| | $22,263,436 | $29,276,056 |
| **Long term** | | |
| Bank loan[a)] | $69,180,000 | $64,180,000 |
| Financial leasing[b)] | 235,385 | 362,930 |
| | $69,415,385 | $64,542,930 |

***a)*** *Bank loans*

Corresponds to loans in local currency with Banistmo, S. A. and Citibank N. A., Panama Branch. Following is a summary of loans:

| | 2018 | 2017 |
|---|---|---|
| Banistmo, S. A.[a/] | $ 57,180,000 | $ 57,180,000 |
| Citibank, N. A. Sucursal Panamá[b/] | 34,000,000 | 36,000,000 |
| | 91,180,000 | 93,180,000 |
| Less short-term portion | (22,000,000) | (29,000,000) |
| Long-term loans payable | $ 69,180,000 | $ 64,180,000 |

**18. Loans payable (continued)**

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a/ Loans with Banistmo, S. A. are intended for payment of the price of the renewal of the concession for the provision of mobile cellular service in Panama. At December 31, 2018, the interest rate is 4.71%, expiring on November 26, 2025.

Corresponds of loans in the amount of $85,000,000, with fiduciary guarantee, as follows:

a.1 First loan of US$32,200,000 for a five-year (5) term, bearing interest quarterly based on an annual rate that, from time to time, is arrived at by adding to it two point eighty five percent (2.85%) to the London Interbank Offered Rate (LIBOR) quoted to the bank for loans in US dollars for three (3) month periods.

The loan is payable in nine (9) semiannual payments on capital stock of US$3,220,000 and one (1) final payment on the outstanding balance payable according to the bank's records, with the first payment due on October 1, 2014 and the other payments due every six (6) months, successively, up until the total sum of the debt has been settled.

a.2 The second loan of US$52,800,000 for an eight-year (8) term, bears interest quarterly based on an annual rate that, from time to time, is arrived at by adding to it three point fifteen percent (3.15%) to the London Interbank Offered Rate (LIBOR) quoted to the bank for loans in US dollars for three (3) month periods. The loan has a three (3) month grace period to payment of capital stock; after which, the Company will proceed to amortize the credit facility through nine (9) semiannual payments on capital stock of US$5,280,000 and one (1) final payment on the outstanding balance payable according to the bank's records, with the first payment due on October 1, 2017 and the remaining payments due every six (6) months, successively, up until the total sum of the debt has been settled.

For both loans, in the event of late cancellation the obligations agreed with respect to this credit facility, the Company agrees to pay an annual 3 percent (3%) surcharge on past due and unpaid payments, on the respective amortization dates.

The most important clauses pertaining to the bank loans are as follows:

**Obligations to do:**

1. To comply with all of its payment obligations to any of its creditors of amounts in excess of 10 million dollars (US$10,000,000), the legal tender in the US. In this case, the bank reserves the right to declare the debt to be overdue.

2. To present the Company's financial statements, duly audited, for signature by independent auditors within a period of one hundred and fifty (150) days after the end of the tax year of each of the years comprised in the term of the credit.

3. To maintain a total financial debt ratio over EBITDA, equal or under two point zero (2.0) to one (1). This financial condition will be calculated by the Company, based on its accounting policies at the end of each quarter, and will be notified to the bank within the one hundred fifty days (150) after the year-end close. The total financial debt is defined as the sum of bank debt and security issuances or any other financial instrument, short or long term, contracted by the company. Moreover, EBITDA is the gross benefit before interest, taxes, depreciation and amortization, calculated as per the Company's accounting policies.

**18. Loans payable (continued)**

4. To maintain, at all times, a level of Interest Hedging measured based on EBITDA among interest expenses equal or higher than five point zero (5.0) times. Interest expense is defined as interest and other costs incurred by the company related to the funds borrowed. Moreover, EBITDA is the gross benefit before interest, taxes, depreciation and amortization, calculated as per the Company's accounting policies.

5. To maintain a weighting ratio below or equal to seven point zero times (7.0x) during 2014; six point five times (6.5x) during 2015; five point five times (5.5x) during 2016 and three point zero times (3.0x) from 2017 to 2022. The term "Weighting" is defined as Total Liabilities by Tangible Net Capital stock (Total Capital stock less Intangible Assets) taken from the Company's financial statements according to its accounting policies.

**Obligations not to do:**

1. Sell all or part of its fixed assets with values recorded in the books of account in excess of ten million US dollars (US$10,000,000), in those cases in which said sale effects the normal course of operations, or if said operation is not conducted at market prices, or fails to generate a gain for the Company.

b/ Corresponds to a loan intended as working capital stock in the legal tender of the US. At December 31, 2018, the interest rate is 4.85%, expiring on July 23, 2020.

The Company agrees to pay to the bank, semiannually, on the balances owed, interest based on annual rate arrived at by adding two (2) percentage points to the LIBOR; that is to say, the interest rate (stated as annual) for deposits in dollars at six (6) months shown in the BBMA/Official ICE Libor Fixings screen of the Bloomberg information system, or in any other page or service that, in the bank's opinion, provides interest rates applicable to dollar deposits in the London interbank market, comparable to those provided by said page at the present time.

