VTR FINANCE N.V.

Annual Report
December 31, 2020

VTR FINANCE N.V.
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VTR FINANCE N.V.

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FORWARD-LOOKING STATEMENTS

Certain statements in this annual report constitute forward-looking statements. To the extent that statements in this annual report are not recitations of historical fact, such statements constitute forward-looking statements, which, by definition, involve risks and uncertainties that could cause actual results to differ materially from those expressed or implied by such statements. In particular, statements under *Business* and *Management's Discussion and Analysis of Financial Condition and Results of Operations* may contain forward-looking statements, including statements regarding: our business, product, service offering, foreign currency and finance strategies; our property and equipment additions; programming and copyright costs; subscriber growth and retention rates; changes in competitive, regulatory and economic factors; anticipated changes in our revenue, costs or growth rates; debt levels; our liquidity, including our expectations regarding the sufficiency of cash flows from our operations; credit and interest rate risks; internal controls over financial reporting; the development of 5G technologies; foreign currency risks; target leverage levels; compliance with debt, financial and other covenants and our ability to obtain additional debt; our future projected contractual commitments and cash flows; social and political unrest; the impact of the novel Coronavirus; and other information and statements that are not historical fact. Where, in any forward-looking statement, we express an expectation or belief as to future results or events, such expectation or belief is expressed in good faith and believed to have a reasonable basis, but there can be no assurance that the expectation or belief will result or be achieved or accomplished. In evaluating these statements, you should consider the following list of some but not all of the factors that could cause actual results or events to differ materially from anticipated results or events:

- economic and business conditions and industry trends in Chile;
- the competitive environment in the video, broadband and telecommunications industries in Chile, including competitor responses to our products and services;
- fluctuations in currency exchange rates, inflation rates and interest rates;
- instability in global financial markets, including sovereign debt issues and related fiscal reforms;
- consumer disposable income and spending levels, including the availability and amount of individual consumer debt;
- changes in consumer viewing preferences and habits, including on mobile devices that function on various operating systems and specifications, limited bandwidth, and different processing power and screen sizes;
- customer acceptance of our existing service offerings, including our video, broadband internet, fixed-line telephony, mobile and business service offerings, and of new technology, programming alternatives and other products and services that we may offer in the future;
- our ability to manage rapid technological changes;
- the impact of 5G and wireless technologies;
- our ability to maintain or increase the number of subscriptions to our video, broadband internet, fixed-line telephony and mobile service offerings and our average revenue per household;
- our ability to provide satisfactory customer service, including support for new and evolving products and services;
- our ability to maintain or increase rates to our subscribers or to pass through increased costs to our subscribers;
- the impact of our future financial performance, or market conditions generally, on the availability, terms and deployment of capital;
- changes in, or failure or inability to comply with, government regulations in Chile and adverse outcomes from regulatory proceedings;
- government intervention that requires opening our broadband distribution networks to competitors;
- our ability to obtain regulatory approval and satisfy other conditions necessary to close acquisitions and dispositions and the impact of conditions imposed by competition and other regulatory authorities in connection with acquisitions;
- our ability to successfully acquire new businesses and, if acquired, to integrate, realize anticipated efficiencies from, and implement our business plan with respect to, the businesses we have acquired or that we expect to acquire;

- changes in laws or treaties relating to taxation, or the interpretation thereof, in Chile and the Netherlands;
- changes in laws and government regulations that may impact the availability and cost of capital and the derivative instruments that hedge certain of our financial risks;
- the ability of suppliers and vendors, including third-party channel providers and broadcasters (including our third-party wireless network provider under our mobile virtual network operator (**MVNO**) arrangement) to timely deliver quality products, equipment, software, services and access;
- the availability of attractive programming for our video services and the costs associated with such programming, including retransmission and copyright fees payable to public and private broadcasters;
- uncertainties inherent in the development and integration of new business lines and business strategies;
- our ability to adequately forecast and plan future network requirements, including the costs and benefits associated with our network extension and upgrade programs;
- the availability of capital for the acquisition and/or development of telecommunications networks and services, including property and equipment additions;
- problems we may discover post-closing with the operations, including the internal controls and financial reporting process, of businesses we acquire;
- piracy, targeted vandalism, and cybersecurity threats or other security breaches, including the leakage of sensitive customer data, which could harm our business or reputation;
- the outcome of any pending or threatened litigation;
- the loss of key employees and the availability of qualified personnel;
- changes in the nature of key strategic relationships with partners and joint venturers;
- changes in and compliance with applicable data privacy laws, rules, and regulations; and
- events that are outside of our control, such as political conditions and unrest in international markets, terrorist attacks, malicious human acts, natural disasters, pandemics, such as the novel Coronavirus, and other similar events.

The broadband distribution and mobile service industries are changing rapidly and, therefore, the forward-looking statements of expectations, plans and intent in this annual report are subject to a significant degree of risk. These forward-looking statements and the above described risks, uncertainties and other factors speak only as of the date of this annual report, and we expressly disclaim any obligation or undertaking to disseminate any updates or revisions to any forward-looking statement contained herein, to reflect any change in our expectations with regard thereto, or any other change in events, conditions or circumstances on which any such statement is based. Readers are cautioned not to place undue reliance on any forward-looking statement.

BUSINESS

*In this section, unless the context otherwise requires, the terms "we," "our," "our company" and "us" may refer, as the context requires, to VTR Finance N.V. (**VTR Finance**) or collectively to VTR Finance and its subsidiaries. Unless otherwise indicated, operational and statistical data, including subscriber statistics, are as of December 31, 2020. Certain information on Chilean telecommunications was provided by the Chilean Undersecretary of Telecommunications (**SubTel**) as of June 30, 2020.*

Introduction

We are a subsidiary of Liberty Latin America Ltd. (**Liberty Latin America**) that provides our customers the "triple-play" of video, broadband internet and fixed-line telephony services. In addition, we offer mobile voice and data services as an MVNO, pursuant to an arrangement with a third-party wireless network provider, with whom we contract to carry the mobile communications traffic of our customers. We are the largest multi-channel television provider in Chile in terms of number of video subscribers, and are the largest provider of broadband internet services in our footprint and in terms of number of subscribers. We are also the second largest fixed-line telephony provider in Chile in terms of lines in service. We generally provide our telecommunications services in the largest cities and more affluent regions of Chile, including Santiago, Chile's capital and largest city, and the large regional cities of Iquique, Antofagasta, Concepción, Viña del Mar, Valparaiso and Rancagua.

VTR Finance, a public limited liability company (*naamloze vennootschap*) organized under the laws of the Netherlands, company an indirect wholly-owned subsidiary of Liberty Latin America, was formed on December 1, 2011, and is a holding company that owns, directly or indirectly, 100% of VTR.com SpA (**VTR**). Our video, broadband internet, fixed-line telephony and mobile businesses are operated by VTR and its subsidiaries.

On December 29, 2017, Liberty Global plc (**Liberty Global**) completed its split-off (the **Split-Off**) of its former wholly-owned subsidiary Liberty Latin America, which primarily included (i) Cable & Wireless Communications Limited and its subsidiaries, (ii) VTR Finance and its subsidiaries and (iii) LiLAC Communications Inc. and its subsidiaries. As a result of the Split-Off, Liberty Latin America is an independent, publicly traded company, and its assets and liabilities consist of the businesses, assets and liabilities that were formerly known as Liberty Global's "LiLAC Group." Prior to the Split-Off, we were a wholly-owned subsidiary of Liberty Global. Following the Split-Off, Liberty Latin America and Liberty Global operate as separate, publicly traded companies, and neither has any share ownership, beneficial or otherwise, in the other.

The following table presents our operating statistics as of the dates indicated:

	December 31, 2020	December 31, 2019
Footprint		
Homes Passed	3,848,600	3,699,300
Two-way Homes Passed	3,424,700	3,264,300
Subscribers (RGUs)		
Basic Video	51,600	52,200
Enhanced Video	1,013,900	1,047,500
Total Video	1,065,500	1,099,700
Internet	1,286,100	1,317,100
Telephony	497,200	547,700
Total RGUs	2,848,800	2,964,500
Penetration		
Enhanced Video Subscribers as % of Total Video Subscribers	95.2 %	95.3 %
Internet as % of Two-way Homes Passed	37.6 %	40.3 %
Telephony as % of Two-way Homes Passed	14.5 %	16.8 %
Fixed-line Customer relationships		
Customer Relationships	1,465,800	1,511,700
RGUs per Customer Relationship	1.94	1.96
Customer bundling		
Single-play	34.9 %	34.5 %
Double-play	35.8 %	34.9 %
Triple-play	29.3 %	30.6 %
Mobile subscribers		
Postpaid	269,000	290,700
Prepaid	11,300	10,100
Total mobile subscribers	280,300	300,800

Operating Data Glossary

- **Basic Video Subscriber** –A home, residential multiple dwelling unit or commercial unit that receives our video service over our broadband network either via an analog video signal or via a digital video signal without subscribing to any recurring monthly service that requires the use of encryption-enabling technology. Encryption-enabling technology includes smart cards, or other integrated or virtual technologies that we use to provide our enhanced service offerings. With the exception of RGUs that we count on an equivalent billing unit ("**EBU**") basis, we generally count RGUs on a unique premises basis. In other words, a subscriber with multiple outlets in one premises is counted as one RGU and a subscriber with two homes and a subscription to our video service at each home is counted as two RGUs.

- **Enhanced Video Subscriber** – A home, residential multiple dwelling unit or commercial unit that receives our video service over our broadband network via a digital video signal while subscribing to any recurring monthly service that requires the use of encryption-enabling technology. Enhanced video subscribers that are not counted on an EBU basis are generally counted on a unique premises basis. For example, a subscriber with one or more set-top boxes that receives our video service in one premises is generally counted as just one subscriber. An enhanced video subscriber is not counted as a basic video subscriber. As we migrate customers from basic to enhanced video services, we report a decrease in our basic video subscribers equal to the increase in our enhanced video subscribers.

- **Customer Relationships** – The number of customers who receive at least one of our video, internet or telephony services that we count as RGUs, without regard to which or to how many services they subscribe. To the extent that RGU counts include EBU adjustments, we reflect corresponding adjustments to our customer relationship counts. For further information regarding our EBU calculation, see Additional General Notes below. Fixed-line customer relationships generally are counted on a unique premises basis. Accordingly, if an individual receives our services in two premises (e.g., a primary home and a vacation home), that individual generally will count as two customer relationships. We exclude mobile-only customers from customer relationships.

- **Homes Passed** – Homes, residential multiple dwelling units or commercial units that can be connected to our networks without materially extending the distribution plant. Certain of our homes passed counts are based on census data that can change based on either revisions to the data or from new census results.

- **Internet (Broadband) RGU**– A home, residential multiple dwelling unit or commercial unit that receives internet services over our network.

- **Mobile Subscribers** – Our mobile subscriber count represents the number of active subscriber identification module ("SIM") cards in service rather than services provided. For example, if a mobile subscriber has both a data and voice plan on a smartphone this would equate to one mobile subscriber. Alternatively, a subscriber who has a voice and data plan for a mobile handset and a data plan for a laptop (via a dongle) would be counted as two mobile subscribers. Customers who do not pay a recurring monthly fee are excluded from our mobile telephony subscriber counts after periods of inactivity ranging from 30 to 60 days, based on industry standards within the respective country. In a number of countries, our mobile subscribers receive mobile services pursuant to prepaid contracts.

- **Revenue Generating Unit** ("**RGU**") – RGU is separately a video subscriber, internet subscriber or telephony subscriber. A home, residential multiple dwelling unit, or commercial unit may contain one or more RGUs. For example, if a residential customer in Chile subscribed to our video service, fixed-line telephony service and broadband internet service, the customer would constitute three RGUs. RGUs are generally counted on a unique premises basis such that a given premises does not count as more than one RGU for any given service. On the other hand, if an individual receives one of our services in two premises (e.g., a primary home and a vacation home), that individual will count as two RGUs for that service. Each bundled video, internet or telephony service is counted as a separate RGU regardless of the nature of any bundling discount or promotion. Non-paying subscribers are counted as subscribers during their free promotional service period. Some of these subscribers may choose to disconnect after their free service period. Services offered without charge on a long-term basis (e.g., VIP subscribers or free service to employees) generally are not counted as RGUs. We do not include subscriptions to mobile services in our externally reported RGU counts. In this regard, our RGU counts exclude our separately reported postpaid and prepaid mobile subscribers.

- **Telephony RGU** – A home, residential multiple dwelling unit or commercial unit that receives voice services over our network. Telephony subscribers exclude mobile telephony subscribers.

- **Two-way Homes Passed** – Homes passed by those sections of our networks that are technologically capable of providing two-way services, including video, internet and telephony services.

- **Video RGU** – A home, residential multiple dwelling unit or commercial unit that receives our video service over our network primarily via a digital video signal while subscribing to any recurring monthly service that requires the use of encryption-enabling technology. Video subscribers that are not counted on an EBU basis are generally counted on a unique premises basis. For example, a subscriber with one or more set-top boxes that receives our video service in one premises is generally counted as just one subscriber.

Our Products and Services

We provide a broad range of telecommunications and other services in our footprint, including video, broadband internet, fixed-line local and long distance telephony services and mobile telephony and data services. Available broadband service offerings depend on network bandwidth capacity and whether the network serving an area has been upgraded for two-way communications. Our network covers approximately [55%] of Chilean homes, with approximately 3.85 million homes passed. Approximately 89% of our network has been upgraded to two-way capability. We provide our services to approximately 3.2 million service subscribers (RGUs) represented by approximately 1.7 million customers as of December 31, 2020. The upgraded portion of our network provides us with full bi-directional capability that enables us to provide customers access to our triple-play services consisting of digital video, broadband internet and fixed-line telephony.

We generate revenue principally from relationships with our customers who pay subscription fees for the services we provide. Subscription fees for basic video services are typically paid directly by customers who live in single family homes or single dwelling units (**SDU**), subscribing to the service (which include bars, restaurants and other establishments). Some of our SDU customers are counted on an EBU basis including certain commercial establishments, such as hotels and hospitals, which subscribe only to our video services at flat rate pricing. SDU customers also pay us directly for the subscription fees associated with our enhanced video services, as well as the broadband internet, fixed-line telephony and mobile services they purchase from us. In addition to monthly subscription fees, subscribers generally pay an activation fee upon connecting or re-connecting to our network. This activation fee is sometimes waived, for example, when a subscriber is reconnecting to our network or as part of periodic marketing promotions.

Video

We offer a full range of digital video services, including basic and premium packages, in the capital city of Santiago (the largest city in Chile) and in 47 communities outside of Santiago. In addition, digital cable customers may subscribe to one or more premium video channels, including high definition (**HD**) channels for an additional monthly charge. The premium channels include movies, sports, international and adult channels. Video-on-demand, or "**VoD**", services, including catch-up television, are available on a subscription or a transaction basis, depending on location. VoD services include over 12,000 titles of on-demand content, including multi-screen features. Our analog service is offered only in areas where our digital service is not available. In 2018, we launched the TV Everywhere app (branded "VTR Play"), which extends the advanced video viewing experience to connected devices beyond the set-top box, including mobile phones and tablets.

Currently we offer two tiers of digital cable services. Our basic digital package includes approximately 86 digital channels and our extended tier digital service includes approximately 91 digital channels. Both include a d-BOX, approximately 71 HD channels, an electronic programming guide and VoD services, and for an additional fee, the option to purchase premium channels. In addition to our digital cable packages, our standard definition (**SD**) set-top boxes allow the reception of approximately 10 SD free-to-air channels while our HD set-top boxes allow the reception of approximately 10 SD and 4 HD free-to-air channels.

Broadband Internet

We offer multiple tiers of broadband internet services within Santiago and in 47 communities outside of Santiago. We offer varying tiers of service and prices through a variety of bundled product offerings and a range of value added services. Throughout our two-way network we have launched speeds of 200 Mbps or more at mass market price points and ultra-high-speed internet with speeds of up to 600 Mbps. Our key mass-market package includes a download speed of up to 600 Mbps.

Subscribers to any of our internet/telephony packages are provided a cable modem as part of the subscription fee. We also offer additional services included with our broadband internet bundled packages, including an internet security package consisting of anti-virus, anti-spyware, firewall, spam protection, a child-proof lock and the ability to block access to selected websites through parental controls.

Telephony

We are the second largest fixed-line telephony operator in Chile, and the second largest provider within our footprint. We offer multi-feature telephony service within the two-way portion of our network. We offer this telephony service via circuit-switched telephony or voice-over-internet-protocol (**VoIP**), depending on location. We offer our telephony services on a stand-alone basis and bundled with our video and/or broadband internet services as part of our double-play and triple-play offerings. We pay interconnection fees to other telephony providers when calls or text messages from our subscribers terminate on another network, and we receive similar fees from such providers when calls or text messages from their customers terminate on our network or networks that we access through MVNO or other arrangements.

Mobile Telephony and Data

We offer mobile services, both data and voice, as an MVNO pursuant to an agreement with a third-party nationwide mobile network operator. We own the core network, including switching, interconnections and lease the third party's radio access network. This arrangement permits us to tailor our own packages and rates and to offer our Chilean customers all mobile services using our core network without having to operate a cellular radio tower network and without being limited to offering customers packages and rates designated by the wireless network provider.

Subscribers to our mobile services in Chile pay varying monthly fees depending on how much data and the amount of voice minutes that are included in their subscription. Our mobile services typically include telephony, short message service

(**SMS**) and internet. In July 2015, we launched high-speed mobile data services via long-term evolution wireless technology, the next generation of ultra high-speed mobile data, also called “4G” (referred to herein as **LTE**) for all of our postpaid mobile customers. Mobile voice services in Chile are offered on a “calling-party pays” basis. Under this structure, telephone companies pay other telephone companies an interconnection charge for calls originated from their networks to third-party networks. With respect to fixed-to-mobile calls, fixed-line telephone companies may pass this charge on to their subscribers. Therefore, the carrier of a subscriber calling a subscriber on another network pays, in the case of a fixed-line company, a rate that includes a local fee that is part of the basic fixed-line telephony service plus an interconnection fee (as indicated above under *Fixed-Line Telephony*) from the fixed network to the mobile network. Fixed network subscribers can choose to block the ability to make calls to mobile telephones from their fixed-line phones. The carrier of a mobile subscriber receiving a collect call is also required to pay mobile usage charges. Our revenue from mobile services mainly consists of monthly subscription and usage fees for calls and SMS and interconnection revenue. At December 31, 2020, we served 280,300 mobile subscribers, approximately 94.5% of which were on postpaid plans.

Our Technology

Our video, broadband internet and fixed-line telephony services are transmitted principally over a hybrid fiber coaxial cable network. In addition, the capacity available on our network increases as our basic video subscribers switch to an enhanced video service and we reduce the number of our analog channels. This is because multiple digital channels can be compressed into the same space as one analog channel in the broadcast spectrum. The available space can then be used for other purposes such as VoD services and higher broadband speeds.

We continue to explore new technologies that will enhance our customers’ experience, such as:

- recapturing bandwidth and optimizing our networks by increasing the number of nodes in our network and using digital compression technologies;
- using wireless technologies to extend our services outside the home;
- caching websites from outside of Chile to provide faster internet speeds;
- fully utilizing the technical capabilities of DOCSIS 3.0 technology, which is an international standard that defines the requirements for data transmission over a cable system;
- introducing next generation set-top boxes with computer-like interfaces and multi-device (television, computer, tablet and smartphone) capability; and
- expanding our network, including FTTx, to accommodate business-to-business services.

Our principal property and equipment consists of outside plant and switching equipment, as well as operating units that are located throughout our footprint within Chile. Our network comprises two main components: our access network and our hubs. The access network, which connects customers’ homes with the hubs, is built with hybrid technology using fiber optic and coaxial cable and includes a total of approximately 10,000 kilometers of fiber and 20,000 kilometers of coaxial cable. Our nearly 30 hubs across our footprint house data switches, digital television processing equipment, telephone switches, data centers, cable modem termination systems, optical transmitters and receivers that provide or facilitate the transmission of telephony, data and video services over our network.

Competition

The Chilean market for video, broadband internet, and fixed and mobile telephony services is highly competitive and rapidly evolving. Technological improvements allow operators to provide a variety of services through their networks. For such reason, service providers are able to offer several options of bundled services for very competitive prices. Also, technological convergence (i.e. different technologies that interoperate efficiently in one system) and the exponential increase of mobile devices (e.g. smartphones) have diminished the capability differences that used to exist between fixed and mobile services. Consequently, our business has faced and is expected to continue to face significant competition across all of our product and service offerings.

Video

We compete primarily with Direct-to-Home (**DTH**) service providers, including the incumbent Chilean telecommunications operator Movistar (**Movistar**), América Móvil, S.A.B. de C.V. (**Claro**), Empresa Nacional de Telecomunicaciones S.A. (**Entel**), GTD Manquehue (**GTD**) and DirecTV, among others. Movistar offers single-play, double-play and triple-play packages using DTH for video and digital subscriber line (**DSL**) for internet and fixed-line telephony and offers mobile services. On a smaller scale, Movistar also offers IPTV services over FTTx networks in Chile. Claro offers triple-play packages using DTH and, in most major cities in Chile, through a hybrid fiber coaxial cable network. To a lesser extent, we also compete with video services offered by or over networks of fixed-line telecommunications providers using DSL technology. To compete effectively, we focus on enhancing our subscribers' viewing options in and out of the home by offering VoD, catch-up television, digital video recorder (**DVR**) functionality, television over the internet (through the web or mobile Apps), Horizon TV and a variety of premium channels. These services and its variety of bundled options, including internet and telephony, enhance our competitive position.