Following are the most important clauses of the bank loan:

**Obligations to do:**

Unless prior authorization is obtained, which will not be unreasonably denied, in writing from the bank and provided the Company has fully and duly complied with all of the obligations agreed to hereby, The Company agrees to:

1. Keep up to date on its obligations with third parties in excess of ten million dollars (US$10,000,000) according to the terms and conditions agreed by the Company with said third parties.

2. Maintain a leverage ratio below or equal to two times (2,0x). The term Leverage is defined as Total Liabilities by Total Equity, as shown in the Company's annual and interim financial statements. This financial condition will be calculated by the Company, based on the above formula, at the end of each quarter, and must be notified to the bank within sixty (60) days after the quarter-end close and one hundred and twenty (120) days after the year-end close.

3. Maintain a financial debt to EBITDA ratio, equal or under two point zero (2) to one (1). This financial condition will be calculated by the Company at the end of every quarter based on the above-mentioned proportion, and must be notified to the bank within sixty (60) days after the quarter-end close and one hundred and twenty (120) days after the year-end close. The total financial debt is defined as the sum of bank debt and security issuances or any

***(figures stated in US dollars)***

**18. Loans payable (continued)**

other financial instrument, short or long term, contracted by the Company. Moreover, EBITDA is defined as the gross benefit for the past twelve (12) months, before interest, taxes, depreciation and amortization, calculated as per the Company's accounting policies.

4. Maintain an EBITDA to Debt Service ratio above or equal to two point twenty five times (2,25x). EBITDA is defined as the gross benefit for the past twelve (12) months, before interest, taxes, depreciation and amortization, calculated as per the Company's accounting policies. Debt Service is defined as the total interest amount paid in a period and the current portion of the financial debt. This financial condition will be calculated by the Company, in the proportion set out above, at the end of each quarter, and must be notified to the bank within sixty (60) days after the quarter-end close and one hundred and twenty (120) days after the year-end close.

**Obligations not to do:**

Unless prior authorization is obtained in writing from the bank, which will not be unreasonably denied, and provided the Company has fully and duly complied with all of the obligations agreed to hereby, the Company agrees not to engage in any of the following acts or transactions:

1. Dissolve or liquidate the company.
2. Merge or consolidate in such a way that the Company does not turn out to be the surviving entity.
3. Spin off.
4. Substantially alter its business purpose.
5. Grant guarantees over Company assets or rights related to obligations with third parties, including Company subsidiaries or affiliates.
6. Pay dividends of any kind if not up to date with payments on the capital stock and interest due under the contract.
7. Use the amount of the loan set out in clause 1 of the contract for matters other than the object of the contract.

Cash flows from long-term bank loans are as shown below:

| | 2018 | 2017 |
|---|---|---|
| 1 to 2 years | $22,000,000 | $25,780,000 |
| 2 to 3 years | 22,000,000 | 22,560,000 |
| 3 to 4 years | 25,180,000 | 15,840,000 |
| | $69,180,000 | $64,180,000 |

The interest expense totaled $3,914,913 and $4,210,440 for the years ended December 31, 2018 and 2017, respectively (Note 30).

The fair value of loans is not materially different from its book value, as interest payable is close to the current market rates or the loans are short-term. Material differences are identified as follows:

| | 2018 | |
|---|---|---|
| | Book value | Fair value |
| Loans payable | $91,180,000 | $74,977,118 |

*(figures stated in US dollars)*

## 18. Loans payable (continued)

***b)*** *Financial leasing*

Corresponds to mobile radio support equipment, cellular bases and security cameras acquired under financial lease. Following is a summary of those leases:

| | Interest rate | Expiration | 2018 |
|---|---|---|---|
| SBA Torres Guatemala, S. A. | 4.69% | 7/1/2023 | $300,967 |
| 3D Smart Technology, S. A. | 4.45% | 12/1/2020 | 197,854 |
| | | | $498,821 |

| | Interest rate | Expiration | 2017 |
|---|---|---|---|
| SBA Torres Guatemala, S. A. | 4.69% | 11/8/2022 | $180,000 |
| 3D Smart Technology, S. A. | 3.56% | 9/30/2020 | 458,986 |
| | | | $638,986 |

The lease agreement entered into by the Company with SBA Torres Guatemala, S.A. Expired in 2016; however, a five-year extension was agreed for 4 mobile radio support cellular based equipment. The annual interest rate determined in the operation was 4.69%.

The security cameras acquired from 3D Smart Technology, S.A. were acquired for a three-year term, at an annual rate of 3.56%.

Following is a breakdown of the capital stock and interest payments that will be canceled by Company corresponding to long-term financial leasing:

| | 2018 | 2017 |
|---|---|---|
| 2 to 3 years | $ 78,300 | $189,479 |
| 3 to 4 years | 78,300 | 78,300 |
| 5 to 6 years | 72,500 | 78,300 |
| More than 6 years | 25,375 | 97,875 |
| Minimum lease payments | 254,475 | 443,954 |
| Future financial charges | (19,090) | (81,024) |
| Recognized as liabilities | $235,385 | $362,930 |

The fair value of the leases is not materially different from their book value, as interest payable is close to the current market rates or the financial leasing is short-term. Material differences are identified as follows:

| | 2018 | |
|---|---|---|
| | Book value | Fair value |
| Financial leasing | $498,821 | $579,845 |

***(figures stated in US dollars)***

## 19. Contract liabilities

Following is a summary of contract liabilities at December 31:

| | 2018 |
|---|---|
| Balance at December 31, 2017 | $ — |
| Effect of transition from IFRS 9: | |
| Reclassification (Note 20). | 7,676,313 |
| Balance at January 1, 2018, reestablished | 7,676,313 |
| Increases | 114,497,669 |
| Accruals | (119,208,734) |
| Balance at December 31, 2018 | $ 2,965,248 |

Contract liabilities are mainly related to the price paid in advance by the customers on the sale of terminals and airtime, due to which, the related income is recognized over time.

Contract liabilities at December 31, 2017 were classified as deferred income.

## 20. Deferred income

Following is a summary of deferred income for the years ended December 31:

| | 2018 | 2017 |
|---|---|---|
| Balance at beginning of year | $ 7,676,313 | $ 9,388,217 |
| Effect of transition from IFRS 9: | | |
| Reclassification (Note 19). | (7,676,313) | |
| Balance at January 1, 2018, reestablished | — | |
| Increases | — | 115,035,605 |
| Accruals | — | (116,747,509) |
| Balance at end of year | $ — | $ 7,676,313 |

At December 31, 2018 and 2017, deferred income corresponds to airtime on prepaid cards.

## 21. Accounts payable and other accrued expenses

Following is a summary of accounts payable and other accrued expenses for the years ended December 31:

| | 2018 | 2017 |
|---|---|---|
| Advances from customers | $ 7,062,248 | $1,475,740 |
| Taxes payable | 1,941,674 | 1,932,076 |
| Bonds and deposits received | 1,523,686 | 1,485,555 |
| Labor compensation and benefits | 1,461,962 | 1,575,727 |
| Interest on loans[a] | 692,319 | 1,253,377 |
| | $12,681,889 | $7,722,475 |

(a) Interest on loans corresponds to a provision for interest payable in the long term.

***(figures stated in US dollars)***

## 22. Other long-term liabilities

Following is a summary of other long-term liabilities at December 31, 2018:

| | Provision for severance | Provision for dismantling | Voluntary reserves and other | Total |
|---|---|---|---|---|
| Balances at January 1, 2018 | $ 804,874 | $4,457,712 | $ 63,463 | $5,326,049 |
| Increase | 702,769 | 968,438 | 28,269 | 1,699,476 |
| Amounts paid in the year | (142,655) | — | (24,363) | (167,018) |
| Restatement of the provision for dismantling | — | 93,471 | — | 93,471 |
| Balances at December 31, 2018 | $1,364,988 | $5,519,621 | $ 67,369 | $6,951,978 |

Following is a summary of other long-term liabilities at December 31, 2017:

| | Provision for severance | Provision for dismantling | Voluntary reserves and other | Total |
|---|---|---|---|---|
| Balances at January 1, 2017 | $ 1,002,393 | $4,096,550 | $ 70,994 | $ 5,169,937 |
| Increase | 846,942 | 153,318 | 19,458 | 1,019,718 |
| Amounts paid in the year | (1,044,461) | — | (26,989) | (1,071,450) |
| Restatement of the provision for Dismantling (Note 25) | — | 207,844 | — | 207,844 |
| Balances at December 31, 2017 | $ 804,874 | $4,457,712 | $ 63,463 | $ 5,326,049 |

The Company is required to dismantle, withdraw or restore the telecommunications equipment, for which it has recognized a provision for dismantling. In order to determine the fair value of estimations, the calculation is carried out considering the discount rate, the rate of information and the expected cost of dismantling and withdrawing equipment from a site on the agreed dates, using, for the estimation, the expiration of contracts entered into with the owners of the land or commercial space where the equipment is installed or the useful life of the goods, the lesser of the two.

In accordance with IFRIC 1, during 2018 and 2017, a measurement was conducted of the provision for dismantling each of the different types of sites and the 4.95% discount rate, with an inflation rate of 2% for both years.

## 23. Income Tax

The Company is subject to payment of income tax, due to which, every year, it prepares and files a return with the corresponding tax authorities. The income tax rate for the years ended December 31, 2018 and 2017 was 25%.

The components of income tax disclosed in the statement of comprehensive income are as follows:

| | 2018 | 2017 |
|---|---|---|
| Current tax: | $11,509,068 | $8,784,896 |
| Deferred tax | 735,244 | 720,204 |
| | $12,244,312 | $9,505,100 |

*(figures stated in US dollars)*

**23. Income Tax (continued)**

Following is a reconciliation of the tax expense and the profit stemming from operating activities in the years ended December 31:

| | 2018 | 2017 |
|---|---|---|
| Profit before income tax | $50,738,683 | $35,508,286 |
| Less – temporary differences: | (4,583,465) | (3,553,751) |
| (Less) plus – permanent differences: | (118,947) | 3,179,233 |
| Taxable income | 46,036,271 | 35,133,768 |
| Currently payable income tax – 25% | 11,509,068 | 8,783,442 |
| Variation from tax at effective rate | — | 1,454 |
| Deferred tax effect, net | 735,244 | 720,204 |
| Income tax effect | $12,244,312 | $ 9,505,100 |

| | 2018 | 2017 |
|---|---|---|
| Currently-payable income tax | $11,509,068 | $ 8,783,442 |
| Advance payment on income tax for the year | (8,783,442) | (6,610,564) |
| Income tax payable | $ 2,725,626 | $ 2,172,878 |