Broadband Internet

With respect to broadband internet services and online content in Chile, we face competition in a rapidly evolving marketplace from incumbent and non-incumbent telecommunications companies, mobile operators and cable based internet service providers (**ISPs**), many of which have substantial resources. The internet services offered by these competitors include fixed-line broadband internet services using cable, DSL or FTTx networks and wireless broadband internet services. These competitors have a range of product offerings with varying speeds and pricing, as well as interactive services, data and other non-video services offered to homes and businesses. With the demand for mobile internet services increasing, competition from wireless services using various advanced technologies is a competitive factor. Like us, competitors in certain of our markets offer high-speed mobile data via LTE wireless networks. In addition, the deployment of 5G technologies, which after the favorbale conclusion of SubTel's public bids on spectrum for 5G technologies, as described below, is expected to occur within the next few years, will allow the interaction of countless new devices with the wireless networks. In this intense competitive environment, speed, bundling, and pricing are key drivers for customers.

We face competition primarily from non-cable-based ISPs, such as Movistar and Entel, and from other cable-based providers, such as Claro, GTD and Mundo Pacifico. Competition is particularly intense with each of these companies offering competitively priced services, including bundled offers with high-speed internet services. Mobile broadband competition is significant as well. Movistar, Claro, WOM S.A. (**WOM**) and Entel have robust LTE networks for high-speed mobile data. Also, in February 2021, Entel, Movistar, WOM and Claro were awarded with several spectrum bands to provide mobile services using 5G technologies.

Fixed and Mobile Telephony Services

We face competition from the incumbent telecommunications operator, Movistar, and other telecommunications operators. Movistar has substantial experience in providing telephony services, resources to devote to the provision of telephony services and long-standing customer relationships. Price is a key factor as are bundles with quality services. We distinguish our services by delivering reliable market leading internet access speeds with attractive bundled offers.

Movistar, Claro, and Entel are the primary companies that offer mobile telephony in Chile. In mid-2015, WOM entered the mobile services market through its acquisition of the Nextel Chile network. WOM continues to exert significant competitive pressure in the mobile market with its very aggressive price offers. Such pricing is driving down sales and increasing churn in the mobile market. As an MVNO, VTR offers its mobile services on a standalone basis. To attract and retain customers, VTR focuses on its triple-play and double-play customer bases, offering them postpaid mobile accounts at an attractive price.

Regulatory Matters

We are subject to regulation and enforcement by various governmental entities in Chile, including the Chilean Antitrust Authority (*Fiscalía Nacional Económica* or **FNE**), the Ministry of Transportation and Telecommunications (the **Ministry**) through the Sub-secretary of Telecommunications (**SubTel**), the National Television Council (**CNTV**) and the National Consumer Service (**Sernac**).

In addition to the specific regulations described below, we are subject to certain regulatory conditions, which were imposed by the Chilean Antitrust Agency in connection with our combination with Metrópolis Intercom SA in April 2005. These conditions are indefinite and include, among others, (i) prohibiting VTR and its control group from participating, directly or indirectly through a related person, in Chilean satellite or microwave television businesses, (ii) prohibiting VTR from using its market power over programmers without justification, (iii) prohibiting VTR from obtaining exclusive broadcast rights, except for specific events, (iv) requiring VTR to offer its broadband capacity for resale of internet services on a wholesale basis, and (v) requiring VTR to maintain a uniform single price policy for all of the national territory. In September 2019, VTR submitted a petition to the Chilean Competition Court (**TDLC**) to lift all the above-mentioned conditions. VTR asserts that such conditions should only have been adopted for a transitional period and that they have been in place for an excessively long period during which the market structure and levels of competition have materially changed. Objections were filed by other operators and by the Free Competition Prosecutor and SubTel. In December 2019, the TDLC joined this procedure with an adversarial procedure initiated by AMC Networks Latin America LLC (**AMC**) against VTR. In 2019, AMC alleged that VTR had violated condition (ii) noted above by not agreeing to a content distribution agreement with AMC (see below for more information regarding this matter). We can’t estimate at this time when this matter will be resolved.

Telecommunications and Media Law

Telecommunications services are mainly regulated in Chile by the Ministry through SubTel. Its main purpose is to regulate, direct, control, promote, develop and provide guidelines for telecommunications in Chile. Also, SubTel is in charge of granting most of the telecommunications concessions, permits and licenses in Chile. In addition, SubTel is the governing body authorized to provide technical interpretations of the telecommunications laws and regulations.

Our business is subject to comprehensive regulation under Law No. 18,168 (*Ley General de Telecomunicaciones* or the **Telecommunications Law**), which regulates telecommunications networks and services and provides the general legal framework for the installation, operation and supply of telephone services, services related to interconnection, transmission to other operators and long distance, services related to television and professional radio broadcasting, radio-communication and cable television, internet access services, and amateur radio. For the provision of the above services, SubTel grants three types of authorizations: Concessions for public, intermediate and broadcasting services; permits for limited (private) services; and licenses for amateur services. The Ministry has the authority to impose sanctions, including warnings, fines, suspensions and, in certain specific cases, termination of the concession or permit. The Telecommunications Law specifies causes for the termination of an operator’s public or intermediate service license, including the failure to comply with certain technical requirements, repeated sanctions imposed due to the interruption of services or interruption of services for more than 3 days without SubTel authorization, failure to pay any fine imposed in a timely manner, modifications to the term or types of services provided in the applicable concession and failure to pay any fees related to certain rights to use radio spectrum and the non-use of the relevant concession within the term of one year from its granting. Such sanctions can be appealed and reviewed by the Santiago Court of Appeals or, in case of termination of the concession or permit, by the Chilean Supreme Court.

In addition, we are subject to the Law No. 18,838 (*Ley que crea el Consejo Nacional de Televisión* or **Television Act**), which oversees television content and the relationships between pay television operators and free-to-air operators. The agency responsible for overseeing and enforcing this legislation is the CNTV which is also in charge of granting free-to-air concessions.

Video

The provision of pay television services requires a permit issued by the Ministry. Cable pay television permits are granted for an indefinite term and are non-exclusive. As these permits do not involve radio electric spectrum, they are granted without ongoing duties or royalties. We have permits to provide cable pay television services in most of the medium- and large-sized markets in Chile.

Cable television service providers in Chile are free to define the channels and content included in their services and are not required to carry any specific programming, except as described below. However, CNTV may impose sanctions on providers who are found to have run programming containing excessive violence, adult content other objectionable programming or advertising of certain categories of products within certain time slots throughout the day. Pay television operators are directly responsible for violation of such prohibitions. Additionally, the Chilean Television Act (the **Television Act**) requires pay television operators to offer a certain quota of cultural content and to distribute public interest campaigns.

The Television Act establishes a retransmission consent regime between broadcast television concession holders and pay television operators. This regime provides that once a broadcast operator achieves digital coverage of 85% of the population within its concession areas, the broadcast operator may require that pay television operators enter into an agreement for the retransmission of its digital signal. In addition, the Television Act requires that the technical or commercial conditions imposed by broadcast operators not discriminate among pay television operators. Also, the Television Act establishes a must-carry regime requiring pay television operators to distribute up to four local broadcast television channels in each operating area. The channels that must be carried by any particular pay television operator are to be selected by CNTV. The full implementation of the retransmission and must-carry regimes are still pending.

Our ability to change our channel lineup is restricted by an agreement reached with Sernac in July 2012 and the general regulation established by SubTel in February 2014 (by the Telecommunication Services General Rulemaking). This framework allows us to change one or more channels from our lineup after a 60-day notice period to our subscribers. In such cases, we shall offer a channel of similar content and quality or a proportional compensation. Despite this, TVI, a mid-sized programmer in Chile, sued VTR in July 2016, after VTR's decision to remove TVI's channels from its channel lineup. TVI argued that VTR was violating the condition set out in the 2005 VTR/Metrópolis merger conditions (as summarized above), which prohibits VTR from using its market power to unjustifiably refuse to contract with programmers. The TDLC dismissed the lawsuit, but the Supreme Court, in May 2019, reversed that decision questioning the termination procedure applied by VTR. The Supreme Court required VTR to open a new negotiation period and if no agreement was reached, to return TVI's channels until the original contractual term is fulfilled. As a result, the TVI channels have been reinstated on VTR's channel lineup. Using the precedent from the TVI case, in August 2019, AMC sued VTR claiming a breach of the condition related to contracting with programmers. This process is still pending and was joined with VTR's petition to lift the 2005 merger conditions as described above. Additionally, a consumer association filed a class action against VTR requesting that VTR compensate clients with a permanent discount on the monthly rent for each change of channels or, in the alternative, the nullification of the power enshrined in VTR's subscriber contract that authorizes the company to change its channel lineup. This collective process is still pending.

Broadband Internet

A law passed in November 2017 requires all ISPs to apply for a public service concession for data transmission within three months of the passage of such law. Because we operate via networks that were previously approved by SubTel, we timely applied, and an approval is pending.

A law on internet neutrality prohibits "arbitrary blockings" of legal content, applications or services and the provision of differentiated service conditions according to the origin or ownership of the content or service provided through the internet. Additionally, the law authorizes ISPs to take measures to ensure the privacy of their users and provide virus protection and safety processes over their network, as long as these measures do not infringe antitrust laws. Additional measures have been implemented, including obligations related to consumer information, traffic management policies, internet quality of service requirements and notices required by law concerning the effective maximum and minimum traffic speeds offered under internet access plans.

In order to protect the constitutional rights of privacy and safety of communications, ISPs are prohibited from undertaking surveillance measures over data content on their networks. Also, special summary proceedings have been created in order to safeguard intellectual property rights against violations committed through networks or digital systems. These proceedings include measures designed to withdraw, disqualify or block infringing content in the ISP's network or systems. The law also provides for the right of intellectual property owners to judicially request from ISPs the delivery of necessary information to identify the provider of infringing content.

A law passed in November 2017 requires all fixed and mobile ISPs to meet levels of quality of service, guarantee a minimum broadband throughput based on the offered speed, and provide their subscribers with a certified measurement tool allowing subscribers to verify this minimum service level, imposing fines or penalties to ISPs if the service level is not fulfilled. During 2020, the Ministry issued the Regulation on the Organization, Operation, and Public Tender Mechanism of the Independent Technical Body (OTI) which, according to this legal framework, will be responsible for performing the quality-of-service measurements. Also, SubTel issued a technical rule on the service levels that ISPs need to comply with in the provision of their internet service. Finally, as required by the above regulation, major ISPs organized a Representative Committee and filed before SubTel a proposal of the terms and conditions of the public tender to designate the OTI (which is not approved by SubTel yet).

Fixed and Mobile Telephony Services

The provision of fixed-line telephony and mobile services requires a public telecommunications service concession. We have concessions to provide fixed-line telephony in most major and medium-sized markets in Chile. Telephony concessions are non-exclusive and have renewable 30-year terms. The original term of our fixed-line telephony concessions expires in November 2025. Long distance telephony services are considered intermediate telecommunications services and, as such, are also regulated by the Ministry. We have concessions to provide this service, which is non-exclusive, for a 30-year renewable term expiring in September 2025.

We also hold concessions to provide fixed-wireless local telephony service on the 3.5 GHz band in several regions of the country. These concessions have renewable 30-year terms, expiring in 2036. Since this band is being considered by SubTel for the provision of 5G services, several legal and regulatory issues have challenged our concessions rights during the last three years. In 2018, SubTel partially froze 20MHz of the 50 MHz concessions granted to us in order to evaluate future 5G concession public bids. We are contesting SubTel's legal ability to take such a measure. In addition, in November 2018, Movistar (also affected by SubTel's above measure) asked the TDLC to rule on whether the decision to keep part of the spectrum at 3.5 GHz available for immediate deployment (with potential use for mobile services), was consistent with previous decisions requiring this band to be allocated to fixed services. In August 2020, the TDLC resolved the above consultation against the interests of Movistar. It also stated that in order to provide mobile services in the 3.5GHz band, a mobile services concession awarded by a public bid is required. Movistar filed a remedy against the TDLC's resolution before the Supreme Court, which is ongoing and pending review by the Supreme Court.

Regarding mobile telephony services, in 2009, SubTel awarded us a 30MHz concession in the 1700/2100 MHz band. The concession has a 30-year renewable term, expiring in 2040. In 2018, the Supreme Court declared a 60 MHz cap for mobile concessions, and recommended SubTel to review a new cap before the TDLC based on the new market conditions. In line with the above, SubTel filed an application before the TDLC in order to review the spectrum cap regime and the spectrum administration policy for the country under the notion that future telecommunication needs, especially for implementing 5G networks, will require broader bandwidth. In December 2019, the TDLC established a new dynamic spectrum cap regime, establishing maximum percentages per operator between 25% and 35% in different macro-bands. However, on July 13, 2020, the TDLC's decision was amended by the Supreme Court ruling which established dynamic caps per operator between 25% and 32%. It also established complementary measures such as: (a) obligation for incumbent operators that have a national coverage network to provide a temporary national roaming service to operators that are granted with spectrum but are still deploying the necessary infrastructure to fully compete with them; (b) obligation for incumbent operators that have a national coverage network to maintain, permanently available and updated, a viable offer for MVNO services, allowing the MVNO to provide to the public all the services that the incumbent can render; (c) permanent monitoring of the obligations described in (a) and (b) by SubTel and the FNE; (d) in every public bid of concessions that use radioelectric spectrum frequencies, awardees will be obliged to file and comply with an effective (real) and efficient (optimum) spectrum use plan, for the whole term of the concession; and (e) in advance of any contest for the awarding of telecommunications concessions that use radioelectric spectrum for the provision of a new service or technology, SubTel shall analyze if the incumbent operators can reasonably offer it through their preexistent frequencies immediately or prior optimization of such networks in reasonable terms and costs. In such a case, minor and/or entrant operators must be privileged for awarding purposes.

In August 2020, SubTel called for public bids in relation to 5G spectrum to award 5G licenses, in which we did not participate. On February 16, 2021, SubTel concluded the 5G spectrum public bids procedures. As a result of the above, SubTel awarded spectrum blocks for the provision of 5G technology based services in the following segments: (i) 700MHz, awarded to WOM (20MHz); (ii) AWS E, awarded to WOM (30MHz); (iii) 3.5GHz, awarded to Entel, Movistar, and WOM (50MHz each); and (iv) 26GHz, awarded to Claro, Entel, and WOM (400MHz each).

There are no universal service obligations in Chile. However, local service concession holders are obligated to provide telephony service to all customers that are within their service area or are willing to pay for an extension to receive service. All local service providers, including us, must give long distance telephony service providers equal access to their network connections at regulated prices and must interconnect with all other public service concession holders whose systems are technically compatible.

As a general rule, fixed-line telephony service providers are free to establish the rates directly charged to their customers, unless the Chilean Antitrust Authority concludes that due to a lack of sufficient competition in the market, rates should be fixed by SubTel. However, SubTel sets the maximum rates that may be charged by each operator for interconnect charges, access charges between operators for calls originating on one network that are completed through connections with one or more networks of other providers. Rate regulation on interconnection charges is applicable to all fixed-line and mobile telephony companies, including us. The determination of the maximum rates that may be charged by operators for their fixed-line or mobile services are made on a case-by-case basis by SubTel and are effective for five years.

Other Chilean Regulation

Price Increase. The Consumer Rights Protection Law has been interpreted to require that any increase in rates exceeding inflation must be previously accepted and agreed to by subscribers. Although VTR disagrees with this interpretation, in July 2012, VTR reached an agreement with Sernac that permits VTR to make adjustments to its published prices twice per year to adjust for inflation, except those services that are subject to rate regulation. VTR is generally prohibited from increasing the rates over the inflation adjustment. VTR may, however, cancel a subscriber's contract after 12 months and propose a new contract with new rate provisions. Once a year VTR may propose to its existing subscribers additional changes to their rates, which must be accepted by the subscriber for the rates to go into effect.

Bundling. In 2012, the Chilean Antitrust Authority issued its regulation governing the on-net/off-net pricing practice in the mobile industry and the offering of bundled telecommunication services. Pursuant to the terms of this regulation, as revised by the Chilean Supreme Court, mobile services may be sold jointly with fixed-line services. However, promotional discounts are not permitted for these double-play offers. As for traditional bundling over the same platform (e.g., bundled fixed-line services such as our double-play and triple-play packages, or bundled mobile services), this regulation provides that such services may be bundled, subject to certain price limitations. These limitations require that the total price for a bundle must be greater than the standalone price for the most expensive service included in the bundle. Also, when three or more services are bundled, the price for the bundle must be greater than the sum of the standalone prices for each service in the bundle, excluding the lowest priced service.

Consumer's Rights Protection Law. In 2018, a bill was enacted introducing significant new powers to Sernac including a material increase in its ability to levy fines and compensations.

Automatic Roaming Law. In July 2020, Law No. 21 245 on National Automatic Roaming was published in the Official Gazette (the National Automatic Roaming Law), which requires all operators that hold radioelectric spectrum to boost coverage in "digital divide" areas (i.e., rural or isolated areas where subsidized infrastructure was rolled out as result of specific bids, where operators were required to provide services as a condition to obtaining spectrum and where there are greater connectivity issues), by permitting access and use of their networks to other concessionaires of public services, along with allowing the operation of MVNOs, under certain requirements and conditions to be established in a future regulation issued by the Ministry.

Technical Rule on General Network Cybersecurity Requirements for Telecommunications Services. In August 2020, SubTel issued a technical rule for the secure design, installation, and operation of the networks and systems used for the provision of telecommunications services. This technical rule establishes a series of obligations related to network management, prevention, mitigation, design, and risk analysis, among other require ments regarding cybersecurity (e.g., failure reporting), applicable to "relevant" and "non relevant", as provided by the same.

Consumer Protection Law

All of our subsidiaries with operations in Chile are subject to the *Ley de Protección al Consumidor* (**Consumer Protection Law**). Compliance with the Consumer Protection Law is overseen by Sernac.

A consumer association filed a class action against VTR requesting that VTR compensate clients with a permanent discount on the monthly rent for each change of channels or, in the alternative, the nullification of the power enshrined in VTR's subscriber contract that authorizes the company to change its channel lineup. This collective process is still pending.

Sernac filed in July 2020 a class action against VTR in order to obtain compensation for the affected consumers, due to deficiencies on the quality of the internet service. The action was filed after Sernac received more than 11,000 complaints from consumers against VTR during 2020. VTR is also facing other class actions filed by consumer associations in 2020 based on similar reasons, all of which are currently ongoing. See "*—Legal Proceedings*" below. We do not have any other material proceedings arising from the Consumer Protection Law, and we believe we are in compliance with all material aspects of such law.

On September 2018, Law No. 21,081 was published in the Official Gazette in Chile, which includes different amendments to the Consumer Protection Law. This law provides Sernac with abilities to supervise, to interpret and to propose the issuance, modification or elimination of legal or regulatory provisions. Notwithstanding these new abilities of Sernac, it does not have the authority to impose fines directly; it must occur before the courts. Sernac also has more resources and tools to expand its investigative abilities, such as the regulation of voluntary collective procedures. Regarding this new administrative procedure, VTR has not yet been invited to participate in any voluntary collective procedure.

This new determination system includes several mitigating and aggravating circumstances which, after being evaluated by the judge, must be indicated as a statement in the judicial ruling. Among the mitigating and aggravating circumstances to be considered for the application of fines, there is the possibility for suppliers to develop and implement compliance plans, which must be designed in accordance to the Technical Specification INN/ET1 published by the National Institute of Normalization (INN) and be certified under the provisions of a specific regulation which is still pending. The entry into force of this new law will be completed within 24 months as of its publication and will be gradually applied throughout the different regions in Chile.

The reform also extends the applicable statute of limitations from 6 months to 2 years, beginning when the infraction ceases instead of when it occurs, and, regarding the statute of limitations of civil actions (damages compensation), the Act expressly establishes that the Civil Code’s general rules will be applicable (five years for contractual obligations and four years if there was no contract).

During 2020, Sernac launched an online platform called “Me Quiero Salir”, providing consumers with a tool by which they may request the early termination of one or more service agreements entered into with a telecommunications company. Once a consumer requests the termination of an agreement through Sernac’s platform, telecommunications companies shall have one business day from the notification of such request (made by Sernac) to terminate such agreement. This is notwithstanding the right of the telecommunications companies to charge, according to their own billing and/or equipment return policies, for periods not billed. They may also generate credit notes and/or request the return of the equipment, if applicable. If a telecommunications company exceeds the mentioned term without terminating the agreement, Sernac may (i) refer the information to SubTel; (ii) denounce; (iii) supervise; (iv) initiate a voluntary collective procedure; or (v) execute any other protection mechanism under its legal attributions. As of January 2021, VTR was the company with the highest number of requests filed by consumers to terminate their telecommunication agreements under this platform.

Finally, the Consumer Rights Protection Law has been interpreted to require that any raise in rates exceeding inflation must be previously accepted and agreed to by subscribers. Although we disagree with this interpretation, in July 2012, we reached an agreement with Sernac that permits us to make adjustments to our published prices twice per year to adjust for inflation, except those services that are subject to rate regulation. We are generally prohibited from increasing the rates over the inflation adjustment. We may, however, cancel a subscriber’s contract after 12 months and propose a new contract with new rate provisions. Once a year we may propose to our existing subscribers additional changes to their rates, which must be accepted by the subscriber for the rates to go into effect.

Antitrust Matters

All of our subsidiaries with operations in Chile are subject to the Chilean antitrust regulation, which is mainly comprised in Decree Law No. 211 (**Chilean Competition Law**). Compliance with the regulation is enforced by the FNE, the TDLC and the Supreme Court in case of appeals. The Chilean Competition Law was recently amended by Law No. 20,945, which introduced several reforms, expressly including rules relating to the mandatory merger control regime, which is currently fully applicable. According to Chilean law, a transaction shall be subject to mandatory ex-ante merger control if two requirements are met: (1) the transaction is deemed a “concentration operation”, and (2) the sale amounts of the economic agents that participate in the transaction meet certain turnover thresholds defined by the FNE.

On December 18, 2012, the TDLC issued General Instruction No. 2/2012 (the **General Instruction**) governing the on-net/off-net pricing practice in the mobile telephony industry and the offering of bundled telecommunications services. On December 17, 2013, the Supreme Court issued a decision revising the General Instruction. Pursuant to the terms of the General Instruction, as revised by the Supreme Court, mobile services may be sold jointly with fixed-line services. However, promotional discounts were not permitted for these double play offers. As for traditional bundling over the same platform (e.g., bundled fixed-line services such as our double- and triple-play packages, or bundled mobile services), the General Instruction provides that such services may be bundled, subject to certain price limitations. These limitations require that the total price for a bundle must be greater than the stand-alone price for the most expensive service included in the bundle. Also, when three or more services are bundled, the price for the bundle must be greater than the sum of the stand-alone prices for each service in the bundle, excluding the lowest priced service. Subsequently, the TDLC issued the General

Instruction No. 4/2012, which established, as an exception to the General Instruction the single-contract group plans. The TDLC may review these regulations at any time, either by its own initiative or at the request of any actor in case of relevant changes in the market conditions.

Legal Proceedings

On August 25, 2020, VTR was notified that Sernac had filed a class action complaint against VTR in the 14th Civil Court of Santiago. The complaint relates to consumer complaints regarding VTR's broadband service and capacity during the pandemic and raises claims regarding, among other things, VTR's disclosure of its broadband speeds and aggregate capacity availability and VTR's response to address the causes of service instability during the pandemic. VTR was also notified in August 2020 about two additional class action complaints filed by two Chilean consumer associations (ODECU and AGRECU) making similar claims and allegations. The class action complaint of ODECU was filed in the 21st Civil Court of Santiago, and the class action complaint of AGRECU was filed in the 26th Civil Court of Santiago. The complaint of Sernac and ODECU seeks (i) the Court declare that VTR has infringed the rules of the Consumer Protection Law; (ii) the responsibility of VTR for such infractions and, if so, establish the corresponding fines; and (iii) compensatory damages. In the case of AGRECU, the complaint only seeks compensatory damages. On October 22, 2020, VTR was notified of a fourth class action complaint filed by CONADECUS in the 16th Civil Court of Santiago alleging that VTR did not adhere to certain call center, technical visit and service level requirements under applicable law. We believe that the allegations contained in the complaints are without merit, in particular as it relates to VTR's service and response during the pandemic, and intend to defend the complaints vigorously. We cannot predict at this point the length of time that these actions will be ongoing. Additionally, a liability, if any, or a reasonable range of loss is not currently determinable based upon the current facts and circumstances of these claims.

In addition, from time to time, we are a party to various legal proceedings that arise in the normal course of our business. While the results of such normal course legal proceedings cannot be predicted with certainty, management believes that, based on our current knowledge, the ultimate resolution of these matters would not likely have a material adverse effect on our business, financial condition or results of operations. However, in view of the inherent difficulty of predicting the outcome of legal matters, we cannot state with confidence what the eventual outcome of these pending matters will be, what the timing of the ultimate resolution of these matters will be or what the eventual loss, fines or penalties related to any such pending matter may be.

Our Intellectual Property

We own approximately 600 trademarks and other intellectual property rights in Chile. In addition, our services often use the intellectual property of others, such as licensed software, and we often license copyrights, patents and trademarks from others. We vigorously protect our rights in and to our owned and licensed trademarks and other intellectual property rights. Furthermore, we currently pay royalty fees to certain Chilean copyright collectives, including "*Sociedad Chilena de Derecho de Autor*" and "*Chileactores*," which manage the copyrights of record companies, musicians and local actors that appear in our programming.

Properties

We own or lease the facilities necessary for the operation of our business, including office space, transponder space, broadband facilities, other technical support and engineering space, customer service space, network center space and other property (including cable television and telecommunication distribution equipment, telecommunication switches and customer services equipment) necessary for our operations. We fund lease payments for stores in which our mobile products are sold and serviced and contract with third parties who operate these facilities. The physical components of our broadband network require maintenance and periodic upgrades to support the new services and products they introduce. Subject to these maintenance and upgrade activities, we believe that our facilities meet our present needs and that our properties are generally well maintained and suitable for their intended use. We believe that we generally have sufficient space to satisfy the demand for our products in the foreseeable future, but we maintain flexibility to move certain operations to alternative premises.

Employees

As of December 31, 2020, we had an aggregate of approximately 1,700 full-time employees, of whom approximately 39% belong to one of five unions. We negotiate new agreements with each union on a staggered basis approximately every three years. We believe that our relations with our employees and unions are good.

MANAGEMENT AND GOVERNANCE

Executive Management of VTR

The executive management team of VTR as of December 31, 2020 was comprised of the following individuals:

Name	Current Position	Years of Service
Guillermo Ponce	Chief Executive Officer	25
Marcelo Von Chrismar	VP, Finance and Administration (CFO)	16
Alejandra Jalon	VP, People	13
Pedro Assael	VP, Products and Marketing	9
Juan Francisco Muñoz	VP, Systems & Processes (IT)	3
Miguel Oyonarte	VP, Legal and Corporate Affairs	2
Francisco Gana	VP, Business to Business	1

Below is a brief biographical outline of each of the members of our executive management team.

Guillermo Ponce

Mr. Ponce, 49, has served as our Chief Executive Officer since 2011. Previously, he served as Vice President of Sales and Operations, as well as Customer Care Manager and other positions within our company since 1993. Previously, he was an advisor for the Chilean think tank, Latin American Economic Research Corporation (**CIEPLAN**). He holds an Engineering degree from the Universidad de Chile and a Master in Business Administration (**MBA**) degree from the University of California, Los Angeles.

Marcelo Von Chrismar

Mr. Von Chrismar, 51, has served as our Vice President of Finance and Administration (CFO) since 2006. Previously, he served as our Manager of Administration and Finance. Mr. Von Chrismar holds a degree in Economics from the Universidad de Chile and an MBA degree from IESE Business School, Universidad de Navarra (Spain). Prior to joining us, he was the CFO of Canal 13, one of the main open TV broadcasters in Chile.

Alejandra Jalon

Alejandra Jalon, 43, has served as our Vice President of People since 2021. Previously, she served as Head of Talent in Liberty Latin America Ltd. as well as other positions in VTR since 2008. Mrs. Jalon holds a degree in Psychology from the Pontifica Universidad Catolica de Chile.

Pedro Assael

Mr. Assael, 54, has served as our Vice President of Products and Marketing since 2012. Previously, Mr. Assael held a number of executive positions at Telefonica and Banco de Chile. Also, between 2000 and 2005, he held the position of Internet manager at VTR GlobalCom SpA. Mr. Assael holds a degree in Engineering from the Universidad Católica de Chile and an MBA degree from the Massachusetts Institute of Technology (MIT).

Juan Francisco Muñoz

Juan Francisco Muñoz, 51, has served as our Vice President of Systems and Processes (IT) since July 2018. From March 2014 to July 2018, he was CEO of Maderas Cóndor group; he also held the position of COO in Enjoy (main casino and resort operator in Chile) from October 2011 to September 2013. Previously he had been part of VTR for more than seven years as Zone Manager (south of Chile) and later as Vice President of Systems & Customer Operations. He as also held different managerial positions in the local entertainment industry. Juan holds a degree in Engineering from Universidad de Chile and post graduate studies in finance at Universidad Católica de Chile.

Miguel Oyonarte

Mr. Oyonarte, 51, has served as our VP of Legal and Corporate Affairs since 2017. Previously, he served from 2015 to 2017 as Director of Legal, Corporate Affairs and Human Resources in Claro Chile. Between 2001 and 2013 he held the position of VP of Legal and Regulatory, Corporate Affairs at Nextel Chile. Mr. Oyonarte holds a degree in law from the Universidad de Chile and a LLM Degree from Notre Dame University, US.

Francisco Gana

Francisco Gana, 40, has a Business Administration degree from the Universidad de los Andes, as well as a Master of Business Administration (MBA) from the Pontificia Universidad Católica de Chile (PUC). Before joining VTR, Francisco worked for 15 years at Entel. Since 2017, he served as Mobile Telephony Consumer Market Manager and later as Leader of Business Development for Business and Corporate segment. As VP Business to Business, Francisco leads the commercial strategy for the various companies in VTR, with special focus on Small and Medium Enterprises (SMEs).

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis, which should be read in conjunction with our consolidated financial statements, is intended to assist in providing an understanding of our results of operations and financial condition and is organized as follows:

- *Overview.* This section provides a general description of our business and recent events.

- *Results of Operations.* This section provides an analysis of our results of operations for the years ended December 31, 2020 and 2019.

- *Liquidity and Capital Resources.* This section provides an analysis of our liquidity, consolidated statements of cash flows and contractual commitments.

- *Critical Accounting Policies, Judgments and Estimates.* This section discusses those material accounting policies that involve uncertainties and require significant judgment in their application.

Unless otherwise indicated, convenience translations into the Chilean peso are calculated, and operational data (including subscriber statistics) are presented, as of December 31, 2020.

A discussion regarding our financial condition and results of operations for the year ended December 31, 2019 compared with the year ended December 31, 2018 can be found under captions entitled "Results of Operations" and "Liquidity and Capital Resources" in the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" of our VTR Finance N.V. Annual Report for the year ended December 31, 2019 issued on March 17, 2020, which is available free of charge through the Company's website, www.lla.com/ir.html. The Company's website and the information contained therein, or incorporated therein, are not intended to be incorporated into this annual report.

Overview

General

We are a subsidiary of Liberty Latin America that provides video, broadband internet, fixed-line telephony and mobile services to residential and business customers in Chile.

Operations

At December 31, 2020, we (i) owned and operated fixed networks that passed 3,848,600 homes and served 2,848,800 revenue generating units (RGUs), comprising 1,286,100 broadband internet subscribers, 1,065,500 video subscribers and 497,200 fixed-line telephony subscribers and (ii) served 280,300 mobile subscribers.

COVID-19

In December 2019, COVID-19 was reported in Wuhan, China. On March 11, 2020, the World Health Organization declared the outbreak a "pandemic," pointing to the sustained risk of further global spread. To date, cases of COVID-19 have been confirmed in Chile. During 2020, COVID-19 has negatively impacted our operations, due to resulting lockdowns, moratoriums, cancellation of live sporting events, and mobility and travel restrictions. The implications of these restrictions have been (i) the issuance of discounts to customers, (ii) customers experiencing network connection-related issues stemming from the significant increase, over a short period of time, in the capacity usage by our customers, and (iii) delayed or deferred customer payments and increased customer churn. To that end, we experienced increased RGU churn following network challenges related to the increased bandwidth demand earlier in the year. We have carried out a number of operational actions to improve the experience for our customers. These factors collectively resulted in declines in revenue through lower ARPU (as defined below) associated with our residential fixed subscription services. The extent to which COVID-19 continues to impact our operational and financial performance will depend on certain developments, which include, among other factors:

- the duration and spread of the outbreak;
- the ability of governments and medical professionals in our markets to respond further to the outbreak, including securing access to a vaccine and vaccinating citizens;
- the actions by governments to require the extension of services for individuals regardless of payment status;
- the impact of changes to, or new, government regulations imposed in response to the pandemic, including laws and moratoriums;
- the impact on our customers and our sales cycles;

- the impact on actual and expected customer receivable collection patterns, including the impact of such patterns on our allowance for bad debt provisions following the adoption of ASU 2016-13 on January 1, 2020;
- the impact on our employees, including that from labor shortages or work from home initiatives;
- the impacts on foreign currency and interest rate fluctuations; and
- the effect on our vendors, as COVID-19 could have adverse impacts on our supply chain thereby impacting our customers' ability to use our services.

Given the impacts of COVID-19 continue to rapidly evolve, the extent to which COVID-19 may further impact our financial condition or results of operations continues to be uncertain and cannot be predicted at this time. The heightened volatility of global markets resulting from COVID-19 further exposes us to risks and uncertainties.

As COVID-19 continues to spread, we have taken, and expect to continue to take, a variety of measures to promote the safety and security of our employees, and ensure the availability of our communication services. To this end, we upgraded our network in an effort to handle peak traffic, accelerated our digital transformation efforts, including self-installations for as many of our services and customers as possible, developed innovative pricing plans that meet customers' needs across our products and services, and changed our cost structure.

Strategy and Management Focus

We strive to achieve "organic" revenue and customer growth in our operations by developing and marketing bundled entertainment, information and communications services, and extending and upgrading the quality of our networks where appropriate. While we seek to increase our customer base, we also seek to maximize the average revenue we receive from each household by increasing the penetration of our video, broadband internet, fixed-line telephony and mobile services with existing customers through product bundling and up-selling.

We are engaged in a network extension and upgrade program. We collectively refer to this network extension and upgrade program as the "**Network Extension**." The Network Extension will be completed in phases with priority given to the most accretive expansion opportunities. During 2020, our network extension and upgrade program passed approximately 160,000 homes across our footprint. Depending on a variety of factors, including the financial and operational results of the programs, the Network Extension may be continued, modified or cancelled at our discretion.

For information regarding our expectation with regard to property and equipment additions as a percent of revenue during 2021 see *Liquidity and Capital Resources—Consolidated Statements of Cash Flows* below.

Competition and Other External Factors

We are experiencing significant competition from other telecommunications operators and other providers. The significant competition has adversely impacted our revenue, RGUs and/or average monthly subscription revenue per average RGU (**ARPU**). In Chile, competition increased, as VTR's fixed-line competitors upgraded their networks at a faster rate than in prior years. For additional information regarding the revenue impact of changes in our RGUs and ARPU, see *Results of Operations* below.

We are exposed to foreign currency exchange rate risk due to the fact that a portion of our operating expenses and capital expenditures are denominated in U.S. dollars. We are exposed to net variability in the U.S. dollar to Chilean peso exchange rate on a significant portion of our expected nonfunctional currency spend. We have entered into foreign currency forward contracts to hedge some of this risk taking into consideration certain U.S. dollar receivables and cash on hand. For additional information regarding our derivative instruments, see note 4 to our consolidated financial statements.

Internal Controls and Procedures

As of December 31, 2020, we have identified the following material weaknesses, which were previously disclosed in our annual report for the year ended December 31, 2019:

- The Company did not have a sufficient number of trained resources with the appropriate skills and knowledge with assigned responsibilities and accountability for the design and operation of general information technology (**IT**) controls.

- The Company did not have an effective risk assessment process that successfully identified and assessed risks of misstatement to ensure general IT controls and the related automation were designed and implemented to respond to those risks. The Company did not adequately communicate the changes necessary in financial reporting and related general IT controls throughout its organization and to affected third parties.

- The Company did not have an effective monitoring process to assess the consistent operation of internal control over financial reporting and to remediate known control deficiencies related to general IT controls.

- The Company did not have an effective information and communication process to identify, capture and process relevant information necessary for financial accounting and reporting.

- The Company did not (i) establish effective general information technology controls (**GITCs**), specifically program change controls and access controls, commensurate with financial and IT personnel job responsibilities that support the consistent operation of the Company's IT operating systems, databases and IT applications, and end user computing over all financial reporting, and (ii) have policies and procedures through which general information technology controls are deployed across the organization. Automated process-level controls and manual controls dependent upon the accuracy and completeness of information derived from information technology systems were also rendered ineffective because they are affected by the lack of GITCs.

As a consequence, the Company did not effectively design, implement and operate process-level control activities related to order-to-cash (including revenue, trade receivables, and deferred revenue), procure-to-pay (including operating expenses, prepaid expenses, accounts payable, and accrued liabilities), hire-to-pay (including compensation expense and accrued liabilities), long-lived assets, inventory and other financial reporting processes.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis.

These control deficiencies did not result in identified material misstatements in our consolidated financial statements as of and for the year ended December 31, 2020.

Management's Remediation Plan

We have initiated a plan to remediate the aforementioned material weaknesses in internal control over financial reporting as follows:

- Hire, train, and retain individuals with appropriate skills and experience, assign responsibilities and hold individuals accountable for their roles related to GITCs and the related automation.

- Design and implement a comprehensive and continuous risk assessment process for GITCs to identify and assess risks of material misstatement and ensure that the impacted financial reporting processes and related internal controls are properly designed and in place to respond to those risks in our financial reporting.

- Design and implement additional monitoring controls to assess the consistent operation of GITCs, including those performed by our service providers, and to remediate deficiencies.

- Design and implement GITCs, including the system development lifecycle controls, and ensure they are operating effectively to support process-level automated and manual control activities that are dependent upon information derived from IT systems.

We are actively engaged in remediating our existing material weaknesses. We are unable to currently estimate how long full remediation will take. If our remedial measures are insufficient to address the material weaknesses, or if one or more additional material weaknesses in our internal controls over financial reporting are discovered, we may be required to take additional remedial measures from our plan as disclosed above.

Results of Operations

General

As we use the term, "**Adjusted OIBDA**" is defined as operating income or loss before share-based compensation, depreciation, related-party fees and allocations, provisions and provision releases related to significant litigation and impairment, restructuring and other operating items. Other operating items include (i) gains and losses on the disposition of long-lived assets, (ii) third-party costs directly associated with successful and unsuccessful acquisitions and dispositions, including legal, advisory and due diligence fees, as applicable, and (iii) other acquisition-related items, such as gains and losses on the settlement of contingent consideration.

Changes in foreign currency exchange rates may have a significant impact on our operating results, as we have contracts denominated in U.S. dollars. For example, the average foreign currency exchange rate (utilized to translate our consolidated financial statements) for the U.S. dollar per one Chilean peso appreciated by 12% for the year ended December 31, 2020, as compared to 2019. This significantly impacted our programming costs, as discussed below.

We are subject to inflationary pressures with respect to certain costs and foreign currency exchange risk with respect to costs and expenses that are denominated in U.S. dollars (non-functional currency expenses). Any cost increases that we are not able to pass on to our subscribers would result in increased pressure on our operating margins.

Revenue

We derive our revenue primarily from (i) residential fixed services, including video, broadband internet and fixed-line telephony, (ii) residential mobile services and (iii) B2B services.

While not specifically discussed in the below explanations of the changes in our revenue, we are experiencing significant competition in our market. This competition has an adverse impact on our ability to increase or maintain our RGUs and/or average monthly subscription revenue per average fixed RGU or mobile subscriber, as applicable, (**ARPU**).

Variances in the subscription revenue that we receive from our customers are a function of (i) changes in the number of RGUs or mobile subscribers during the period and (ii) changes in ARPU. Changes in ARPU can be attributable to (i) changes in prices, (ii) changes in bundling or promotional discounts, (iii) changes in the tier of services selected, (iv) variances in subscriber usage patterns and (v) the overall mix of fixed and mobile products during the period. In the following discussion, we discuss ARPU changes in terms of the net impact of the above factors on the ARPU that is derived from our video, broadband internet, fixed-line telephony and mobile products.

For the comparisons below, revenue variances, including changes in ARPU, were influenced by the impacts of COVID-19, as further discussed below and in *Overview* above.

Our revenue by major category is set forth below:

	Year ended December 31,		Increase (decrease)	
	2020	2019	CLP	%
	CLP in billions			
Residential revenue:				
Residential fixed revenue:				
Subscription revenue:				
Video	230.4	242.9	(12.5)	(5.1)
Broadband internet	262.0	257.5	4.5	1.7
Fixed-line telephony	58.1	68.8	(10.7)	(15.6)
Total subscription revenue	550.5	569.2	(18.7)	(3.3)
Non-subscription revenue	14.7	17.7	(3.0)	(16.9)
Total residential fixed revenue	565.2	586.9	(21.7)	(3.7)
Residential mobile revenue:				
Service revenue	44.1	44.0	0.1	0.2
Interconnect, equipment sales and other	6.5	8.4	(1.9)	(22.6)
Total residential mobile revenue	50.6	52.4	(1.8)	(3.4)
Total residential revenue	615.8	639.3	(23.5)	(3.7)
B2B service revenue	24.0	21.2	2.8	13.2
Total	639.8	660.5	(20.7)	(3.1)

The details of the changes in our revenue during 2020, as compared to 2019, are set forth below (CLP in billions):

Decrease in residential fixed subscription revenue due to change in:	
Average number of RGUs (a)	(3.9)
ARPU (b)	(14.8)
Decrease in residential fixed non-subscription revenue (c)	(3.0)
Total decrease in residential fixed revenue	(21.7)
Increase in residential mobile service revenue (d)	0.1
Decrease in residential mobile interconnect, equipment sales and other (e)	(1.9)
Increase in B2B service revenue (f)	2.8
Total	(20.7)

(a) The decrease is primarily attributable to the net effect of (i) lower average fixed-line telephony and video RGUs and (ii) higher average broadband internet RGUs, partially attributable to an increase in telecommuting during COVID-19 due to work-from-home mandates.