The Company's statement of financial position reflects the impact income tax on future taxable income or deductible expenses, implicit in said statement of financial position in the form of temporary differences, which reflect the difference between the manner by which the Company recognizes assets and liabilities sin its financial statements and the base used by the tax authorities at the current tax rate, as shown below:

| | 2018 | 2017 |
|---|---|---|
| **Deferred tax asset:** | | |
| Loss from impairment of financial assets | $(368,172) | $(178,010) |
| Reserve for employee bonuses | (39,700) | (124,917) |
| Inventory valuation at net realization value | (35,762) | 4,046 |
| Provision for dismantling costs | 265,477 | 90,290 |
| Voluntary reserves and other | (135) | 9,878 |
| Other reserves | — | 10,071 |
| Contract assets | 118,126 | — |
| Accounts receivable | 69,039 | — |
| Deferred tax asset | $ 8,873 | $(188,642) |
| **Deferred income tax:** | | |
| Discount on sale of cards | $ 167,197 | $ 84,116 |
| Tax depreciation of assets | (878,500) | (615,678) |
| Prepaid taxes | (32,814) | — |
| Deferred income tax | $(744,117) | $(531,562) |
| Charge to income – net | $(735,244) | $(720,204) |

*(figures stated in US dollars)*

## 23. Income Tax (continued)

Following are the movements in the deferred tax liability for the year ended December 31, 2018:

| | Opening balance December 31, 2017 | Effect of transition | Opening balance January 1, 2018 | (Debit) credit to income | Ending balance December 31, 2018 |
|---|---|---|---|---|---|
| **Deferred tax asset:** | | | | | |
| Allowance for doubtful accounts | $ 371,271 | $ — | $ 371,271 | $(368,172) | $ 3,099 |
| Reserve for employee bonuses | 343,158 | — | 343,158 | (39,700) | 303,458 |
| Inventory valuation at net realization value | 58,522 | — | 58,522 | (35,762) | 22,760 |
| Provision for dismantling costs | 824,987 | — | 824,987 | 265,477 | 1,090,464 |
| Voluntary reserves and other | 23,121 | — | 23,121 | (135) | 22,986 |
| Other reserves | 15,150 | — | 15,150 | — | 15,150 |
| Effects of IFRS 15: | | | | | — |
| Contract assets | | 12,035 | 12,035 | 118,126 | 130,161 |
| Effects of IFRS 9: | | | | | — |
| Accounts receivable | — | 38,214 | 38,214 | 69,039 | 107,253 |
| Deferred tax asset | $1,636,209 | $ 50,249 | $ 1,686,458 | $ 8,873 | $ 1,695,331 |
| **Deferred income tax liability:** | | | | | |
| Discount on sale of cards | $ (240,804) | $ — | $ (240,804) | $ 167,197 | $ (73,607) |
| Tax depreciation of assets | (736,450) | | (736,450) | (878,500) | (1,614,950) |
| Effects of IFRS 15: | | | | | |
| Contract assets | — | (294,199) | (294,199) | — | (294,199) |
| Prepaid expenses short-term | — | (260,166) | (260,166) | (32,814) | (292,980) |
| Deferred income tax liability | $ (977,254) | $(554,365) | $(1,531,619) | $(744,117) | $(2,275,736) |
| Deferred tax assets and liabilities, net | $ 658,955 | $(504,116) | $ 154,839 | $(735,244) | $ (580,405) |

Following are the movements in the deferred tax liability for the year ended December 31, 2017:

| | Beginning balance 1/1/2017 | (Debit) credit to income | Ending balance 31/12/2017 |
|---|---|---|---|
| **Deferred tax asset:** | | | |
| Allowance for doubtful accounts | $ 549,281 | $(178,010) | $ 371,271 |
| Reserve for employee bonuses | 468,075 | (124,917) | 343,158 |
| Inventory valuation at net realization value | 54,476 | 4,046 | 58,522 |
| Provision for dismantling costs | 734,697 | 90,290 | 824,987 |
| Voluntary reserves and other | 13,243 | 9,878 | 23,121 |
| Other reserves | 5,079 | 10,071 | 15,150 |
| Deferred tax asset | $1,824,851 | $(188,642) | $1,636,209 |
| **Deferred income tax liability:** | | | |
| Discount on sale of cards | $ (324,920) | $ 84,116 | $ (240,804) |
| Tax depreciation of assets | (120,772) | (615,678) | (736,450) |
| Deferred income tax liability Deferred income tax | $ (445,692) | $(531,562) | $ (977,254) |
| Deferred tax assets and liabilities, net | $1,379,159 | $(720,204) | $ 658,956 |

*(figures stated in US dollars)*

## 23. Income Tax (continued)

The effective tax rate for 2018 was 24.1% (2017-26.7%) and the income tax rate applicable to net taxable income, as per the current legislation, was 25% for 2018 and 2017. For subsequent tax periods, the income tax rate applicable to net taxable income as per the current legislation will be 25%.