(b) The decrease is primarily due to lower ARPU from (i) video, primarily attributable to declines associated with the cancellation of live soccer matches broadcast on our premium programming, and (ii) fixed-line telephony.

(c) The decrease is primarily attributable to lower activations and installations as a result of COVID-19.

(d) The increase is due to the net effect of (i) higher average numbers of mobile subscribers and (ii) lower ARPU from mobile services.

(e) The decrease is primarily attributable to declines in (i) interconnect revenue due to decreased rates, partially offset by higher traffic, and (ii) handset sales due to the temporary closure of physical stores, as a result of COVID-19-related lockdowns.

(f) The increase is largely attributable to higher broadband internet and fixed-line telephony services.

Programming and other direct costs of services

Programming and other direct costs of services include programming and copyright costs, interconnect and access costs, commissions, costs of mobile handsets and other devices, and other direct costs related to our operations. Programming and copyright costs, which represent a significant portion of our operating costs, may increase in future periods as a result of (i) higher costs associated with the expansion of our digital video content, including rights associated with ancillary product offerings and rights that provide for the broadcast of live sporting events, (ii) rate increases or (iii) growth in the number of our video subscribers.

The following table sets forth the changes in programming and other direct costs of services:

	Year ended December 31,		Increase (decrease)
	2020	2019	
	CLP in billions		
Programming and copyright	129.0	119.9	9.1
Interconnect and commissions	31.1	36.5	(5.4)
Equipment and other	12.9	17.6	(4.7)
Total programming and other direct costs of services	173.0	174.0	(1.0)

- **Programming and copyright:** The increase is primarily due to the net effect of (i) an increase of CLP 10 billion in the foreign currency impact of programming contracts denominated in U.S. dollars, and (ii) a net decrease in certain premium and basic content costs, primarily due to (a) a decline associated with the renegotiation of a programming contract that governs content rates for live soccer matches that were cancelled, (b) an increase in rates in other premium and basic content cost and (c) lower subscribers of other premium and basic content.

- **Interconnect and commissions:** The decrease is primarily due to lower rates that were partially offset by higher volumes.

- **Equipment and other:** The decrease is primarily due to the net effect of (i) lower volumes of equipment sales as a result of changes in market dynamics and customer usage due to COVID-19-related restrictions and (ii) an increase of CLP 2 billion in the foreign currency impact on costs of handsets sales.

Other operating costs and expenses

Other operating costs and expenses set forth in the tables below comprise the following cost categories:

- **Personnel and contract labor related** costs, which primarily include salary-related and cash bonus expenses, net of capitalizable labor costs, and temporary contract labor costs;

- **Network-related** expenses, which primarily include costs related to network access, system power, core network, and CPE repair, maintenance and test costs;

- **Service-related** costs, which primarily include professional services, information technology-related services, audit, legal and other services;

- **Commercial**, which primarily includes sales and marketing costs, such as advertising, commissions and other sales and marketing-related costs, and customer care costs related to outsourced call centers;

- **Facility, provision, franchise and other**, which primarily includes facility-related costs, provision for bad debt expense, franchise-related fees, bank fees, insurance, travel and entertainment and other operating-related costs; and

- **Share-based compensation** costs that relate to (i) SARs, RSUs and PSUs issued to our employees and (ii) bonus-related expenses that will be paid in the form of equity.

The following table sets forth the change in other operating costs and expenses:

	Year ended December 31,		Increase (decrease)
	2020	2019	
	CLP in billions		
Personnel and contract labor	48.3	53.2	(4.9)
Network-related	53.1	44.3	8.8
Service-related	28.9	26.9	2.0
Commercial	60.4	55.3	5.1
Facility, provision, franchise and other	33.4	38.7	(5.3)
Share-based compensation expense	6.5	3.4	3.1
Total other operating costs and expenses	230.6	221.8	8.8

- **Personnel and contract labor:** The decrease is primarily due to (i) a decrease in salary-related costs, which includes a CLP 2 billion benefit for estimated bonus-related expense that has been recognized as share-based compensation expense, as certain 2020 bonuses will be paid in the form of equity, as further discussed below under *Share-based compensation expense*, and (ii) higher capitalized labor costs associated with certain development-related projects.

- **Network-related:** The increase is primarily due to (i) higher volumes of network access-related contracted labor and (ii) higher costs related to CPE refurbishment activity.

- **Service-related:** The increase is primarily due to (i) higher professional consultancy services and (ii) increased information technology costs associated with software maintenance and support.

- **Commercial:** The increase is primarily due to the net effect of (i) an increase in call center volumes as a result of the impact from COVID-19, (ii) a decrease in marketing and advertising expenses and (iii) higher sales commissions to third-party dealers.

- **Facility, provision, franchise and other costs:** The decrease is primarily due to (i) lower travel and entertainment costs due to curtailment of such costs as a result of the impact of COVID-19, (ii) lower bad debt and collection expenses, (iii) lower facilities-related expenses and (iv) lower bank-related fees.

Related-party fees and allocations

We recorded related-party fees and allocations of CLP 14 billion and CLP 8 billion during 2020 and 2019, respectively. These amounts include charges for services provided to our company by Liberty Latin America or subsidiaries of Liberty Latin America.

For additional information regarding our related-party fees and allocations, see note 10 to our consolidated financial statements.

Depreciation expense

Our depreciation expense increased CLP 16 billion during 2020, as compared to 2019. This increase is primarily due to the net effect of (i) an increase associated with property and equipment additions and (ii) a decrease associated with certain assets becoming fully depreciated.

Impairment, restructuring and other operating items

We recognized impairment, restructuring and other operating items of CLP 9 billion and CLP 14 billion during 2020 and 2019, respectively. The amounts for both periods mostly relate to restructuring charges that we recorded in connection with contract termination costs.

For additional information regarding our restructuring charges, see note 11 to our consolidated financial statements.

Interest expense – third-party

Our third-party interest expense decreased CLP 2 billion during 2020, as compared to 2019. This decrease is primarily due to the net effect of (a) lower weighted-average interest rates as a result of the July 2020 debt refinancing and (b) an increase in interest expense associated with the 2024 VTR Finance Senior Notes due to changes in foreign currency exchange rates during 2020.

For information regarding our third-party indebtedness, see note 7 to our consolidated financial statements.

It is possible that the interest rates on (i) any new borrowings could be higher than the current interest rates on our existing indebtedness and (ii) our variable-rate indebtedness could increase in future periods. As further discussed in note 4 to our consolidated financial statements, we use derivative instruments to manage our interest rate risks.

Realized and unrealized gains (losses) on derivative instruments, net

Our realized and unrealized gains or losses on derivative instruments include (i) unrealized changes in the fair values of our derivative instruments that are non-cash in nature until such time as the derivative contracts are fully or partially settled and (ii) realized gains or losses upon the full or partial settlement of the derivative contracts. The details of our realized and unrealized gains (losses) on derivative instruments, net, are as follows:

	Year ended December 31,	
	2020	**2019**
	CLP in billions	
Cross-currency and interest rate derivative contracts (a) (b)	(99.3)	59.4
Foreign currency forward contracts	(4.8)	6.9
Total	(104.1)	66.3

(a) The loss during 2020 includes a realized gain of CLP 58 billion associated with the settlement of certain cross-currency interest rate swaps in June 2020 that were unwound in connection with the July 2020 refinancing of certain debt. For additional information regarding the refinancing, see note 7 to our consolidated financial statements.

(b) Excluding the gain mentioned in footnote (a) above, we recognized a loss during 2020 that is primarily attributable to (i) an increase in the value of the Chilean peso relative to the U.S. dollar and (ii) changes in interest rates. In addition, the loss during 2020 includes a net gain of CLP 26 billion resulting from changes in our credit risk valuation adjustments. The gain during 2019 is primarily attributable to the net effect of (i) a decrease in the value of the Chilean peso relative to the U.S. dollar and (ii) changes in interest rates.

For additional information concerning our derivative instruments, see notes 4 and 5 to our consolidated financial statements.

Foreign currency transaction gains (losses), net

We recognized foreign currency transaction gains (losses), net, of CLP 37 billion and (CLP 67 billion) during 2020 and 2019, respectively. Our foreign currency transaction gains or losses primarily result from the remeasurement of our debt that is denominated in U.S. dollars. Unrealized foreign currency transaction gains or losses are computed based on period-end exchange rates and are non-cash in nature until such time as the amounts are settled.

Loss on debt extinguishment

We recognized a loss on debt extinguishment of CLP 34 billion during 2020. The loss is associated with the payment of redemption premiums and the write-off of unamortized deferred financing costs related to the repayment of the 2024 VTR Finance Senior Notes.

Other income, net

We recognized other income, net, of CLP 35 billion and CLP 10 billion during 2020 and 2019, respectively. The increase during 2020, compared with 2019, is primarily associated with related-party interest income as a result of entering into the CIHB Note Receivable at the end of 2019.

For additional information regarding our related-party notes receivable, see note 10 to our consolidated financial statements.

Income tax benefit

We recognized income tax benefit of CLP 9 billion and CLP 87 billion during 2020 and 2019, respectively.

The income tax benefit during 2020 differs from the expected income tax expense of CLP 14.7 (based on the Netherlands statutory income tax rate of 25.0%), primarily due to the beneficial effects of net favorable changes in uncertain tax positions, favorable changes in enacted tax rates, and favorable permanent differences, such as non-taxable income (price level restatements) which are offset by the detrimental effects of increases in valuation allowances and the inclusion of withholding taxes on cross-border payments.

The income tax benefit during 2019 differs from the expected income tax expense of CLP 15 billion (based on the Netherlands statutory income tax rate of 25.0%), primarily due to the beneficial effects of net favorable changes in uncertain tax positions and favorable permanent differences, which are offset by the detrimental effects of increases in valuation allowances, international rate differences and other items.

For additional information regarding our income taxes, see note 9 to our consolidated financial statements.

Net earnings (loss)

The following table sets forth selected summary financial information of our net earnings (loss):

	Year ended December 31,	
	2020	2019
	CLP in billions	
Operating income	86.6	132.0
Net non-operating expenses	(145.2)	(71.5)
Income tax benefit	9.0	87.0
Net earnings (loss)	(49.6)	147.5

Gains or losses associated with (i) changes in the fair values of derivative instruments and (ii) movements in foreign currency exchange rates are subject to a high degree of volatility and, as such, any gains from these sources do not represent a reliable source of income. In the absence of significant gains in the future from these sources or from other non-operating items, our ability to achieve earnings is largely dependent on our ability to increase our Adjusted OIBDA to a level that more than offsets the aggregate amount of our (i) share-based compensation expense, (ii) depreciation, (iii) related-party fees and allocations, (iv) impairment, restructuring and other operating items, (v) interest expense, (vi) other non-operating expenses and (vii) income tax expenses.

Subject to the limitations included in our various debt instruments, we expect to maintain our debt at current levels. As a result, we expect that we will continue to report significant levels of interest expense for the foreseeable future. For information concerning our expectations with respect to trends that may affect certain aspects of our operating results in future periods, see the discussion in *Overview* above.

Liquidity and Capital Resources

Sources and Uses of Cash

Cash and cash equivalents

At December 31, 2020, nearly all of our cash and cash equivalents was held by our subsidiaries.

Liquidity and capital resources of VTR Finance

At VTR Finance, our current sources of liquidity include loans or contributions from our parent, interest income received on our investments and, subject to certain tax and legal considerations, our unrestricted subsidiaries' cash and cash equivalents and investments. Our ability to access the liquidity of these and our other subsidiaries may be limited by tax and legal considerations, foreign currency exchange restrictions and other factors.

The ongoing cash needs of VTR Finance include (i) interest payments on outstanding debt and (ii) other liquidity needs that may arise from time to time. In addition, VTR Finance may also require cash in connection with (i) the funding of loans or distributions to our parent (and ultimately to Liberty Latin America or other Liberty Latin America subsidiaries), (ii) corporate general and administrative expenses, (iii) the satisfaction of contingent liabilities, (iv) acquisitions and other investment opportunities, (v) the repurchase of debt securities or, (vi) funding requirements of our consolidated subsidiaries. No assurance can be given that funding from Liberty Latin America or other Liberty Latin America subsidiaries, our subsidiaries or external sources would be available on favorable terms, or at all.

In addition, the amount of cash we receive from certain of our subsidiaries to satisfy U.S. dollar-denominated liquidity requirements is impacted by fluctuations in exchange rates. In this regard, the strengthening (weakening) of the U.S. dollar against the CLP will result in decreases (increases) in the U.S. dollars received from the applicable subsidiaries to fund U.S. dollar-denominated liquidity requirements.

From time to time, we or our respective affiliates may, to the extent permitted under applicable law, acquire or repay any third-party or related-party debt through open market purchases, privately negotiated transactions, tender offers, exchange offers, redemptions or otherwise, upon such terms and at such prices as we may determine (or as may be provided for in our respective indenture agreements).

Liquidity and capital resources of our subsidiaries

In addition to cash and cash equivalents, the primary sources of liquidity of our subsidiaries are cash provided by operations and borrowing availability under the VTR Credit Facilities, as further described in note 7 to our consolidated financial statements. The aforementioned sources of liquidity may be supplemented in certain cases by contributions and/or loans from Liberty Latin America and its unrestricted subsidiaries. The liquidity of our subsidiaries generally is used to fund property and equipment additions, debt service requirements, payments required by our derivative instruments and income tax payments. From time to time, our subsidiaries may also require liquidity in connection with (i) acquisitions and other investment opportunities, (ii) loans to VTR Finance and/or Liberty Latin America or other Liberty Latin America subsidiaries, (iii) capital distributions to VTR Finance (and ultimately to Liberty Latin America) and other equity owners or (iv) the satisfaction of contingent liabilities. No assurance can be given that any external funding would be available to our subsidiaries on favorable terms, or at all. For limitations imposed by our subsidiaries' debt instruments at December 31, 2020, see note 7 to our consolidated financial statements. For information regarding our subsidiaries' commitments and contingencies, see note 14 to our consolidated financial statements.

For additional information regarding our consolidated cash flows, see the discussion under *Consolidated Statements of Cash Flows* below.

Capitalization

For the year ended December 31, 2020, our consolidated net leverage ratio was 4.5x, as specified in, and calculated in accordance with the indenture associated with the 2028 VTR Finance Senior Notes.

Our ability to service or refinance our debt and to maintain compliance with the leverage covenants in the credit agreements of the VTR Credit Facilities is dependent primarily on our ability to maintain Covenant EBITDA and to achieve adequate returns on our property and equipment additions and acquisitions. In addition, our ability to obtain additional debt financing is limited by incurrence-based and/or maintenance leverage covenants contained in the agreements underlying the VTR Credit Facilities, the 2028 VTR Senior Secured Notes and the 2028 VTR Finance Senior Notes. In this regard, if our Covenant EBITDA were to decline, we could be required to partially repay or limit our borrowings under the VTR Credit Facilities or any then existing debt in order to maintain compliance with applicable covenants. In such circumstances, our ability to obtain additional debt could be limited. No assurance can be given that we would have sufficient sources of liquidity, or that any external funding would be available on favorable terms, or at all, to fund any such required repayment. At December 31, 2020, we were in compliance with our debt covenants. We do not anticipate any instances of non-compliance with respect to our debt covenants that would have a material adverse impact on our liquidity during the next 12 months.

At December 31, 2020, the outstanding principal amount of our debt aggregated CLP 1,064 billion, including CLP 71 billion that is classified as current in our consolidated balance sheet and CLP 819 billion that is not due until 2028. Included in the outstanding principal amount of our debt at December 31, 2020 is CLP 71 billion of vendor financing, which we use to finance certain of our operating expenses and property and equipment additions. These obligations are generally due within one year, other than for certain licensing arrangements that generally are due over the term of the related license. For additional information concerning our debt, including our debt maturities, see note 7 to our consolidated financial statements.

The weighted average interest rate in effect at December 31, 2020 for all borrowings outstanding pursuant to each debt instrument, including any applicable margin, was 5.3%. The interest rate is based on stated rates and does not include the impact of derivative instruments, deferred financing costs, original issue premiums or discounts and commitment fees, all of which affect our overall cost of borrowing. The weighted average impact of the derivative instruments on our borrowing costs at December 31, 2020 was an increase of 67 basis points. Including the effects of derivative instruments and commitment fees, but excluding the impact of financing costs, the weighted average interest rate on our indebtedness was 6.2% at December 31, 2020.

Notwithstanding our negative working capital position at December 31, 2020, we believe that we have sufficient resources to repay or refinance the current portion of our debt and to fund our foreseeable liquidity requirements during the next 12 months. However, as our debt maturities grow in later years, we anticipate that we will seek to refinance or otherwise extend our debt maturities. No assurance can be given that we will be able to complete refinancing transactions or otherwise extend our debt maturities. In this regard, it is difficult to predict how political, economic and social conditions, sovereign debt concerns or any adverse regulatory developments will impact the credit and equity markets we access and our future financial position. Our ability to access debt financing on favorable terms, or at all, could be adversely impacted by (i) the financial failure of any of our counterparties, which could (a) reduce amounts available under our committed credit facility and (b) adversely impact our ability to access cash deposited with any failed financial institution, and (ii) tightening of the credit markets. In addition, sustained or increased competition, particularly in combination with adverse economic or regulatory developments, could have an unfavorable impact on our cash flows and liquidity.

Consolidated Statements of Cash Flows

Consolidated Statements of Cash Flows

Summary. Our 2020 and 2019 consolidated statements of cash flows are summarized as follows:

	Year ended December 31,		
	2020	2019	Change
		CLP in billions	
Net cash provided by operating activities	161.7	141.5	20.2
Net cash used by investing activities	(191.2)	(475.5)	284.3
Net cash provided (used) by financing activities	(8.1)	346.3	(354.4)
Effect of exchange rate changes on cash	(1.8)	2.0	(3.8)
Net increase (decrease) in cash and cash equivalents	(39.4)	14.3	(53.7)

Operating Activities. The increase in net cash provided by our operating activities is primarily attributable to the net effect of (i) a net decrease in cash paid for taxes and (ii) a decrease in Adjusted OIBDA.

Investing Activities. The decrease in net cash used by our investing activities is primarily attributable to the net effect of (i) a decrease in advances to related-parties, net and (ii) higher capital expenditures, as further discussed below. For additional information regarding our advances to related-parties, see note 10 to our consolidated financial statements.

The capital expenditures that we report in our consolidated statements of cash flows do not include amounts that are financed under capital-related vendor financing. Instead, these amounts are reflected as non-cash additions to our property and equipment when the underlying assets are delivered and as repayments of debt when the principal is repaid. In this discussion, we refer to (i) our capital expenditures, as reported in our consolidated statements of cash flows and (ii) our total property and equipment additions, which include our capital expenditures on an accrual basis and amounts financed under capital-related vendor financing.

A reconciliation of our property and equipment additions to our capital expenditures, as reported in our consolidated statements of cash flows, is set forth below:

	Year ended December 31,	
	2020	2019
	CLP in billions	
Property and equipment additions	136.1	143.0
Assets acquired under capital-related vendor financing arrangements	(25.0)	(21.7)
Changes in current liabilities related to capital expenditures	6.9	(16.9)
Capital expenditures	118.0	104.4

The decrease in our property and equipment additions during 2020, as compared to 2019, is largely due to the net effect of (i) decreases in (a) customer premises equipment, (b) new build and upgrade equipment and (c) baseline and product and enabler-related additions and (ii) an increase in expenditures for support-related equipment. During 2020 and 2019, a significant portion of our purchases of property and equipment was denominated in U.S. dollars. Our consolidated property and equipment additions represented 21.3% and 21.7% of our revenue during 2020 and 2019, respectively.

We expect the percentage of revenue represented by our aggregate 2021 property and equipment additions to be between 24% and 26%. The actual amount of the 2021 consolidated property and equipment additions may vary from expected amounts for a variety of reasons, including (i) potential impacts from COVID-19 (ii) changes in (a) the competitive or regulatory environment, (b) business plans, (c) our expected future operating results and (d) foreign currency exchange rates and (iii) the availability of sufficient capital. Accordingly, no assurance can be given that our actual property and equipment additions will not vary materially from our expectations.

Financing Activities. During 2020, we used CLP 8 billion in net cash from financing activities, due to the net effect of (i) CLP 147 billion of net cash received related to derivative instruments, (ii) CLP 115 billion of net borrowings of debt, and (iii) CLP 40 billion of cash paid associated with financing costs and debt premiums. During 2019, we received CLP 346 billion in net cash from financing activities, primarily due to a CLP 372 billion contribution from our parent, as further described in note 10 of our consolidated financial statements.

Contractual Commitments

The following table sets forth our commitments as of December 31, 2020:

	Payments due during:						
	2021	2022	2023	2024	2025	Thereafter	Total
	CLP in billions						
Debt (excluding interest)	70.9	70.5	103.6	—	—	818.5	1,063.5
Operating leases	5.6	4.4	3.2	2.7	0.1	—	16.0
Programming commitments	74.8	54.4	36.7	30.6	0.3	—	196.8
Network and connectivity commitments	18.6	1.7	—	—	—	—	20.3
Purchase commitments	8.5	0.6	0.4	—	—	—	9.5
Other commitments	1.4	0.2	0.1	0.1	0.1	0.6	2.5
Total (a)	179.8	131.8	144.0	33.4	0.5	819.1	1,308.6
Projected cash interest payments on debt (b)	57.8	57.6	51.4	48.8	48.7	131.2	395.5

(a) The commitments included in this table do not reflect any liabilities that are included in our December 31, 2020 consolidated balance sheet other than (i) debt and (ii) operating lease obligations.

(b) Amounts are based on interest rates, interest payment dates, commitment fees and contractual maturities in effect as of December 31, 2020. These amounts are presented for illustrative purposes only and will likely differ from the actual cash payments required in future periods. In addition, the amounts presented do not include the impact of our derivative contracts.

For information concerning our debt, operating lease obligations and commitments, see notes 7, 8 and 14, respectively, to our consolidated financial statements.

In addition to the commitments set forth in the table above, we have commitments under derivative instruments, pursuant to which we expect to make payments in future periods. For information regarding projected cash flows associated with these derivative instruments, see *Projected Cash Flows Associated with Derivative Instruments* below. For information regarding our derivative instruments, including the net cash paid or received in connection with these instruments during 2020, 2019 and 2018, see note 4 to our consolidated financial statements.

Projected Cash Flows Associated with Derivative Instruments

The following table provides information regarding the projected cash flows associated with our derivative instruments. The Chilean peso equivalents presented below are based on interest rates and exchange rates that were in effect as of December 31, 2020. These amounts are presented for illustrative purposes only and will likely differ from the actual cash payments required in future periods. For additional information regarding our derivative instruments, including our counterparty credit risk, see note 4 to our consolidated financial statements.

	Payments (receipts) due during:						
	2021	**2022**	**2023**	**2024**	**2025**	**Thereafter**	**Total**
	CLP in billions						
Projected derivative cash payments (receipts), net:							
Interest-related (a)	7.1	16.0	19.5	22.0	22.0	22.0	108.6
Principal-related (b)	—	—	—	—	—	115.3	115.3
Other (c)	2.3	—	—	—	—	—	2.3
Total	9.4	16.0	19.5	22.0	22.0	137.3	226.2

(a) Includes the interest-related cash flows of our cross-currency and interest rate derivative contracts.

(b) Includes the principal-related cash flows of our cross-currency derivative contracts.

(c) Includes amounts related to our foreign currency forward contracts.

Critical Accounting Policies, Judgments and Estimates

In connection with the preparation of our consolidated financial statements, we make estimates and assumptions that affect the reported amounts of assets and liabilities, revenue and expenses, and related disclosure of contingent assets and liabilities. Critical accounting policies are defined as those policies that are reflective of significant judgments, estimates and uncertainties, which would potentially result in materially different results under different assumptions and conditions. We believe the following accounting policies are critical in the preparation of our consolidated financial statements because of the judgment necessary to account for these matters and the significant estimates involved, which are susceptible to change:

- Impairment of property and equipment and intangible assets (including goodwill);
- Costs associated with construction and installation activities; and
- Income tax accounting.

For additional information concerning our significant accounting policies, see note 3 to our consolidated financial statements.

Impairment of Property and Equipment and Intangible Assets

The aggregate carrying value of our property and equipment and intangible assets (including goodwill) that was held for use comprised 51.9% of our total assets at December 31, 2020.

When circumstances warrant, we review the carrying amounts of our property and equipment and our intangible assets (other than goodwill and other indefinite-lived intangible assets) to determine whether such carrying amounts continue to be recoverable. Such changes in circumstance may include (i) the impact of natural disasters such as hurricanes, (ii) an expectation of a sale or disposal of a long-lived asset or asset group, (iii) adverse changes in market or competitive conditions, (iv) an adverse change in legal factors or business climate in the markets in which we operate and (v) operating or cash flow losses. For purposes of impairment testing, long-lived assets are grouped at the lowest level for which cash flows are largely independent of other assets and liabilities, generally at or below the reporting unit level (see below). If the carrying amount of the asset or asset group is greater than the expected undiscounted cash flows to be generated by such asset or asset group, an impairment adjustment is recognized. Such adjustment is measured by the amount that the carrying value of such asset or asset group exceeds its fair value. We generally measure fair value by considering (i) sale prices for similar assets, (ii) discounted estimated future cash flows using an appropriate discount rate and/or (iii) estimated replacement cost. Assets to be disposed of are recorded at the lower of their carrying amount or fair value less costs to sell.

We evaluate goodwill and other indefinite-lived intangible assets (primarily cable television franchise rights) for impairment at least annually on October 1 and whenever facts and circumstances indicate that the fair value of a reporting unit or an indefinite-lived intangible asset may be less than its carrying value. When evaluating impairment with respect to goodwill and other indefinite-lived intangibles, we first make a qualitative assessment to determine if the goodwill or other indefinite-lived intangible may be impaired. In the case of goodwill, if it is more-likely-than-not that a reporting unit's fair value is less than its carrying value, we then compare the fair value of the reporting unit to its respective carrying amount. A reporting unit is an operating segment or one level below an operating segment (referred to as a "component"). Goodwill impairment is recorded as the excess of a reporting unit's carrying value over its fair value and is charged to operations. With respect to other indefinite-lived intangible assets, if it is more-likely-than-not that the fair value of an indefinite-lived intangible asset is less than its carrying value, we then estimate its fair value and any excess of the carrying value over the fair value is also charged to operations as an impairment loss.

When required, considerable management judgment is necessary to estimate the fair value of our reporting units and underlying long-lived and indefinite-lived assets. We typically determine fair value using a market-value approach or an income-based approach (discounted cash flows) based on assumptions in our long-range business plans, or a combination of an income-based and market-value approach. With respect to our discounted cash flow analysis used in the income-based approach, the timing and amount of future cash flows under these business plans require estimates of, among other items, subscriber growth and retention rates, rates charged per product, expected gross margins and Adjusted OIBDA margins and expected property and equipment additions. The development of these cash flows, and the discount rate applied to the cash flows, is subject to inherent uncertainties, and actual results could vary significantly from such estimates. Our determination of the discount rate is based on a weighted average cost of capital approach, which uses a market participant's cost of equity and after-tax cost of debt and reflects certain risks inherent in the future cash flows. With respect to a market-value approach, the fair value of a reporting unit is estimated based upon a market multiple typically applied to the reporting unit's Adjusted OIBDA. We determine the market multiple for each reporting unit taking the following into consideration: (i) public company trading multiples for entities with similar business characteristics as the respective reporting unit, adjusted to reflect an appropriate control premium or discount, a “trading multiple;” and (ii) multiples derived from the value of recent transactions for businesses with similar operations and in geographically similar locations, a “transaction multiple”. Changes in the underlying assumptions used in both the income-based and market-value valuation methods can result in materially different determinations of fair value.

Costs Associated with Construction and Installation Activities

We capitalize costs associated with the construction of new cable and mobile transmission and distribution facilities, the installation of new cable services and the development of software supporting our operations. Installation activities that are capitalized include (i) the initial connection (or drop) from our cable system to a customer location, (ii) the replacement of a drop and (iii) the installation of equipment for additional services or upgrades, such as digital cable, telephone or broadband internet service. The costs of other customer-facing activities, such as reconnecting customer locations where a drop already exists, disconnecting customer locations and repairing or maintaining drops, are expensed as incurred.

The nature and amount of labor and other costs to be capitalized with respect to construction and installation activities involves significant judgment. In addition to direct external and internal labor and materials, we also capitalize other costs directly attributable to our construction and installation activities, including dispatch costs, quality-control costs, vehicle-related costs and certain warehouse-related costs. The capitalization of these costs is based on time sheets, time studies, standard costs, call tracking systems and other verifiable means that directly link the costs incurred with the applicable capitalizable activity. We continuously monitor the appropriateness of our capitalization policies and update the policies when necessary to respond to changes in facts and circumstances, such as the development of new products and services, and changes in the manner that installations or construction activities are performed.

Income Tax Accounting

We are required to estimate the amount of tax payable or refundable for the current year and the deferred tax assets and liabilities for the future tax consequences attributable to differences between the financial statement carrying amounts and income tax basis of assets and liabilities and the expected benefits of utilizing net operating loss and tax credit carryforwards, using enacted tax rates in effect for each taxing jurisdiction in which we operate for the year in which those temporary differences are expected to be recovered or settled. This process requires our management to make assessments regarding the timing and probability of the ultimate tax impact of such items.

Net deferred tax assets are reduced by a valuation allowance if we believe it is more-likely-than-not such net deferred tax assets will not be realized. Establishing or reducing a tax valuation allowance requires us to make assessments about the timing of future events, including the probability of expected future taxable income and available tax planning strategies. At December 31, 2020, the aggregate valuation allowance provided against deferred tax assets was CLP 84 billion. The actual amount of deferred income tax benefits realized in future periods will likely differ from the net deferred tax assets reflected in our December 31, 2020 consolidated balance sheet due to, among other factors, possible future changes in income tax law or interpretations thereof in the jurisdictions in which we operate and differences between estimated and actual future taxable income. Any such factors could have a material effect on our current and deferred tax positions. A high degree of judgment is required to assess the impact of possible future outcomes on our current and deferred tax positions.

Tax laws in jurisdictions in which we have a presence are subject to varied interpretation, and tax positions we may take could be subject to significant uncertainty regarding whether the position will be ultimately sustained after review by the relevant tax authority. We recognize the financial statement effects of a tax position when it is more-likely-than-not, based on technical merits, that the position will be sustained upon examination. The determination of whether the tax position meets the more-likely-than-not threshold requires a facts-based judgment using all information available. In a number of cases, we have concluded that the more-likely-than-not threshold is not met and, accordingly, the amount of tax benefit recognized in our consolidated financial statements is different than the amount taken or expected to be taken in our tax returns. As of December 31, 2020, the amount of unrecognized tax benefits for financial reporting purposes, but taken or expected to be taken in our tax returns, was CLP 11 billion, all of which would have a favorable impact on our effective income tax rate if ultimately recognized, after considering amounts that we would expect to be offset by valuation allowances.

We are required to continually assess our tax positions, and the results of tax examinations or changes in judgment can result in substantial changes to our unrecognized tax benefits.

For additional information concerning our income taxes, see note 9 to our consolidated financial statements.

KPMG

Independent Auditors' Report

The Board of Directors
VTR Finance N.V.:

We have audited the accompanying consolidated financial statements of VTR Finance N.V. and subsidiary, which comprise the consolidated balance sheets as of December 31, 2020 and 2019, and the related consolidated statements of operations, comprehensive earnings (loss), owner´s equity (deficit), cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. Auditors' Responsibility.

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in Chile. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of VTR Finance N.V. and subsidiary as of December 31, 2020 and 2019, and the results of their operations and their cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Alejandro Cerda G.

KPMG SpA

Santiago, March 3, 2021

VTR FINANCE N.V.

CONSOLIDATED BALANCE SHEETS

	December 31,	
	2020	2019
	CLP in billions	
ASSETS		
Current assets:		
Cash and cash equivalents	52.8	92.2
Trade receivables, net of allowances of CLP 12.0 billion and CLP 9.4 billion, respectively	67.0	74.4
Derivative instruments	0.5	16.2
Current notes receivable - related-party	75.1	—
Income tax receivable	19.0	2.2
Other current assets	48.3	18.1
Total current assets	262.7	203.1
Property and equipment, net	537.4	534.4
Goodwill	266.7	266.7
Long-term note receivable - related party	451.7	455.7
Long-term derivative assets	1.9	92.9
Other assets, net	60.2	80.4
Total assets	1,580.6	1,633.2

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

VTR FINANCE N.V.

CONSOLIDATED BALANCE SHEETS – (Continued)

	December 31,	
	2020	2019
	CLP in billions	
LIABILITIES AND OWNER'S EQUITY		
Current liabilities:		
Accounts payable	90.5	95.6
Deferred revenue	24.5	26.7
Current portion of debt	70.9	70.4
Accrued interest	24.9	32.0
Accrued programming	23.9	23.3
Current derivative liabilities	21.0	3.5
Other accrued and current liabilities	66.5	61.3
Total current liabilities	322.2	312.8
Long-term debt	976.4	1,107.5
Long-term derivative liabilities	156.3	5.7
Other long-term liabilities	11.8	40.2
Total liabilities	1,466.7	1,466.2
Commitments and contingencies		
Owner's equity:		
Accumulated net contributions	15.5	14.8
Accumulated earnings	85.0	134.6
Accumulated other comprehensive earnings, net of taxes	13.4	17.6
Total owner's equity	113.9	167.0
Total liabilities and owner's equity	1,580.6	1,633.2

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

VTR FINANCE N.V.

CONSOLIDATED STATEMENTS OF OPERATIONS

	Year ended December 31,		
	2020	2019	2018
		CLP in billions	
Revenue	639.8	660.5	647.8
Operating costs and expenses (exclusive of depreciation, shown separately below):			
Programming and other direct costs of services	173.0	174.0	175.7
Other operating costs and expenses	230.6	221.8	210.8
Related-party fees and allocations	14.0	8.2	7.8
Depreciation	126.7	110.5	74.9
Impairment, restructuring and other operating items	8.9	14.0	5.6
	553.2	528.5	474.8
Operating income	86.6	132.0	173.0
Non-operating expense:			
Interest expense	(78.9)	(80.7)	(75.0)
Realized and unrealized gains (losses) on derivative instruments, net	(104.1)	66.3	75.1
Foreign currency transaction gains (losses), net	37.0	(67.3)	(105.2)
Loss on debt extinguishment	(33.9)	—	(4.1)
Other income, net	34.7	10.2	5.3
	(145.2)	(71.5)	(103.9)
Earnings (loss) before income taxes	(58.6)	60.5	69.1
Income tax benefit (expense)	9.0	87.0	(27.5)
Net earnings (loss)	(49.6)	147.5	41.6

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

VTR FINANCE N.V.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE EARNINGS (LOSS)

	Year ended December 31,		
	2020	2019	2018
		CLP in billions	
Net earnings (loss)	(49.6)	147.5	41.6
Other comprehensive earnings (loss), net of taxes:			
Unrealized gains (losses) on cash flow hedges	(2.9)	2.7	3.1
Reclassification adjustments included in net earnings (loss)	(1.3)	(4.3)	1.2
Other comprehensive earnings (loss)	(4.2)	(1.6)	4.3
Comprehensive earnings (loss)	(53.8)	145.9	45.9

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

VTR FINANCE N.V.

CONSOLIDATED STATEMENTS OF OWNER'S EQUITY (DEFICIT)

	Accumulated net contributions (distributions)	Accumulated earnings (deficit)	Accumulated other comprehensive earnings, net of taxes	Total owner's equity (deficit)
	CLP in billions			
Balance at January 1, 2018	(361.2)	(54.5)	14.9	(400.8)
Net earnings	—	41.6	—	41.6
Other comprehensive earnings	—	—	4.3	4.3
Contribution of services	3.8	—	—	3.8
Balance at December 31, 2018	(357.4)	(12.9)	19.2	(351.1)
Net earnings	—	147.5	—	147.5
Other comprehensive loss	—	—	(1.6)	(1.6)
Contribution from parent	372.0	—	—	372.0
Excess of the consideration received over the carrying value of property and equipment transferred to entities under common control	0.2	—	—	0.2
Balance at December 31, 2019	14.8	134.6	17.6	167.0
Net loss	—	(49.6)	—	(49.6)
Other comprehensive loss	—	—	(4.2)	(4.2)
Excess of the consideration received over the carrying value of property and equipment transferred to entities under common control	0.7	—	—	0.7
Balance at December 31, 2020	15.5	85.0	13.4	113.9

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

VTR FINANCE N.V.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,		
	2020	2019	2018
		CLP in billions	
Cash flows from operating activities:			
Net earnings (loss)	(49.6)	147.5	41.6
Adjustments to reconcile net earnings (loss) to net cash provided by operating activities:			
Related-party fees and allocations	—	—	3.8
Depreciation	126.7	110.5	74.9
Impairment	1.2	0.2	0.2
Amortization of deferred financing costs	3.1	3.1	2.4
Realized and unrealized losses (gains) on derivative instruments, net	104.1	(66.3)	(75.1)
Foreign currency transaction losses (gains), net	(37.0)	67.3	105.2
Loss on debt extinguishment	33.9	—	4.1
Deferred income tax expense	12.0	9.3	14.4
Changes in operating assets and liabilities:			
Receivables and other operating assets	18.7	(20.9)	6.8
Payables and accruals	(51.4)	(109.2)	(35.5)
Net cash provided by operating activities	161.7	141.5	142.8
Cash flows from investing activities:			
Capital expenditures	(118.0)	(104.4)	(116.2)
Advances to related-parties, net	(74.7)	(372.0)	(75.5)
Other investing activities, net	1.5	0.9	0.8
Net cash used by investing activities	(191.2)	(475.5)	(190.9)

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

VTR FINANCE N.V.

CONSOLIDATED STATEMENTS OF CASH FLOWS – (Continued)

	Year ended December 31,		
	2020	2019	2018
		CLP in billions	
Cash flows from financing activities:			
Borrowings of third-party debt	614.8	52.7	234.4
Repayments of third-party debt	(730.2)	(78.2)	(173.8)
Contributions from parent	—	372.0	—
Net cash received related to derivative instruments	147.2	—	8.8
Payment of financing costs and debt premiums	(39.9)	(0.2)	(7.5)
Net cash provided (used) by financing activities	(8.1)	346.3	61.9
Effect of exchange rate changes on cash	(1.8)	2.0	9.1
Net increase (decrease) in cash and cash equivalents	(39.4)	14.3	22.9
Cash and cash equivalents:			
Beginning of year	92.2	77.9	55.0
End of year	52.8	92.2	77.9
Cash paid for interest	80.7	75.6	73.8
Net cash paid for taxes	14.3	43.5	35.9

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

(1) Basis of Presentation

Organization

VTR Finance N.V., formerly known as VTR Finance B.V. (**VTR Finance**), is a provider of fixed and mobile telecommunication services to residential and business-to-business (**B2B**) customers in Chile. VTR Finance is a wholly-owned subsidiary of Liberty Latin America Ltd. (**Liberty Latin America**). In these notes, the terms "**we**," "**our**," "**our company**" and "**us**" may refer, as the context requires, to VTR Finance, or collectively, to VTR Finance and its subsidiaries.

We converted from a private limited liability company (VTR Finance B.V.) into a public company (VTR Finance N.V.). This change was approved by shareholder´s resolution and effective on February 5th, 2020.

Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (**U.S. GAAP**).

Our functional currency is the Chilean peso (**CLP**). Unless otherwise indicated, convenience translations into the Chilean peso are calculated as of December 31, 2020.

These consolidated financial statements reflect our consideration of the accounting and disclosure implications of subsequent events through **March 2, 2021**, the date of issuance.

(2) Accounting Changes and Recent Accounting Pronouncements

Accounting Changes

ASU 2019-12

In December 2019, the Financial Accounting Standards Board (**FASB**) issued Accounting Standards Update (**ASU**) No. 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes* (**ASU 2019-12**), which (i) simplifies the accounting for income taxes by removing certain exceptions for recognizing deferred taxes for investments, performing intraperiod allocations and calculating income taxes in interim periods, and (ii) reduces the complexity in certain areas of existing tax guidance, including the recognition of deferred taxes for tax goodwill and allocating taxes to members of a consolidated group. We early adopted ASU 2019-12 effective December 31, 2020 and it did not have a material impact on our consolidated financial statements.

ASU 2018-15

In August 2018, the FASB issued ASU No. 2018-15, *Intangibles—Goodwill and Other—Internal-Use Software—Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract (***ASU 2018-15***)*. ASU 2018-15 provides additional guidance on ASU No. 2015-05, *Intangibles—Goodwill and Other—Internal-Use Software—Customer's Accounting for Fees Paid in a Cloud Computing Arrangement,* which was issued to help entities evaluate the accounting for fees paid by a customer in a cloud computing arrangement (hosting arrangement) by providing guidance for determining when the arrangement includes a software license. ASU 2018-15 aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal-use software license). The guidance (i) provides criteria for determining which implementation costs to capitalize as an asset related to the service contract and which costs to expense, (ii) requires an entity (customer) to expense the capitalized implementation costs of a hosting arrangement that is a service contract over the term of the hosting arrangement and (iii) clarifies the presentation requirements for reporting such costs in the entity's financial statements. We adopted ASU 2018-15 effective January 1, 2020 on a prospective basis for all implementation costs incurred after the date of adoption and it did not have a material impact on our consolidated financial statements.

ASU 2016-13

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments—Credit Losses—Measurement of Credit Losses on Financial Instruments (***ASU 2016-13**), as amended by (i) ASU No. 2019-10, *Financial Instruments—Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842): Effective Dates*, which amended certain effective dates, and (ii) ASU No. 2019-11, *Codification Improvements to Topic 326, Financial Instruments—Credit Losses*, which clarifies guidance around how to report expected recoveries. ASU 2016-13 replaces the incurred loss impairment methodology for recognizing credit losses with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. We are required to use a forward-looking expected credit loss model for accounts receivables, loans and other financial instruments. We adopted ASU 2016-13 effective January 1, 2020 using a modified retrospective approach through a cumulative-effect adjustment to retained earnings to align our credit loss methodology with the new standard. The comparative information has not been restated and continues to be reported under the accounting standards in effect for that period.