### Transfer Prices

During 2012, the tax authorities established transfer-pricing regulations. These regulations apply to any operation conducted by the taxpayer with related parties resident in other jurisdictions for tax purposes, provided said operations give rise to income, costs or deductions in the determination of the tax base for income tax purposes, in the tax period in which the operation takes place.

In this regard, taxpayers are required to file, annually and as from 2012, Transfer Pricing Reports (Report 930) six months after the tax period close, and to have a Study conducted for said period, by that same date, containing the information and analysis documenting their operations with related parties as per the provisions of article 762-1 of the Tax Code.

The Company expects said requirements to have no significant impact on the income tax reserve for 2017.

## 24. Equity

### Capital stock

The Company's authorized capital stock totals US$44,687,338, divided into 44,687,338 common shares, for a par value of US$1 each. The Company has 44,687,338 issued and outstanding shares.

### Dividends paid

In 2018, partial dividends were declared and paid partially corresponding to profits for 2015 of US$30,479,323 and US$12,591,194 for 2016, of $43,070,517 as set out in the minutes of the December 31, 2018 Stockholders' Meeting. The dividend paid per share was of US$0.96.

In 2017, partial dividends were declared and paid, corresponding to profits for 2016 in the amount of US$18,681,108 and $2,000,000 for 2013, as set out in the minutes of the December 31, 2017 Stockholders' Meeting. The dividend paid per share was of US$0.46.

## 25. Revenue from contracts with client

Following is a summary of sales and the provision of services at December 31:

| | 2018 | 2017 |
|---|---|---|
| Service provision | $205,655,430 | $198,536,488 |
| Sales of mobile equipment | 13,504,802 | 12,443,524 |
| | $219,160,232 | $210,980,012 |

***(figures stated in US dollars)***

## 25. Revenue from contracts with client (continued)

Following is the moment of revenue recognition for the year ended December 31, 2018:

| | Service provision | Sale of mobile equipment |
|---|---|---|
| At a certain moment | $ 86,446,696 | $13,504,802 |
| Over time | 119,208,734 | — |
| | $205,655,430 | $13,504,802 |

Following is the moment of revenue recognition for the year ended December 31, 2017:

| | Service provision | Sale of mobile equipment |
|---|---|---|
| At a certain moment | $ 81,788,979 | $12,443,524 |
| Over time | 116,747,509 | — |
| | $198,536,488 | $12,443,524 |

## 26. Direct operating costs and acquisition of subscribers

Following is a summary of sales and services at December 31:

| | 2018 | 2017 |
|---|---|---|
| Interconnection services | $32,791,159 | $34,707,324 |
| Use of infrastructure | 21,298,224 | 17,525,816 |
| Cost of sales of equipment | 16,918,572 | 17,409,721 |
| Commission paid to dealers | 4,134,417 | 6,786,265 |
| Other cost of sales | 2,384,348 | 2,828,385 |
| | $77,526,720 | $79,257,511 |

## 27. Personnel expense

Following is a summary of personnel expenses for the years ended December 31:

| | 2018 | 2017 |
|---|---|---|
| Wages and salaries | $ 8,111,329 | $ 9,649,611 |
| Social security | 1,522,483 | 1,652,782 |
| Labor benefits | 1,070,802 | 800,777 |
| Employee service | 974,008 | 1,063,515 |
| Restructuring expenses[a)] | 246,650 | 608,613 |
| Compensation plan for directors | 37,263 | 11,448 |
| Other personnel expenses | 324,012 | 330,689 |
| | $12,286,547 | $14,117,435 |

a) During the period, there were charges to income made corresponding to personnel restructuring involving the layoff of 12 employees (52 in 2017).

Employees averaged 312 and 323 in 2018 and 2017, respectively.

*(figures stated in US dollars)*

## 28. Other operating income

Following is a summary of other operating income for the years ended December 31:

| | 2018 | 2017 |
|---|---|---|
| Benefits from sale of assets | $ 68,147 | $ 16,351 |
| Sundry and other current revenues | — | 345,865 |
| Other operating income | 330,181 | 222,263 |
| | $398,328 | $584,479 |

## 29. Other operating expenses

Following is a summary of other operating expenses for the years ended December 31:

| | 2018 | 2017 |
|---|---|---|
| Services rendered | $12,234,789 | $10,414,150 |
| Advertising and promotions | 6,425,473 | 7,208,677 |
| Professional fees | 6,382,527 | 638,797 |
| Administrative expenses | 4,395,012 | 5,458,478 |
| Commissions | 2,796,587 | 1,127,755 |
| Maintenance and repairs | 2,783,867 | 3,441,801 |
| Leasing (Note 31) | 2,648,363 | 2,523,995 |
| Taxes | 2,512,563 | 2,452,151 |
| General and other expenses | 2,146,029 | 1,777,431 |
| Transportation services | 709,716 | 710,263 |
| Licenses and computer applications | 581,994 | 652,711 |
| Insurance | 286,325 | 243,924 |
| Travel expenses | 226,898 | 224,603 |
| Loss on sale of assets | 212,128 | 1,514 |
| Exchange losses | 80,707 | 67,978 |
| Fines and sanctions | 23,100 | 2,400 |
| Allowance for doubtful accounts IAS 39 | | 547,755 |
| Other operating expenses | — | (38,825) |
| (Reversal) impairment of investment in shares in related parties (Note 14) | (199,395) | 3,140,823 |
| | $44,246,683 | $40,596,381 |