Under the new model, we segment our receivables, unbilled revenue and contract assets based on days past due and record an allowance for current expected credit losses using average rates applied against each account's applicable aggregate balance for each aging bucket. We establish the average rates based on consideration of the actual credit loss experience over the prior 12-month period, recent collection trends, current economic conditions, and reasonable expectations of future payment delinquency.

The cumulative effect of the changes to our consolidated balance sheet as of January 1, 2020 was not material.

ASU 2016-02

In February 2016, the FASB issued ASU No. 2016-02, *Leases* (**ASU 2016-02**), as amended by ASU No. 2018-11, *Targeted Improvements*, which provides an option to use one of two modified retrospective approaches in the adoption of ASU 2016-02. ASU 2016-02, for most leases, results in lessees recognizing right-of-use assets and lease liabilities on the balance sheet and additional disclosures. We adopted ASU 2016-02 effective January 1, 2019 using the effective date transition method. A number of optional practical expedients were applied in transition, as further described below.

The main impact of the adoption of this standard was the recognition of right-of-use assets and lease liabilities in our consolidated balance sheet as of January 1, 2019 for those leases classified as operating leases under ASU 2016-02. We did not recognize right-of-use assets or lease liabilities for leases with a term of 12 months or less, as permitted by the short-term lease practical expedient in the standard. In transition, we applied the practical expedients that permit us not to reassess (i) whether expired or existing contracts are or contain a lease under the new standard, (ii) the lease classification for expired or existing leases, (iii) whether previously-capitalized initial direct costs would qualify for capitalization under the new standard and (iv) whether existing or expired land easements that were not previously accounted for as leases are or contain a lease. We also applied the practical expedient that permits us to account for customer service revenue contracts that include both non-lease and lease components as a single component in all instances where the non-lease component is the predominant component of the arrangement and the other applicable criteria are met. In addition, we did not use hindsight during the transition.

For information regarding our accounting policies for leases following the adoption of ASU 2016-02, see note 3.

ASU 2014-09

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers* (ASU 2014-09), which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. We adopted ASU 2014-09 effective January 1, 2018 by using the cumulative effect transition method. The comparative information has not been restated and continues to be reported under the accounting standards in effect for those periods. In Chile, consumer laws preclude the enforcement of fixed-term contracts for telecommunication services (e.g. consumers of telecommunication services may cancel the contracts with their providers at anytime without penalty). Accordingly, the primary impact of ASU 2014-09 was the deferral of certain upfront fees charged to our customers. When we enter into contracts to provide services to our customers, we often charge installation or other upfront fees. Under ASU 2014-09, these fees are deferred and recognized as revenue over a period of time the upfront fees convey a material right. The impact of adopting ASU 2014-09 did not have a material impact on our consolidated financial statements. For our disaggregated revenue by product, see note 15.

Recent Accounting Pronouncements

General

We will adopt accounting changes in accordance with the effective date of adoption of our parent company, Liberty Latin America.

ASU 2020-04 and ASU 2021-01

In March 2020, the FASB issued ASU No. 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting* (**ASU 2020-04**), which provides optional guidance for a limited time to ease the potential accounting burden associated with transitioning away from reference rates, such as the London Inter-Bank Offered Rate (**LIBOR**), which regulators in the United Kingdom (**U.K.**) have announced will be phased out by the end of 2021. In January 2021, the FASB issued ASU No. 2021-01, *Reference Rate Reform (Topic 848)* (**ASU 2021-01**), which clarifies certain optional expedients and exceptions in ASC 848. The expedients and exceptions provided by ASU 2020-04 and ASU 2021-01 are for the application of U.S. GAAP to contracts, hedging relationships and other transactions affected by the rate reform, and will not be available after December 31, 2022, other than for certain hedging relationships entered into before December 31, 2022. We do not currently expect that the phase out of LIBOR will have a material impact on our consolidated financial statements.

(3) Summary of Significant Accounting Policies

Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Estimates and assumptions are used in accounting for, among other things, the valuation of acquisition-related assets and liabilities, allowance for credit losses, programming and copyright expenses, deferred income taxes and related valuation allowances, loss contingencies, fair value measurements, impairment assessments, capitalization of internal costs associated with construction and installation activities and useful lives of long-lived assets. Actual results could differ from those estimates.

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation. During 2020, we changed the presentation of certain operating costs and expenses in our consolidated statements of operations in order to better align with management's approach to monitoring and evaluating such costs. Specifically, we have combined the costs previously reported in the consolidated statement of operations' captions "other operating" and "selling, general and administrative" into one line, which is now referred to as "other operating costs and expenses." In conjunction with this change, we have provided additional disclosure of the nature of other operating costs and expenses by function, as set forth in note 13. This change in presentation did not have any impact on operating income or loss, net loss or any of our key performance metrics. In addition, we have provided additional disclosure of the nature of our programming and other direct costs of services, as set forth in note 12.

Principles of Consolidation

The accompanying consolidated financial statements include our accounts and the accounts of our wholly-owned subsidiaries. Intercompany accounts have been eliminated in consolidation.

Cash and Cash Equivalents

Cash equivalents consist of money market funds and other investments that are readily convertible into cash and have maturities of three months or less at the time of acquisition. We record money market funds at the net asset value as there are no restrictions on our ability, contractual or otherwise, to redeem our investments.

Cash Flow Statement

For purposes of determining the classification of cash flows in our consolidated statements of cash flows, payments or receipts on related-party receivables or loans are first applied to principal (included as cash flows from financing activities) and then to capitalized interest (included as cash flows from operating activities). In addition, interest-bearing cash advances to related parties and repayments thereof are classified as investing activities. All other related-party borrowings, advances and repayments are reflected as financing activities.

Trade Receivables

Our trade receivables are reported net of an allowance for credit losses. The allowance is established using our best estimates of current expected credit losses based upon, among other things, actual credit loss experience over the prior 12-month period, recent collection trends, prevailing and anticipated economic conditions and specific customer credit risk. Receivables outstanding greater than 30 days are considered past due and we generally write-off receivables after they become past due for 365 days. Concentration of credit risk with respect to trade receivables is limited due to the large number of customers.

The changes in our trade receivables allowance for credit losses for the year ended December 31, 2020 are set forth below (CLP in billions):

Balance at January 1, 2020	9.4
Provision for expected losses	12.0
Write-offs	(9.4)
Balance at December 31, 2020	12.0

Financial Instruments

Due to the short maturities of cash and cash equivalents, trade and other receivables, other current assets, accounts payable, accrued liabilities and other accrued and current liabilities, their respective carrying values approximate their respective fair values. For information concerning the fair values of our derivative and debt instruments, see notes 4 and 7, respectively. For information regarding how we arrive at certain of our fair value measurements, see note 5.

Derivative Instruments

Our derivative instruments are recorded on our consolidated balance sheets at fair value, whether designated as a hedge or not. If the derivative instrument is not designated as a hedge, changes in the fair value of the derivative instrument are recognized in earnings. If the derivative instrument is designated as a cash flow hedge, the effective portions of changes in the fair value of the derivative instrument are recorded in other comprehensive earnings or loss and subsequently reclassified into our consolidated statements of operations when the hedged forecasted transaction affects earnings. Ineffective portions of changes in the fair value of cash flow hedges are recognized in realized and unrealized gains or losses on derivative instruments in our consolidated statements of operations. With the exception of certain foreign currency forward contracts, we do not apply hedge accounting to our derivative instruments.

The net cash received or paid related to our derivative instruments is classified as an operating, investing or financing activity in our consolidated statements of cash flows based on the objective of the derivative instrument and the classification of the applicable underlying cash flows, as follows:

- **Cross-currency and interest rate derivative contracts:** The net cash paid or received related to principal and current interest is classified as a financing or operating activity, respectively.

- **Foreign currency forward contracts that are used to hedge capital expenditures:** The net cash paid or received is reflected in capital expenditures, which are classified as an investing activity.

- **Foreign currency forward contracts that are used to hedge principal exposure on foreign currencies:** The net cash paid or received is classified as a financing activity.

- **Derivative contracts that are terminated prior to maturity:** The cash paid or received upon termination that relates to future periods is classified as a financing activity.

For information regarding our derivative instruments, see note 4.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. We capitalize costs associated with the construction of new cable and mobile transmission and distribution facilities and the installation of new cable services. The nature and amount of labor and other costs to be capitalized with respect to construction and installation activities involves significant judgment. In addition to direct external and internal labor and materials, we also capitalize other costs directly attributable to our construction and installation activities, including dispatch costs, quality-control costs, vehicle-related costs and certain warehouse-related costs. The capitalization of these costs is based on time sheets, time studies, standard costs, call tracking systems and other verifiable means that directly link the costs incurred with the applicable capitalizable activity. We continuously monitor the appropriateness of our capitalization policies and update the policies when necessary to respond to changes in facts and circumstances, such as the development of new products and services and changes in the manner that installations or construction activities are performed. Installation activities that are capitalized include (i) the initial connection (or drop) from our cable system to a customer location, (ii) the replacement of a drop and (iii) the installation of equipment for additional services or upgrades, such as digital cable, telephone or broadband internet service. The costs of other customer-facing activities, such as reconnecting and disconnecting customer locations and repairing or maintaining drops, are expensed as incurred.

We capitalize internal and external costs directly associated with the development of internal-use software. Capitalized internal-use software is included as a component of property and equipment. We also capitalize costs associated with the purchase of software licenses. Costs associated with software obtained in a hosting arrangement are expensed over the life of the service contract, unless we have the right to take possession of the software at any time without significant penalty and it is feasible to run the software on our own hardware or contract with another party unrelated to the vendor to host the software. Maintenance and training costs, as well as costs incurred during the preliminary stage of an internal-use software development project, are expensed as incurred.

Depreciation is computed using the straight-line method over the estimated useful life of the underlying asset. Equipment under finance leases is amortized on a straight-line basis over the shorter of the lease term or estimated useful life of the asset and is included in depreciation in our consolidated statements of operations. Useful lives used to depreciate our property and equipment are assessed periodically and are adjusted when warranted. The useful lives of cable and mobile distribution systems that are undergoing a rebuild are adjusted such that property and equipment to be retired will be fully depreciated by the time the rebuild is completed. For additional information regarding the useful lives of our property and equipment, see note 6.

Additions, replacements and improvements that extend the asset life are capitalized. Repairs and maintenance are expensed as incurred.

Intangible Assets

Our primary intangible assets relate to goodwill, customer relationships and cable television franchise rights. Goodwill represents the excess purchase price over the fair value of the identifiable net assets acquired in a business combination. Customer relationships and cable television franchise rights are initially recorded at their fair values.

Goodwill and other intangible assets with indefinite useful lives are not amortized, but instead are tested for impairment at least annually.

We do not amortize our cable television franchise rights and certain other intangible assets as these assets have indefinite lives. For additional information regarding the useful lives of our intangible assets, see note 6.

Impairment of Property and Equipment and Intangible Assets

When circumstances warrant, we review the carrying amounts of our property and equipment and our intangible assets (other than goodwill and other indefinite-lived intangible assets) to determine whether such carrying amounts continue to be recoverable. Such changes in circumstance may include (i) the impact of natural disasters, (ii) an expectation of a sale or disposal of a long-lived asset or asset group, (iii) adverse changes in market or competitive conditions, (iv) an adverse change in legal factors or business climate in the market in which we operate and (v) operating or cash flow losses. For purposes of impairment testing, long-lived assets are grouped at the lowest level for which cash flows are largely independent of other assets and liabilities. If the carrying amount of the asset or asset group is greater than the expected undiscounted cash flows to be generated by such asset or asset group, an impairment adjustment is recognized. Such adjustment is measured by the amount that the carrying value of such asset or asset group exceeds its fair value. We generally measure fair value by considering (i) sale prices for similar assets, (ii) discounted estimated future cash flows using an appropriate discount rate and/or (iii) estimated replacement cost. Assets to be disposed of are recorded at the lower of their carrying amount or fair value less costs to sell.

We evaluate goodwill and other indefinite-lived intangible assets (primarily cable television franchise rights) for impairment at least annually on October 1 and whenever facts and circumstances indicate that the fair value of a reporting unit or an indefinite-lived intangible asset may be less than its carrying value. For impairment evaluations with respect to both goodwill and other indefinite-lived intangibles, we first make a qualitative assessment to determine if the goodwill or other indefinite-lived intangible may be impaired. In the case of goodwill, if it is more-likely-than-not that the reporting unit's fair value is less than its carrying value, we then compare the fair value of the reporting unit to its respective carrying amount. Goodwill impairment is recorded as the excess of the reporting unit's carrying value over its fair value and is charged to operations as an impairment loss. With respect to other indefinite-lived intangible assets, if it is more-likely-than-not that the fair value of an indefinite-lived intangible asset is less than its carrying value, we then estimate its fair value and any excess of the carrying value over the fair value is also charged to operations as an impairment loss. For additional information regarding the fair value measurements of our property and equipment and intangible assets, see note 5.

Operating Leases

Our operating leases primarily consist of lease commitments for (a) retail stores, offices and facilities, (b) other network assets, (c) vehicles and (d) other equipment. It is expected that in the normal course of business, operating leases that expire generally will be renewed or replaced by similar leases. For additional information regarding our leases, see note 8.

We classify leases with a term of greater than 12 months where substantially all risks and rewards incidental to ownership are retained by the third-party lessors as operating leases. We record a right-of-use asset and an operating lease liability at inception of the lease at the present value of the lease payments plus certain other payments, including variable lease payments and amounts probable of being owed by us under residual value guarantees. Payments made under operating leases, net of any incentives received from the lessors, are recognized to expense on a straight-line basis over the term of the lease. Initial direct costs incurred in negotiating and arranging operating leases are recognized to expense when incurred. Contingent rental payments are recognized to expense when incurred. Our right-of-use assets are included in other assets, net, in our consolidated balance sheets. Our current and non-current operating lease liabilities are included in other accrued and current liabilities and other long-term liabilities, respectively, in our consolidated balance sheets.

We use a credit-adjusted discount rate to measure our operating lease liabilities. We derive the discount rates starting with a risk free rate, generally the U.S. Treasury Bill rate. To determine credit risk, we create an industry benchmark credit default swap (**CDS**) curve from an observable high-yield debt index using comparable telecommunication companies as a proxy. We then determine the maximum curve shift against this CDS curve derived from our own tradable debt, and make adjustments to correct for the collateralized interest rate spread by comparing unsecured debt to asset-backed securities (secured debt) trades, which is based on the spread between the BB- and B+ industrial curves. We determine the discount factor from this adjusted curve.

Income Taxes

Income taxes are accounted for under the asset and liability method. We recognize deferred tax assets and liabilities for the future tax consequences attributable to differences between the financial statement carrying amounts and income tax basis of assets and liabilities and the expected benefits of utilizing net operating loss and tax credit carryforwards, using enacted tax rates in effect for each taxing jurisdiction in which we operate for the year in which those temporary differences are expected to be recovered or settled. We recognize the financial statement effects of a tax position when it is more-likely-than-not, based on technical merits, that the position will be sustained upon examination. Net deferred tax assets are then reduced by a valuation allowance if we believe it is more-likely-than-not that such net deferred tax assets will not be realized. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in earnings in the period that includes the enactment date. Deferred tax liabilities related to investments in foreign entities and foreign corporate joint ventures that are essentially permanent in duration are not recognized until it becomes apparent that such amounts will reverse in the foreseeable future. In order to be considered essentially permanent in duration, sufficient evidence must indicate that the foreign entity has invested or will invest its undistributed earnings indefinitely, or that earnings will be remitted in a tax-free liquidation. Interest and penalties related to income tax liabilities are included in income tax benefit or expense in our consolidated statements of operations.

Effective January 1, 2018, VTR Finance, along with its ultimate Dutch parent in the new structure, Lila Chile Holding B.V., is part of a Dutch tax fiscal unity. The income taxes of VTR Finance's subsidiaries, none of which are part of the Dutch Fiscal Unity, are presented in our consolidated financial statements on a separate return basis for each tax-paying entity or group based on the local tax law. For additional information regarding our income taxes, see note 9.

Foreign Currency Transactions

The reporting currency of VTR Finance is the Chilean peso. Transactions denominated in currencies other than our functional currency are recorded based on exchange rates at the time such transactions arise. Changes in exchange rates with respect to amounts recorded in our consolidated balance sheets related to these non-functional currency transactions result in transaction gains and losses that are reflected in our consolidated statements of operations as unrealized (based on the applicable period end exchange rates) or realized upon settlement of the transactions.

With the exception of certain material transactions, the cash flows from our operations in foreign countries are translated at the average rate for the applicable period in our consolidated statements of cash flows. The impacts of material transactions generally are recorded at the applicable spot rates in our consolidated statements of operations and cash flows. The effect of exchange rates on cash balances held in United States (**U.S.**) dollars are separately reported in our consolidated statements of cash flows.

Revenue Recognition

We categorize revenue into two major categories: (i) residential revenue, which includes revenue from fixed and mobile services provided to residential customers and (ii) B2B service revenue. For additional information regarding our revenue by major category see note 15. Our revenue recognition policies are as follows.

General. Our fixed and mobile residential and B2B contracts are not enforceable or do not contain substantive early termination penalties. Accordingly, revenue relating to these customers is recognized on a basis consistent with customers that are not subject to contracts. We account for customer service revenue contracts that include both non-lease and lease components as a single component in all instances where the non-lease component is the predominant component of the arrangement and the other applicable criteria are met.

Residential Fixed and B2B Service Revenue – Fixed Networks. We recognize revenue from video, broadband internet and fixed-line telephony services over our fixed networks to customers in the period the related residential fixed or B2B services are provided. Installation or other upfront fees related to services provided over our fixed networks are generally deferred and recognized as subscription revenue over the contractual period, or longer if the upfront fee results in a material renewal right.

We may also sell video, broadband internet and fixed-line telephony services to our customers in bundled packages at a rate lower than if the customer purchased each product on a standalone basis. Arrangement consideration from bundled packages generally is allocated proportionally to the individual service based on the relative standalone price for each respective product or service.

Mobile Revenue – General. Consideration from mobile contracts is allocated to airtime services and handset sales based on the relative standalone prices of each performance obligation.

Mobile Revenue – Airtime Services. We recognize revenue from mobile services in the period the related services are provided. Payments received from prepay customers are recorded as deferred revenue prior to the commencement of services and are recognized as revenue as the services are rendered or usage rights expire.

Mobile Revenue – Handset Revenue. Arrangement consideration allocated to handsets is recognized as revenue when the goods have been transferred to the customer. Revenue from mobile handset sales is included in residential mobile non-subscription revenue in our revenue by major category.

*Sales, Use and Other Value-Added Taxes (**VAT**).* Revenue is recorded net of applicable sales, use and other VAT.

Litigation Costs

Legal fees and related litigation costs are expensed as incurred.

(4) Derivative Instruments

In general, we seek to enter into derivative instruments to protect against (i) increases in the interest rates on our variable-rate debt and (ii) foreign currency movements, particularly with respect to borrowings that are not denominated in Chilean pesos. In this regard, we have entered into various derivative instruments to manage interest rate exposure and foreign currency exposure with respect to the Chilean peso (**CLP**) and the U.S. dollar (**$**). With the exception of certain foreign currency forward contracts, we do not apply hedge accounting to our derivative instruments. Accordingly, changes in the fair values of most of our derivative instruments are recorded in realized and unrealized gains or losses on derivative instruments in our consolidated statements of operations.

The following table provides details of the fair values of our derivative instrument assets and liabilities:

	December 31, 2020			December 31, 2019		
	Current	Long-term	Total	Current	Long-term	Total
	CLP in billions					
Assets:						
Cross-currency derivative contracts (a)	0.5	1.9	2.4	8.9	92.9	101.8
Foreign currency forward contracts	—	—	—	7.3	—	7.3
Total	0.5	1.9	2.4	16.2	92.9	109.1
Liabilities:						
Cross-currency and interest rate derivative contracts (a)	7.7	156.3	164.0	3.2	5.7	8.9
Foreign currency forward contracts	13.3	—	13.3	0.3	—	0.3
Total	21.0	156.3	177.3	3.5	5.7	9.2

(a) We consider credit risk relating to our and our counterparties' nonperformance in the fair value assessment of our derivative instruments. In all cases, the adjustments take into account offsetting liability or asset positions. The changes in the credit risk valuation adjustments associated with our cross-currency and interest rate derivative contracts resulted in net gains (losses) of CLP 26 billion, nil and (CLP 13 billion) during 2020, 2019 and 2018, respectively. The gain during the 2020 period is primarily due to increased credit risk stemming from market reaction to the COVID-19 outbreak, as further described and defined in note 6. These amounts are included in realized and unrealized gains (losses) on derivative instruments, net, in our consolidated statements of operations. For further information regarding our fair value measurements, see note 5.

The details of our realized and unrealized gains (losses) on derivative instruments, net, are as follows:

	Year ended December 31,		
	2020	2019	2018
	CLP in billions		
Cross-currency and interest rate derivative contracts (a)	(99.3)	59.4	58.6
Foreign currency forward contracts	(4.8)	6.9	16.5
Total	(104.1)	66.3	75.1

(a) The loss during 2020 includes a realized gain of CLP 58 billion associated with the settlement of certain cross-currency interest rate swaps in June 2020 that were unwound in connection with the July 2020 refinancing of certain debt. For additional information regarding the refinancing, see note 7.