***(figures stated in US dollars)***

## 30. Financial income and expenses

Following is a summary of financial income and expenses at December 31:

| | 2018 | 2017 |
|---|---|---|
| **Financial income** | | |
| Financial interest | $ 15,975 | $ 37,681 |
| Exchange differences | $ 405 | $ — |
| Other financial income | 803,592 | 137,378 |
| | $ 819,972 | $ 175,059 |
| **Financial expenses** | | |
| Interest on bank loans (Note 18) | $3,914,913 | $4,210,440 |
| Financial restatement | 106,061 | 207,844 |
| Exchange differences | — | 45,441 |
| Debt interest | (4,566) | 2,339 |
| Other financial expenses | 228,077 | 177,921 |
| | $4,244,485 | $4,643,985 |

## 31. Commitments

The Company's administrative and operating offices, as well as other real property such as land, used to install antennas and other telecommunications equipment used by the Company, according to the lease agreements entered with the owners thereof. Said contracts are for terms ranging from 1 to 15 years. The operating lease expense for the years ended December 31, 2018 and 2017 totaled $17,988,513 and $16,339,121, respectively, of which $2,648,363 and $2,523,995, respectively, is shown as leasing under operating expenses (Note 29), and the difference is shown in the Use of infrastructure line item under direct operating costs and acquisition of subscribers (Note 26).

Following is a breakdown of future minimum payments related to lease agreement in effect at December 31:

| | 2018 | 2017 |
|---|---|---|
| At one year | $ 7,263,000 | $13,951,875 |
| After one year and up to five years | 18,725,000 | 39,743,751 |
| After five years | 6,949,000 | 13,105,120 |
| | $32,937,000 | $66,800,746 |

### Commitments—Regulatory environment

Telefónica Móviles Panamá, S.A. commercially exploits the telephone service under Concession Contract No.30-A of February 5, 1996 signed with the State. This concession contract was renewed for an additional 20 years, through Contract No.01-OAL-2014 of March 27, 2014. This concession includes the right to set the price of all of the services provided by the Company and the "caller pays" billing modality (CCP).

At December 31, 2018 and 2017, Telefónica Móviles Panamá, S. A. has a compliance bond agreement entered into with MAPFRE Panamá, S. A. in the amount of US$2,500,000 payable to the Ministry of Government and the Comptroller General of the Republic of Panama, to guarantee compliance with the concession contract to operate and exploit the mobile cellular service.

## 31. Commitments (continued)

Mobile cellular service is regulated by the National Public Services Authorities, in accordance with the provisions established in Executive Decree No.21 of January 12, 1996, and is rendered in competition, together with Cable & Wireless Panamá, S. A., Digicel (Panama), S. A., and Claro Panamá, S. A.

## 32. Contingencies and Restrictions

*Ordinary Civil Proceeding brought by Teletarjetas, S. A. against Telefónica Móviles Panamá, S. A.*— Teletarjetas, S. A. filed a civil lawsuit against Telefónica Móviles Panamá, S. A. for breach of contract and demands payment of alleged damages of up to US$8,448,974, plus court-awarded attorney fees, expenses and interest related to the proceedings. The court ordered the reinstatement of US$300,000, plus interest payable to the plaintiff, corresponding to execution of said compliance bond and declared the bad faith of the defendant, with the consequent application of court-awarded attorney fees.

On March 20, 2012, Telefónica Móviles Panamá, S. A. filed an appeal and counterclaim against Teletarjetas, S. A. of US$819,552 corresponding to capital stock and interest calculated up to February 29, 2012 and which were due up to the moment payment of the obligation in question became due, as well as the court-awarded attorney fees and legal expenses. No sentence has yet been handed down with respect to these second instance proceedings. Management and the Company's external legal advisors do not consideran adverse result is probable for the Company in this regard.

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

The Company's main financial instruments consist of cash and cash equivalents, accounts receivable and accounts payable and loans payable. The fundamental purpose of these financial instruments is to finance Company operations. The Company has other financial assets and liabilities of miscellaneous origin, arising directly from its operations.

The main risks that can have a relatively important effect on these financial instruments are the market risk, the liquidity risk, the interest rate risk and the credit risk. With the support of the Board of Directors, Company Management monitors and manages these risks.

The Board of Directors reviews and agrees the policies for risk management, as summarized below:

### a. Market risk

The market risk is the risk of fluctuations in the fair value or in future cash flows of a financial instrument as a result of changes in market prices. The market risk comprises the interest rate risk.

#### i. Interest rate risk

The interest rate risk is the risk that the fair value of the Company's income and operating funds are influenced by changes in market rates.

The Company manages this risk by constantly evaluating the evolution of the interest rates of the domestic and international markets, with a view to determining, with a good degree of certainty, the risks associated to the financial cost of the liabilities and, as far as circumstances allow, minimize the effects of this risk.

***(figures stated in US dollars)***

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

Following is a sensitivity analysis of the effect on pretax income, arising from a change in interest rates to which its financial obligations are subject, based on the change in points described below:

| | Change in interest rates | Effects on income |
|---|---|---|
| December 31, 2018 | 1% | $ 911,800 |
| | -1% | $(911,800) |
| December 31, 2017 | 1% | $ 931,800 |
| | -1% | $(931,800) |

### b. Liquidity risk

The liquidity risk is the risk of an entity facing difficulties to meet obligations related to its financial liabilities, which are settled in cash or other financial assets. The Company follows up daily on its liquidity position, maintaining liquid assets in excess of liquid liabilities, considering maturity of its financial assets and conducts cash flow projections for timely detection of potential cash deficits and surpluses to support its operations.

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

| | On demand | Under 3 months | 3 to 12 months | 1 to 5 years | Accumulated balance | Total |
|---|---|---|---|---|---|---|
| **December 31, 2018** | | | | | | |
| Loans payable | $ — | $ — | $22,263,436 | $69,434,475 | $ 91,697,911 | $ 91,678,821 |
| Accounts payable and other | 17,222,136 | 33,838,151 | 3,303,008 | — | 54,363,295 | 54,363,295 |
| Accounts payable to related companies | 5,499,205 | 8,376,042 | 1,654,096 | — | 15,529,343 | 15,529,343 |
| | $22,721,341 | $42,214,193 | $27,220,540 | $69,434,475 | $161,590,549 | $161,571,459 |
| **At December 31, 2017** | | | | | | |
| Loans payable | $ — | $ — | $29,276,056 | $64,623,954 | $ 93,900,010 | $ 93,818,986 |
| Accounts payable and other | 35,609,827 | 7,109,525 | 3,154,478 | — | 45,873,830 | 45,873,830 |
| Accounts payable to related parties | 4,529,903 | 682,801 | 6,581,159 | — | 11,793,863 | 11,793,863 |
| | $40,139,730 | $ 7,792,326 | $39,011,693 | $64,623,954 | $151,567,703 | $151,486,679 |

### c. Credit risk

The credit risk arises from cash, bank deposits, accounts and notes receivable it consists of the probability of the counter-party being unable to face the contracted obligation. For management of the credit risk related to bank deposits, the Company conducts most of its transactions with entities pertaining to the national banking system with indicators of soundness and solvency (Note 5).

Moreover, with respect to credit risk arising from commercial accounts receivable and notes receivable, the Company diversifies its customers and maintains policies for granting credit. Said risk is subject to evaluations that consider payment capability, the history and the references of each current and potential

*(figures stated in US dollars)*

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

customer. Exposure to the credit risk is monitored regularly according to the payment behavior of debtors. At December 31, 2018 and 2017, there is no significant credit risk concentration and the maximum exposure is represented by the balance recorded as explained in Note 6. With respect to the credit risk related to other financial assets, maximum exposure to this risk is represented by the balances recorded for each financial asset.

## 34. Capital stock management

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

The Company manages its capital stock structure and on a timely basis, requests adjustments to said capital stock from its stockholders, taking into account the economic environment in which Company operates. In order to maintain or adjust its capital stock structure, the Company can request changes to dividends from its stockholders, as well as capital stock refunds agreed and if necessary, increases in capital stock contributions. No significant changes were made to said policies during 2018 and 2017.

The Company monitors its capital stock using, as the prevailing financial ratio, the ratio arrived at by dividing net liabilities (loans payable, plus accounts payable and other accounts payable, plus cash and cash equivalents) by the sum of net liabilities and capital stock (common capital stock and stockholders' equity).

| | 2018 | 2017 |
|---|---|---|
| Accounts payable | $ 41,681,406 | $ 38,151,355 |
| Accounts payable and other accrued expenses | 12,681,889 | 7,722,475 |
| Loans payable | 91,678,821 | 93,818,986 |
| Payables from related parties | 15,529,343 | 11,793,863 |
| Less – cash and cash equivalents | (15,882,454) | (12,480,475) |
| Net liabilities | 145,689,005 | 139,006,204 |
| Common capital stock | 44,687,338 | 44,687,338 |
| Other equity items | 70,870,604 | 73,934,402 |
| Total capital stock | 115,557,942 | 118,621,740 |
| Total working capital | $261,246,947 | $257,627,944 |
| Ratio of net liabilities to net capital stock | 56% | 54% |

## 35. Financial assets and liabilities

As mentioned in notes 4.4 and 4.5, the Company's main financial instruments consist of cash and cash equivalents, notes and accounts receivable, loans and accounts and accumulated expenses payable. Because of these financial instruments mainly expiring in the short term; Management considers that the book values thereof closely resemble fair values. Moreover, the book value of loans payable approximates their fair value, as they were agreed at adjustable interest rates.

***(figures stated in US dollars)***

**35. Financial assets and liabilities (continued)**

The following charts show a comparison per class, of the values recorded and the fair values of the Company's financial instruments at the date of the financial statements, except for those financial instruments whose recorded values closely resemble fair value.