At December 31, 2020, our accumulated other comprehensive loss, net of taxes, includes CLP 3 billion of deferred net gains or losses on derivative instruments to which we apply hedge accounting. We generally expect any such deferred gains or losses to be reclassified to operating income or loss in our consolidated statement of operations within the next 12 months.

The following table sets forth the classification of the net cash inflows of our derivative instruments:

	Year ended December 31,		
	2020	2019	2018
	CLP in billions		
Operating activities	13.2	8.5	(3.1)
Investing activities	6.0	4.6	(1.4)
Financing activities (a)	147.2	—	8.8
Total	166.4	13.1	4.3

(a) The 2020 amount is related to the settlement of certain cross-currency interest rate swaps, the settlement proceeds of which were used in part to redeem certain debt in July 2020, as further described in note 7.

Counterparty Credit Risk

We are exposed to the risk that the counterparties to our derivative instruments will default on their obligations to us. We manage these credit risks through the evaluation and monitoring of the creditworthiness of, and concentration of risk with, the respective counterparties. In this regard, credit risk associated with our derivative instruments is spread across a relatively broad counterparty base of banks and financial institutions. Collateral has not been posted by either party under our derivative instruments. At December 31, 2020, our exposure to counterparty credit risk resulting from our net derivative position was not material.

We have entered into derivative instruments under agreements with our counterparties that contain master netting arrangements that are applicable in the event of early termination by either party to such derivative instrument.

Details of our Derivative Instruments

Cross-currency Derivative Contracts

As noted above, we are exposed to foreign currency exchange rate risk in situations where our debt is denominated in a currency other than the Chilean peso (unmatched debt). Our policy is generally to provide for an economic hedge against foreign currency exchange rate movements, whenever possible and when cost effective to do so, by using derivative instruments to synthetically convert unmatched debt into Chilean pesos. At December 31, 2020, our cross-currency swap contracts had total notional amounts due from and to counterparties of $1.15 billion and CLP 934 billion, respectively, with a weighted average remaining contractual life of 5.5 years.

Interest Rate Derivative Contracts

As noted above, we enter into interest rate swaps to protect against increases in the interest rates on our variable-rate debt. Pursuant to these derivative instruments, we typically pay fixed interest rates and receive variable interest rates on specified notional amounts. At December 31, 2020, the notional amount of our interest rate swap contracts was CLP 141 billion and the related weighted average remaining contractual life was 2.1 years.

Foreign Currency Forwards Contracts

We enter into foreign currency forward contracts with respect to non-functional currency exposure. At December 31, 2020, our foreign currency forward contracts had total notional amounts due from and to counterparties of $205 million and CLP 159 billion, respectively, with a weighted average remaining contractual life of 0.5 years.

(5) Fair Value Measurements

General

We use the fair value method to account for our derivative instruments. The reported fair values of our derivative instruments as of December 31, 2020 likely will not represent the value that will be paid or received upon the ultimate settlement or disposition of these assets and liabilities, as we expect that the values realized generally will be based on market conditions at the time of settlement, which may occur at the maturity of the derivative instrument or at the time of the repayment or refinancing of the underlying debt instrument.

U.S. GAAP provides for a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. Level 1 inputs are quoted market prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 2 inputs are inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability.

All of our Level 2 inputs (interest rate futures, swap rates and certain of the inputs for our weighted average cost of capital calculations) and certain of our Level 3 inputs (credit spreads) are obtained from pricing services. These inputs, or interpolations or extrapolations thereof, are used in our internal models to calculate, among other items, yield curves, forward interest and currency rates and weighted average cost of capital rates. In the normal course of business, we receive market value assessments from the counterparties to our derivative contracts. Although we compare these assessments to our internal valuations and investigate unexpected differences, we do not otherwise rely on counterparty quotes to determine the fair values of our derivative instruments. The midpoints of applicable bid and ask ranges generally are used as inputs for our internal valuations.

Recurring Fair Value Measurements - Derivatives

In order to manage our interest rate and foreign currency exchange risk, we have entered into various derivative instruments, as further described in note 4. The recurring fair value measurements of these derivative instruments are determined using discounted cash flow models. Most of the inputs to these discounted cash flow models consist of, or are derived from, observable Level 2 data for substantially the full term of these derivative instruments. This observable data mostly includes interest rate futures and swap rates, which are retrieved or derived from available market data. Although we may extrapolate or interpolate this data, we do not otherwise alter this data in performing our valuations. We incorporate a credit risk valuation adjustment in our fair value measurements to estimate the impact of both our own nonperformance risk and the nonperformance risk of our counterparties. Our and our counterparties' credit spreads represent our most significant Level 3 inputs, and these inputs are used to derive the credit risk valuation adjustments with respect to these instruments. Notwithstanding the impact of COVID-19 (as defined and described in note 6) on our credit risk, we generally would not expect changes in our or our counterparties' credit spreads to have a significant impact on the valuations of these instruments. As a result, we have determined that these valuations continue to fall under Level 2 of the fair value hierarchy. Our credit risk valuation adjustments with respect to our interest rate and cross-currency derivative contracts are quantified and further explained in note 4.

Nonrecurring Fair Value Measurements

Fair value measurements are also used for purposes of nonrecurring valuations performed in connection with acquisition accounting and impairment assessments. We did not perform any significant nonrecurring fair value measurements related to these assessments during 2020 and 2019.

(6) Long-lived Assets

Property and Equipment, Net

The details of our property and equipment and the related accumulated depreciation are set forth below:

	Estimated useful life at December 31, 2020	December 31, 2020	December 31, 2019
		CLP in billions	
Distribution systems	4 to 25 years	643.9	620.8
Customer premises equipment	3 to 5 years	716.1	640.2
Support equipment, buildings and land	2 to 25 years	311.9	295.3
		1,671.9	1,556.3
Accumulated depreciation		(1,134.5)	(1,021.9)
Total		537.4	534.4

Depreciation expense related to our property and equipment was CLP 127 billion, CLP 111 billion and CLP 75 billion during 2020, 2019 and 2018, respectively.

We recorded non-cash increases to our property and equipment related to vendor financing arrangements of CLP 25 billion, CLP 22 billion and CLP 27 billion during 2020, 2019 and 2018, respectively, which exclude related VAT of CLP 5 billion, CLP 4 billion and CLP 2 billion during 2020, 2019 and 2018, respectively, that were also financed by our vendors under these arrangements.

Goodwill

We evaluate goodwill and other indefinite-lived intangible assets (primarily cable television franchise rights) for impairment at least annually on October 1 and whenever facts and circumstances indicate that their carrying amounts may not be recoverable, as further outlined in note 3. Based upon our October 1, 2020 evaluation, we did not identify any impairments of such assets. If, among other factors, (i) Liberty Latin America's equity values were to remain at current declined levels for a sustained period or were to decline further, (ii) our enterprise value were to decline or (iii) the adverse impacts stemming from COVID-19 (as defined below), competition, economic, regulatory or other factors, including macro-economic and demographic trends, cause our results of operations or cash flows to be worse than currently anticipated, we could conclude in future periods that impairment charges are required in order to reduce the carrying values of goodwill. Any such impairment charges could be significant.

During the first quarter of 2020, the World Health Organization declared the outbreak of a novel strain of Coronavirus (COVID-19) a "pandemic," pointing to the sustained risk of further global spread. COVID-19 has negatively impacted our results of operations and resulted in systemic disruption of the worldwide equity markets, and the market values of Liberty Latin America's publicly-traded equity declined significantly beginning in late February 2020. During 2020, the impacts of COVID-19 did not have a significant impact on our operating results or cash flows. Notwithstanding the lack of a significant impact of COVID-19 during 2020, we did evaluate whether the facts and circumstances and available information resulted in the need for an impairment assessment for any of our long-lived assets, including goodwill, and concluded no assessment was required.

Other Intangible Assets Not Subject to Amortization

Our other intangible assets not subject to amortization relate to our trade name and spectrum licenses. The balances of our other indefinite-lived intangible assets, which are included in other assets, net in our consolidated balance sheets were CLP 16 billion at both December 31, 2020 and 2019.

(7) Debt

The Chilean peso equivalents of the components of our debt are as follows:

	December 31, 2020						
	Weighted average interest rate (a)	Unused borrowing capacity		Estimated fair value (b)		Principal amount	
		Borrowing currency	CLP equivalent	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
				CLP in billions			
Parent – VTR Finance Senior Notes (c)	6.38 %	$ —	—	427.4	970.6	391.5	947.3
Subsidiaries:							
2028 VTR Senior Secured Notes	5.13 %	—	—	455.0	—	427.1	—
VTR Credit Facilities	4.78 %	(d)	187.4	173.5	172.7	174.0	174.0
Vendor financing (e)	2.23 %	—	—	70.9	70.4	70.9	70.4
Total debt before deferred financing costs	5.34 %		187.4	1,126.8	1,213.7	1,063.5	1,191.7

The following table provides a reconciliation of total debt before deferred financing costs to total debt:

	December 31, 2020	December 31, 2019
	CLP in billions	
Total debt before deferred financing costs	1,063.5	1,191.7
Deferred financing costs	(16.2)	(13.8)
Total carrying amount of debt	1,047.3	1,177.9
Less: Current maturities of debt	(70.9)	(70.4)
Long-term debt	976.4	1,107.5

(a) Represents the weighted average interest rate in effect at December 31, 2020 for all borrowings outstanding pursuant to each debt instrument, including any applicable margin. The interest rates presented represent stated rates and do not include the impact of derivative instruments, deferred financing costs or commitment fees, all of which affect our overall cost of borrowing.

(b) The estimated fair values of our debt instruments are determined using the average of applicable bid and ask prices (mostly Level 1 of the fair value hierarchy). For additional information concerning fair value hierarchies, see note 5.

(c) The December 31, 2020 balance represents the 2028 VTR Finance Senior Notes that were issued in July 2020, and the December 31, 2019 balance represents the 2024 VTR Finance Senior Notes that were extinguished during the third quarter of 2020 (see *2020 Financing and Refinancing Transactions* below for details).

(d) The VTR Credit Facilities comprise certain CLP term loans and U.S. dollar and CLP revolving credit facilities, including unused borrowing capacity. Unused borrowing capacity represents the maximum availability at December 31, 2020 without regard to covenant compliance calculations or other conditions precedent to borrowing. At December 31, 2020, the unused borrowing capacity relates to our senior secured revolving credit facilities, which comprise a (i) CLP 45 billion facility and (ii) a $200 million (CLP 142 billion) facility (together the VTR Revolving Credit Facilities). At December 31, 2020, our unused borrowing capacity under the VTR Revolving Credit Facilities was limited to $185 million (CLP 132 billion).

(e) Represents amounts owed pursuant to interest-bearing vendor financing arrangements that are used to finance certain of our operating expenses and property and equipment additions. These obligations are generally due within one year and include value-added taxes that were paid on our behalf by the vendor. Our operating expenses include CLP 48 billion, CLP 53 billion and CLP 60 billion for the years ended December 31, 2020, 2019 and 2018, respectively, that were financed by an intermediary and are reflected on the borrowing date as a hypothetical cash outflow within net cash provided by operating activities and a hypothetical cash inflow within net cash used by financing activities in our consolidated statements of cash flows. Repayments of vendor financing obligations are included in repayments of debt in our consolidated statements of cash flows.

General Information

Credit Facility. We have entered into a credit facility agreement with certain financial institutions. Our credit facility contains certain covenants, the more notable of which are as follows:

- Our credit facility contains certain net leverage ratios, as specified in the credit facility, which are required to be complied with on an incurrence and, in certain circumstances, a maintenance basis;
- Our credit facility contains certain restrictions which, among other things, restrict our ability to (i) incur or guarantee certain financial indebtedness, (ii) make certain disposals and acquisitions, (iii) create certain security interests over our assets, in each case, subject to certain customary and agreed exceptions and (iv) make certain restricted payments to our direct and/or indirect parent companies through dividends, loans or other distributions, subject to compliance with applicable covenants;
- Our credit facility requires certain of our subsidiaries to (i) guarantee the payment of all sums payable under the relevant credit facility and (ii) have first-ranking security granted over the shares in such guarantors and certain intercompany receivables;
- In addition to certain mandatory prepayment events, the instructing group of lenders under our credit facility may cancel the commitments thereunder and declare the loans thereunder due and payable after the applicable notice period following the occurrence of a change of control (as specified in the credit facility);
- Our credit facility contains certain customary events of default, the occurrence of which, subject to certain exceptions and materiality qualifications, would allow the instructing group of lenders to (i) cancel the total commitments, (ii) accelerate all outstanding loans and terminate their commitments thereunder and/or (iii) declare that all or part of the loans be payable on demand;
- Our credit facility requires that we observe certain affirmative and negative undertakings and covenants, which are subject to certain materiality qualifications and other customary and agreed exceptions; and
- In addition to customary default provisions, our credit facility includes cross-default and cross-acceleration provisions with respect to our other indebtedness, subject to agreed minimum thresholds and other customary and agreed exceptions.

Senior and Senior Secured Notes. We have issued senior and senior secured notes which (i) are senior obligations of the respective issuer that rank at least equally with all of the existing and future senior debt of that issuer and, in the case of the senior secured notes, rank senior to all existing and future subordinated debt of the issuer, (ii) in the case of the senior secured notes, benefit from guarantees from one or more other borrowing group entities and (iii) are secured by a pledge over the shares of the issuer and, in the case of the senior secured notes, of the guarantors. The indentures governing our senior and senior secured notes contain certain covenants, the more notable of which are as follows:

- Our notes contain certain customary incurrence-based covenants. In addition, our notes provide that any failure to pay principal prior to expiration of any applicable grace period, or any acceleration with respect to other indebtedness of the issuer or certain of its subsidiaries, over agreed minimum thresholds (as specified under the applicable indenture), is an event of default under the respective indenture;
- Our notes contain certain restrictions that, among other things, restrict our ability to (i) incur or guarantee certain financial indebtedness, (ii) make certain disposals and acquisitions, (iii) create certain security interests over our assets and (iv) make certain restricted payments to our direct and/or indirect parent companies through dividends, loans or other distributions, in each case, subject to certain customary and agreed expectations; and

- If the relevant issuer (as specified in the applicable indenture) sells certain assets, such issuer must offer to repurchase the applicable notes at par, or if a change of control (as specified in the applicable indenture) occurs, such issuer must offer to repurchase all of the relevant notes at a redemption price of 101%.

2020 Financing and Refinancing Transactions

2028 VTR Senior Secured Notes. In July 2020, VTR Comunicaciones SpA, a wholly-owned subsidiary of VTR Finance, issued $600 million (CLP 488 billion at the transaction date) aggregate principal amount, at par, of 5.125% senior secured notes (the **2028 VTR Senior Secured Notes**) due January 15, 2028. Interest on the 2028 VTR Senior Secured Notes is payable semi-annually on January 15 and July 15, commencing on January 15, 2021.

The net proceeds of $1,133 million (CLP 922 billion at the transaction date) from the 2028 VTR Senior Secured Notes and the 2028 VTR Finance Senior Notes (as defined and described further below), together with $187 million (CLP 154 billion at the transaction date) of proceeds from the unwinding of certain derivative instruments, were used to redeem $1,260 million (CLP 1,025 billion at the transaction date) of outstanding principal amount under the then outstanding 2024 VTR Finance Senior Notes (as defined and discussed further below), including accrued and unpaid interest and a $29 million (CLP 24 billion at the transaction date) redemption premium. In connection with these transactions, (i) CLP 448 billion was treated as a non-cash transaction in our consolidated statement of cash flows and (ii) we recognized a loss on debt extinguishment of CLP 34 billion, which primarily includes the payment of the aforementioned redemption premium and the write-off of unamortized deferred financing costs.

Redemption Rights. The 2028 VTR Senior Secured Notes may be redeemed, in whole or in part, at any time prior to July 15, 2023 at a price equal to 100% of the principal amount of the notes redeemed, plus accrued and unpaid interest to (but excluding) the redemption date, and a "make whole" premium, as described in the 2028 VTR Senior Secured Notes indenture. The 2028 VTR Senior Secured Notes may be redeemed, in whole or in part, at any time on or after July 15, 2023 at the following redemption prices (expressed as a percentage of the principal amount), plus accrued and unpaid interest and additional amounts, if any, to the applicable redemption date, as set forth below:

	Redemption Price
12-month period commencing July 15:	
2023	102.563 %
2024	101.281 %
2025 and thereafter	100.000 %

In addition, at any time prior to July 15, 2023, subject to certain conditions specified in the 2028 VTR Senior Secured Notes indenture, we may redeem up to 40% of the aggregate principal amount of the 2028 VTR Senior Secured Notes with the net proceeds of one or more specified equity offerings at a redemption price equal to 105.125% of the principal amount of the notes redeemed, plus accrued and unpaid interest and additional amounts, if any, to the applicable redemption date. Prior to July 15, 2023, during each 12-month period commencing on the July 1, 2020, we may redeem up to 10% of the aggregate principal amount of the 2028 VTR Senior Secured Notes at a redemption price equal to 103% of the principal amount of the notes redeemed, plus accrued and unpaid interest to (but excluding) the redemption date.

The 2028 VTR Senior Secured Notes are guaranteed by VTR.com SpA (**VTR.com**), a wholly-owned subsidiary of VTR Finance, and are the senior obligations of VTR Comunicaciones SpA and VTR.com. The 2028 VTR Senior Secured Notes are secured by first-ranking pledges over (i) all of the capital stock of the VTR Comunicaciones SpA and VTR.com and (ii) certain subordinated shareholder loans.

2028 VTR Finance Senior Notes. In July 2020, VTR Finance N.V. issued $550 million (CLP 448 billion at the transaction date) aggregate principal amount, at par, of 6.375% senior notes (the **2028 VTR Finance Senior Notes**) due July 15, 2028. Interest on the 2028 VTR Finance Senior Notes is payable semi-annually on January 15 and July 15, commencing on January 15, 2021.

Redemption Rights. The 2028 VTR Finance Senior Notes may be redeemed, in whole or in part, at any time prior to July 15, 2023 at a price equal to 100% of the principal amount of the notes redeemed, plus accrued and unpaid interest to (but excluding) the redemption date, and a "make whole" premium, as described in the 2028 VTR Finance Senior Notes indenture. The 2028 VTR Finance Senior Notes may be redeemed, in whole or in part, at any time on or after July 15, 2023 at the following redemption prices (expressed as a percentage of the principal amount), plus accrued and unpaid interest and additional amounts, if any, to the applicable redemption date, as set forth below:

	Redemption Price
12-month period commencing July 15:	
2023	103.188 %
2024	101.594 %
2025 and thereafter	100.000 %

In addition, at any time prior to July 15, 2023, subject to certain conditions specified in the 2028 VTR Finance Senior Notes indenture, we may redeem up to 40% of the aggregate principal amount of the 2028 VTR Finance Senior Notes with the net proceeds of one or more specified equity offerings at a redemption price equal to 106.375% of the principal amount of the notes redeemed, plus accrued and unpaid interest and additional amounts, if any, to the applicable redemption date.

The 2028 VTR Finance Senior Notes are the senior obligations of VTR Finance and are secured by a pledge over all the shares of VTR Finance.

2024 VTR Finance Senior Notes

In January 2014, VTR Finance issued $1.4 billion principal amount of senior notes (the **2024 VTR Finance Senior Notes**), due January 15, 2024. In October 2018, VTR Finance redeemed $140 million (CLP 95 billion at the transaction date) of aggregate principal amount of the 2024 VTR Finance Senior Notes for total consideration of $147 million (CLP 100 billion at the transaction date), including (i) the 103% redemption price and (ii) accrued and unpaid interest on the redeemed notes. In connection with this transaction, VTR Finance recognized a loss on debt modification and extinguishment of CLP 4 billion, which includes the net effect of redemption premiums paid and the write-off of deferred financing costs.

In July 2020, as further described above, VTR Finance redeemed the remaining $1,260 million (CLP 1,025 billion at the transaction date) principal amount of the 2024 VTR Finance Senior Notes.

VTR Credit Facilities

In May 2018, VTR.com entered into (i) the VTR TLB-1 Facility and the VTR TLB-2 Facility (collectively, the **VTR Term Loan Facilities**) and (ii) new U.S. dollar and CLP revolving credit facilities (collectively, the **VTR Revolving Credit Facilities** and together with the VTR Term Loan Facilities, the **VTR Credit Facilities**). Upon closing of the VTR Credit Facilities, the previously existing credit facility at VTR.com was cancelled.

The details of our borrowings under the VTR Credit Facilities as of December 31, 2020 are summarized in the following table:

			Unused borrowing capacity			Outstanding principal amount		
VTR Credit Facilities	**Maturity**	**Interest rate**	**Borrowing currency**		**CLP equivalent**	**Borrowing currency**		**Carrying value (a)**
					in billions			
VTR TLB-1 Facility	(b)	ICP (c) + 3.80%	CLP	—	—	CLP	140.9	139.2
VTR TLB-2 Facility	May 23, 2023	7.000%	CLP	—	—	CLP	33.1	32.7
VTR RCF - A (d)	May 23, 2023	TAB (e) + 3.35%	CLP	45.0	45.0	CLP	—	—
VTR RCF - B (f)	June 15, 2026	LIBOR + 2.75%	$	0.2	142.4	$	—	—
Total					187.4			171.9

(a) Amounts are net of deferred financing costs.