The accounting policies for financial instruments have been applied to the following assets, as shown below:

| | Financial assets at amortized cost | |
|---|---|---|
| | 2018 | 2017 |
| Cash and cash equivalents | $15,882,454 | $12,480,475 |
| Accounts receivable | 21,036,201 | 16,727,795 |
| Other financial assets at amortized cost | 5,436,577 | 5,285,898 |
| Receivables from related parties | 2,822,066 | 2,813,008 |
| | $45,177,298 | $37,307,176 |

The accounting policies for financial instruments have been applied to the following liabilities, as follows:

| | Financial liabilities at amortized cost | |
|---|---|---|
| | 2018 | 2017 |
| Accounts payable | $ 41,681,406 | $ 38,151,355 |
| Accrued expenses and accounts payable: | 12,681,889 | 7,722,475 |
| Payables to related parties | 15,529,343 | 11,793,863 |
| Bank loans | 91,678,821 | 93,818,986 |
| | $161,571,459 | $151,486,679 |

All financial liabilities are considered as "Other financial liabilities", as the Company has no liabilities classified at fair value with changes in income, or derivative financial instruments.

**36. Fair value measurement**

All assets and liabilities measured at fair value or on which the Company makes fair-value disclosures, are classified within the fair value hierarchy. Said classification is based on the lowest level of information used to determine said value and which is significant for the determination of fair value as a whole. Fair value hierarchy is made up of the following three levels:

- *Level 1 financial instruments*: the fair value of financial instruments traded in active markets is determined based on market price quotes at the date of the financial statements. A market is considered active if the prices quoted are easily and regularly available through an exchange, intermediary or stock-exchange agency, industry group, price setting service or regulatory agency, and those prices represent consistent current market transactions on a basis that is not forced. The market price quotation used for financial assets held by the Company is the price of the current offer. Those instruments are included in Level 1.

- *Level 2 financial instruments*: the fair value of financial instruments not traded in an active market (i.e., over the counter derivatives) is determined through the use of valuation techniques. Those valuation techniques maximize the use of observable market data when available, and are

***(figures stated in US dollars)***

**36. Fair value measurement (continued)**

reliant as little as possible on the entity's specific estimations. If all the significant data required for establishing the fair value of a financial instrument are observable, the instrument in included in Level 2. If one or more of the significant data is not based on observable market information, the instrument is included in Level 3.

– Following is a breakdown of the specific valuation techniques used for valuation of financial instruments, which include:

  • Quotation of market prices or quotations of brokers for similar instruments;

  • The fair value of interest rate hedges is calculated at the current value of estimated future cash flows based on observable performance curves;

  • The fair value of term contracts in foreign currencies is determined using the term exchange rates at the date of the financial statements, with the resulting value discounted at present value;

  • Other techniques, such as the analysis of discounted cash flows, are used to determine the fair value of other financial instruments.

– *Level 3 financial instruments*: if one or more of the significant clauses is not based on observable market information, the instrument is classified in Level 3.

**37. Events subsequent to the date of the statement of financial position**

On February 20, 2019, Telefónica Centroamérica Inversiones S. L. a direct and indirect subsidiary, of Telefónica S. A. at 60% and TLK Investments C. V. at 40%, has reached an agreement with Millicom International Cellular, S. A. for the sale of the entire capital stock of Telefónica Móviles Panamá, S.A. The sales agreement is subject to authorization from the government authorities, which has not been obtained at the date of signing of the report.

**38. Reclassification of balances in the financial statements**

For 2017, the Company has conducted reclassifications in the previously issued separate financial statements, to show proper presentation, as follows:

| | At December 31, 2017 | Increase (decrease) | At December 31, 2017 (restated) |
|---|---|---|---|
| Statement of financial position (extract) | | | |
| Accounts receivable | $ 22,013,693 | $(5,285,898) | $ 16,727,795 |
| Financial assets at amortized cost | — | 5,285,898 | 5,285,898 |
| Property, furniture and equipment | 106,956,480 | 7,669,294 | 114,625,774 |
| Intangible assets | 119,785,485 | $(7,669,294) | 112,116,191 |
| **Total assets** | $248,755,658 | $ — | $ 248,755,65 |

***(figures stated in US dollars)***

### 38. Reclassification of balances in the financial statements (continued)

| | December 31, 2017 | Increase (decrease) | December 31, 2017 (restated) |
|---|---|---|---|
| Statement of comprehensive income (extract) | | | |
| Direct operating costs and acquisition of subscribers | $ (73,526,499) | $ (5,731,012) | $ (79,257,511) |
| Sales and administrative expenses | (61,470,928) | 61,470,928 | — |
| Personnel expenses | — | (14,117,435) | (14,117,435) |
| Loss from impairment of financial assets | — | (1,055,253) | (1,055,253) |
| Other operating income | 584,479 | (547,755) | 36,724 |
| Other operating expenses | (74,594) | (39,974,032) | (40,048,626) |
| Financial expenses | (4,598,544) | (45,441) | (4,643,985) |
| Net profit for the year | $(139,086,086) | $ — | $(139,086,086) |

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