(b) Under the terms of the credit agreement, we are obligated to repay 50% of the outstanding aggregate principal amount of the VTR TLB-1 Facility on November 23, 2022, with the remaining principal amount due on May 23, 2023, which represents the ultimate maturity date of the facility.

(c) Índice de Cámara Promedio rate.

(d) The VTR RCF - A has a fee on unused commitments of 1.34% per year.

(e) Tasa Activa Bancaria rate.

(f) Includes a CLP 712 million credit facility that matures on May 23, 2023. The VTR RCF – B has a fee on unused commitments of 1.10% per year.

Financing and Refinancing Transactions

VTR RCF - A In March 2019, the commitment under the VTR RCF - A was increased to CLP 45 billion.

VTR RCF - B. In March 2020, we borrowed $92 million (CLP 79 billion at the transaction date) under the VTR RCF - B. In June 2020, (i) the drawdown was fully repaid and (ii) the commitment under the VTR RCF - B was increased to $200 million (CLP 142 billion) and the term was extended to June 15, 2026.

Maturities of Debt

Maturities of our debt as of December 31, 2020 are presented below. Amounts presented below represent the CLP equivalents (in billions) based on December 31, 2020 exchange rates.

Years ending December 31:	
2021	70.9
2022	70.5
2023	103.6
2024	—
2025	—
Thereafter	818.5
Total debt maturities	1,063.5
Deferred financing costs	(16.2)
Total debt	1,047.3
Current portion	70.9
Noncurrent portion	976.4

(8) Leases

The following table provides details of our operating lease expense:

	Year ended December 31,		
	2020	2019	2018 (a)
		CLP in billions	
Operating lease expense:			
Operating lease cost	6.4	6.3	7.3
Short-term lease cost	0.5	0.8	—
Total operating lease expense	6.9	7.1	7.3

(a) Amounts reflect operating lease expense recorded under ASC 840, *Leases*, prior to adoption of ASU 2016-02 on January 1, 2019. Accordingly, amounts are not comparable.

Certain other details of our operating leases are set forth below:

	December 31,	
	2020	2019
	CLP in billions	
Operating lease right-of-use assets	14.7	17.3
Operating lease liabilities:		
Current	4.8	5.0
Noncurrent	9.5	12.3
Total operating lease liabilities	14.3	17.3
Weighted-average remaining lease term	3.3 years	4.1 years
Weighted-average discount rate	6.7 %	6.8 %

	Year ended December 31,	
	2020	2019
	CLP in billions	
Operating cash flows from operating leases	6.6	6.5
Right-of-use assets obtained in exchange for new operating lease liabilities (a)	4.8	0.9

(a) Represents non-cash transactions associated with operating leases entered into during the year.

Maturities of Operating Leases

Maturities of our operating lease liabilities as of December 31, 2020 are presented below. Amounts presented below represent CLP equivalents (in billions) based on December 31, 2020 exchange rates.

Years ending December 31:	
2021	5.6
2022	4.4
2023	3.2
2024	2.7
2025	0.1
Total operating lease liabilities on an undiscounted basis	16.0
Amount representing interest	(1.7)
Present value of operating lease liabilities	14.3

(9) Income Taxes

The components of our earnings (loss) before income taxes are as follows:

	Year ended December 31,		
	2020	2019	2018
	CLP in billions		
The Netherlands	(90.6)	(36.0)	(64.0)
Chile	32.0	96.5	133.1
Total	(58.6)	60.5	69.1

Income tax benefit (expense) consists of the following:

	Current	Deferred	Total
		CLP in billions	
Year ended December 31, 2020:			
The Netherlands	(4.4)	—	(4.4)
Chile	25.4	(12.0)	13.4
Total	21.0	(12.0)	9.0
Year ended December 31, 2019:			
The Netherlands	(0.5)	—	(0.5)
Chile	96.8	(9.3)	87.5
Total	96.3	(9.3)	87.0
Year ended December 31, 2018:			
The Netherlands	(1.6)	—	(1.6)
Chile	(11.5)	(14.4)	(25.9)
Total	(13.1)	(14.4)	(27.5)

Income tax benefit (expense) attributable to our earnings (loss) before income taxes differs from the amounts computed by using the statutory tax rate in the Netherlands of 25.0% as a result of the following factors:

	Year ended December 31,		
	2020	2019	2018
		CLP in billions	
Computed "expected" tax benefit (expense)	14.7	(15.1)	(17.3)
Permanent differences	3.5	2.6	3.4
Change in valuation allowances	(28.0)	(0.8)	(16.1)
Withholding Tax	(14.2)	(0.5)	(1.6)
Enacted tax law and rate changes (a) (b)	8.4	(8.3)	—
International rate difference (c)	(1.1)	(1.9)	(2.7)
Changes in uncertain tax positions	27.4	118.0	4.4
Other, net	(1.7)	(7.0)	2.4
Total income tax benefit (expense)	9.0	87.0	(27.5)

(a) On December 27, 2019, legislation was enacted that changed the total corporate income tax rate in the Netherlands from 25% to 21.7% for tax years beginning after December 31, 2020. Substantially all of the impact of this rate change on our deferred tax balances was recorded during the fourth quarter of 2019 when the change in law was enacted, however, due to full valuation allowances in the Netherlands, the total effective tax rate impact is nil.

(b) On December 15, 2020, legislation was enacted that reversed the previously enacted corporate income tax reduction to 21.7% and was maintained at 25% for tax years beginning after December 31, 2020. Substantially all of the impact of this rate change on our deferred tax balances was recorded during the fourth quarter of 2020 when the change in law was enacted, however, due to full valuation allowances in the Netherlands, the total effective tax rate impact is nil.

(c) This amount represents the impact of a higher statutory rate of 27% in Chile as compared to a rate of 25% in the Netherlands.

The tax effects of temporary differences that give rise to our deferred tax assets and deferred tax liabilities are presented below:

	December 31,	
	2020	2019
	CLP in billions	
Deferred tax assets:		
Property and equipment, net	—	12.5
Unrealized gains & losses	10.5	24.0
Accrued expenses	2.0	7.7
Net operating losses, credits and other carryforwards	100.7	38.6
Other future deductible amounts	1.8	2.4
Deferred tax assets	115.0	85.2
Valuation allowance	(83.9)	(56.0)
Deferred tax assets, net of valuation allowance	31.1	29.2
Deferred tax liabilities:		
Intangible assets	(6.7)	(6.1)
Property and equipment	(11.9)	—
Net deferred tax asset	12.5	23.1

Our deferred income tax valuation allowance increased CLP 28 billion during 2020, primarily related to the net effect of (i) the net tax expense related to our operations of CLP 20 billion, (ii) the net tax expense related to enacted tax law changes, which increased the balance of deferred tax assets by CLP 8 billion on which a valuation allowance is required, and (iii) other individually insignificant items.

The significant components of our tax loss carryforwards and related tax assets at December 31, 2020 are as follows:

Country	Tax loss carryforward	Related tax asset	Expiration date
	CLP in billions		
Chile	104.2	28.1	Indefinite
The Netherlands	78.5	19.6	2024-2026
Total	182.7	47.7	

We file income tax returns in various jurisdictions. In the normal course of business, our income tax filings are subject to review by various taxing authorities. In connection with such reviews, disputes could arise with the taxing authorities over the interpretation or application of certain income tax rules related to our business in that tax jurisdiction. Such disputes may result in future tax and interest and penalty assessments by these taxing authorities. The ultimate resolution of tax contingencies will take place upon the earlier of (i) the settlement date with the applicable taxing authorities in either cash or agreement of income tax positions or (ii) the date when the taxing authorities are statutorily prohibited from adjusting the company's tax computations.

In general, tax returns that include, or are filed by, our company or our subsidiaries for years prior to 2017 are no longer subject to examination by tax authorities. Except as noted below, we do not anticipate that any adjustments that might arise from the tax authorities' examinations will have a material impact on our consolidated financial position, results of operations or cash flows.

Chilean tax law limits the ability of a company to offset its taxable income with tax losses of another company. Although we intend to take reasonable tax planning measures to limit our tax exposures, no assurance can be given that we will be able to do so.

The changes in our unrecognized tax benefits are summarized below:

	Year ended December 31,	
	2020	2019
	CLP in billions	
Balance at January 1	35.3	166.8
Additions for tax positions of prior years	0.9	12.6
Additions based on tax positions related to the current year	1.3	—
Lapse of statute of limitation	(12.5)	—
Decrease for settlement with tax authorities	—	(30.3)
Decreases for tax positions of prior years	(14.5)	(113.8)
Balance at December 31	10.5	35.3

As of December 31, 2020, all of our unrecognized tax benefits would have a favorable impact on our effective income tax rate if ultimately recognized, after considering amounts that we would expect to be offset by valuation allowances. During the next 12 months, we do not reasonably expect resolution of ongoing examinations by tax authorities to result in significant reductions to our unrecognized tax benefits related to tax positions taken as of December 31, 2020. No assurance can be given as to the nature or impact of any changes in our unrecognized tax positions during the next 12 months. As of December 31, 2020 and 2019, our unrecognized tax benefits and related accrued interest aggregated CLP 11 billion and CLP 38 billion, respectively.

During 2020, 2019 and 2018, our income tax benefit (expense) includes net interest release (expense) of CLP 3 billion, CLP 20 billion and (CLP 6 billion), respectively, representing the net release or accrual of interest during the respective period. Our other long-term liabilities include accrued interest of nil and CLP 3 billion at December 31, 2020 and 2019, respectively.

(10) Related-party Transactions

General. We consider Liberty Latin America and its subsidiaries to be related parties.

Our related-party transactions are as follows:

	Year ended December 31,		
	2020	2019	2018
	CLP in billions		
Other operating costs and expenses	(1.8)	—	—
Allocated share-based compensation expense	(6.5)	(3.4)	(2.1)
Related-party fees and allocations:			
Other operating costs and expenses	(7.6)	(3.8)	(4.2)
Share-based compensation	(6.0)	(4.0)	(3.0)
Management fee	(0.4)	(0.4)	(0.6)
Total fees and allocations	(14.0)	(8.2)	(7.8)
Interest income	34.3	8.3	3.0

Other operating costs and expenses. These amounts represent our estimated share of costs charged to our company by Liberty Latin America, primarily related to personnel costs.

Allocated share-based compensation expense. These amounts represent share-based compensation expense that Liberty Latin America allocated to our company with respect to share-based incentive awards held by certain of our employees. This charge is cash settled and is included in other accrued and current liabilities in our consolidated balance sheets. The 2020 amount includes estimated bonus-related expenses for the 2020 year that will be paid in the form of Liberty Latin America equity.

Related-party fees and allocations. The amounts represent fees charged to our company by Liberty Latin America and are expected to be cash-settled. Although we believe the related-party fees and allocations described below are reasonable, no assurance can be given that the related-party costs and expenses reflected in our consolidated statements of operations are reflective of the costs that we would incur on a standalone basis. The categories of our fees and allocations are as follows:

- *Other operating costs and expenses (exclusive of depreciation and share-based compensation).* The amounts included in this category represent our estimated share of certain centralized technology, management, marketing, finance, legal and other operating costs of Liberty Latin America's operations, whose activities benefit multiple operations, including operations within and outside of our company. The amounts allocated represent our estimated share of the actual costs incurred by the operations of Liberty Latin America, without a mark-up. Amounts in this category are generally deducted to arrive at our "EBITDA" metric specified by our debt agreements (**Covenant EBITDA**).

- *Share-based compensation.* The amounts represent share-based compensation associated with employees of Liberty Latin America who are not employees of our company. The amounts allocated represent our estimated share of the actual costs incurred by the operations of Liberty Latin America, without a mark-up.

- *Management fee.* Amounts included in this category represent our estimated allocable share of the mark-up, if any, applicable to each category of the related-party fees and allocations charged to our company.

Interest income. Amounts included in this category primarily include interest income earned on the LCRH Long-Term Note Receivable. In addition, the amount for 2020 includes interest income earned on the CIHB Note Receivable.

The following table provides details of our related-party balances:

	December 31,	
	2020	2019
	CLP in billions	
Assets:		
Current notes receivable (a)	75.1	—
Other current assets (b)	29.6	2.1
Long-term note receivable (c)	451.7	455.7
Total assets	556.4	457.8
Liabilities:		
Other accrued and current liabilities (d)	5.9	2.0

(a) Represents a $97 million (CLP 77 billion at the October 7, 2020 transaction date) short-term note receivable with our parent, Lila Chile Holding, that we entered into during 2020. This note bears interest at 2.8% and matures on October 8, 2021, and is expected to be cash settled. The advances on this note receivable are reflected as an investing activity in our consolidated statement of cash flows.

(b) Primarily represents (i) CLP 25 billion of accrued interest income on the CIHB Note Receivable (as further defined and described below) at December 31, 2020 and (ii) non-interest bearing receivables from Liberty Latin America subsidiaries. On January 1, the accrued interest on each of the LCRH Long-Term Note Receivable (as further defined and described below) and the CIHB Note Receivable is generally transferred to the principal balance of the respective loan. During 2019 and 2020, Liberty Costa Rica Holdings LTD (**LCRH**) paid CLP 9 billion and CLP 7 billion, respectively, related to the accrued interest on the LCRH Long-Term Note Receivable.

(c) During 2019, we entered into a CLP 372 billion note receivable with Liberty Global CIHB Limited (the **CIHB Note Receivable**). The CIHB Note Receivable bears interest at 6.7% and has a maturity date of December 26, 2029. During 2018, we entered into a $108 million (CLP 74 billion at the transaction dates) note receivable with LCRH (the **LCRH Long-Term Note Receivable**). The LCRH Long-Term Note Receivable bears interest at 9.9% and has a maturity date of May 23, 2023. The advances on the CIHB Note Receivable and the LCRH Long-Term Note Receivable are included in investing activities in our consolidated statements of cash flows. Both the LCRH Long-Term Note Receivable and the CIHB Note Receivable are expected to be cash settled.

(d) Represents non-interest bearing other accrued and current liabilities to subsidiaries of Liberty Latin America that are expected to be cash settled.

Common Control Transfer. On June 22, 2020, as part of an internal reorganization by Liberty Latin America, LiLAC Services Ltd., another wholly-owned subsidiary of Liberty Latin America, entered into a share purchase and contribution agreement with, among others, LiLAC Ventures Ltd. (another wholly-owned subsidiary of Liberty Latin America) pursuant to which (i) LiLAC Services Ltd. will acquire all of the outstanding capital stock of Liberty Costa Rica Holdings, Ltd. (also a Liberty Latin America entity) held by LiLAC Ventures Ltd. and (ii) upon consummation of the share purchase, LiLAC Services Ltd. will, through one or more direct or indirect contributions (the "**Contributions**"), contribute the capital stock of Liberty Costa Rica Holdings, Ltd. acquired from LiLAC Ventures Ltd. to VTR Finance N.V. such that upon consummation of the Contributions, Cabletica S.A. will become an 80%-owned indirect subsidiary of VTR Finance N.V.

On December 26, 2019, we received $500 million (CLP 372 billion at the transaction date) from our parent company, Lila Chile Holding BV. This is reflected as an increase to accumulated net contributions in our consolidated statement of owner's equity (deficit) and as a financing activity in our consolidated statement of cash flows.

Contribution of services. During 2018, a portion of costs that were allocated to us by Liberty Global for services performed during 2017 were settled. These costs were equity settled, and as such have been reflected as a contribution in our consolidated statement of owner's equity (deficit).

(11) Restructuring Liabilities

A summary of changes in our restructuring liabilities during 2020 is set forth in the table below:

	Employee severance and termination	Contract termination and other	Total
		CLP in billions	
Restructuring liability as of January 1, 2020	4.2	10.4	14.6
Restructuring charges	(0.1)	4.9	4.8
Cash paid	(1.9)	(6.1)	(8.0)
Other	(1.1)	1.1	—
Restructuring liability as of December 31, 2020	1.1	10.3	11.4
Current portion	1.1	9.8	10.9
Noncurrent portion	—	0.5	0.5
Total	1.1	10.3	11.4

Current and noncurrent restructuring liabilities are included in other accrued and current liabilities and other long-term liabilities, respectively, in our consolidated balance sheets.

A summary of changes in our restructuring liabilities during 2019 is set forth in the table below:

	Employee severance and termination	Contract termination and other	Total
		CLP in billions	
Restructuring liability as of January 1, 2019	1.1	12.0	13.1
Restructuring charges	8.2	4.5	12.7
Cash paid	(5.1)	(6.1)	(11.2)
Restructuring liability as of December 31, 2019	4.2	10.4	14.6
Current portion	4.2	8.2	12.4
Noncurrent portion	—	2.2	2.2
Total	4.2	10.4	14.6

A summary of changes in our restructuring liabilities during 2018 is set forth in the table below:

	Employee severance and termination	Contract termination and other	Total
		CLP in billions	
Restructuring liability as of January 1, 2018	2.0	15.1	17.1
Restructuring charges	1.0	3.8	4.8
Cash paid	(1.9)	(6.9)	(8.8)
Restructuring liability as of December 31, 2018	1.1	12.0	13.1

The restructuring charges during each year are related to certain reorganization activities.

(12) Programming and Other Direct Costs of Services

Programming and other direct costs of services include programming and copyright costs, interconnect and access costs, commissions, costs of mobile handsets and other devices, and other direct costs related to our operations.

Our programming and other direct costs of services by major category are set forth below:

	Year ended December 31,		
	2020	2019	2018
		CLP in billions	
Programming and copyright	129.0	119.9	117.9
Interconnect and commissions	31.1	36.5	43.0
Equipment and other	12.9	17.6	14.8
Total programming and other direct costs of services	173.0	174.0	175.7

(13) Other Operating Costs and Expenses

Other operating costs and expenses set forth in the table below comprise the following cost categories:

- **Personnel and contract labor related** costs, which primarily include salary-related and cash bonus expenses, net of capitalizable labor costs, and temporary contract labor costs;

- **Network-related** expenses, which primarily include costs related to network access, system power, core network, and CPE repair, maintenance and test costs;

- **Service-related** costs, which primarily include professional services, information technology-related services, audit, legal and other services;

- **Commercial**, which primarily includes sales and marketing costs, such as advertising, commissions and other sales and marketing-related costs, and customer care costs related to outsourced call centers;

- **Facility, provision, franchise and other**, which primarily includes facility-related costs, provision for bad debt expense, franchise-related fees, bank fees, insurance, travel and entertainment and other operating-related costs; and

- **Share-based compensation** costs that relate to (i) stock appreciation rights (**SARs**), restricted stock units (**RSUs**) and performance-based restricted stock units (**PSUs**) issued to our employees and (ii) bonus-related expenses that will be paid in the form of equity.

Our other operating costs and expenses by major category is set forth below.

	Year ended December 31,		
	2020	2019	2018
	CLP in billions		
Personnel and contract labor	48.3	53.2	53.1
Network-related expenses	53.1	44.3	44.6
Service-related	28.9	26.9	20.8
Commercial	60.4	55.3	50.3
Facility, provision, franchise and other	33.4	38.7	39.9
Share-based compensation expense	6.5	3.4	2.1
Total other operating costs and expenses	230.6	221.8	210.8

(14) Commitments and Contingencies

Commitments

In the normal course of business, we have entered into agreements that commit our company to make cash payments in future periods with respect to programming contracts, network and connectivity commitments, purchases of customer premises and other equipment and services, and other items. The following table sets forth the Chilean peso equivalents of such commitments as of December 31, 2020:

	Payments due during:						
	2021	2022	2023	2024	2025	Thereafter	Total
	CLP in billions						
Programming commitments	74.8	54.4	36.7	30.6	0.3	—	196.8
Network and connectivity commitments	18.6	1.7	—	—	—	—	20.3
Purchase commitments	8.5	0.6	0.4	—	—	—	9.5
Other commitments	1.4	0.2	0.1	0.1	0.1	0.6	2.5
Total (a)	103.3	56.9	37.2	30.7	0.4	0.6	229.1

(a) The commitments included in this table do not reflect any liabilities that are included in our December 31, 2020 consolidated balance sheet.

Programming commitments consist of obligations associated with certain programming contracts with a wide range of providers that are enforceable and legally binding on us as we have agreed to pay minimum fees without regard to (i) the actual number of subscribers to the programming services or (ii) whether we terminate service to a portion of our subscribers or dispose of a portion of our distribution systems. In addition, programming commitments do not include increases in future periods associated with contractual inflation or other price adjustments that are not fixed. Accordingly, the amounts reflected in the above table with respect to these contracts are significantly less than the amounts we expect to pay in these periods under these contracts. Historically, payments to programming vendors have represented a significant portion of our operating costs, and we expect that this will continue to be the case in future periods.

Network and connectivity commitments include (i) our domestic network service agreements with certain other telecommunications companies, and (ii) our mobile virtual network operator (**MVNO**) agreement. The amounts reflected in the above table with respect to our MVNO commitment represent fixed minimum amounts payable under this agreement and, therefore, may be significantly less than the actual amounts we ultimately pay in these periods.

Purchase commitments include unconditional and legally-binding obligations related to (i) the purchase of customer premises and other equipment and (ii) certain service-related commitments, including call center, information technology and maintenance services.

In addition to the commitments set forth in the table above, we have commitments under derivative instruments, pursuant to which we expect to make payments in future periods. For information regarding our derivative instruments, including the net cash paid or received in connection with these instruments during 2020, 2019 and 2018, see note 4.

Guarantees and Other Credit Enhancements

In the ordinary course of business, we may provide (i) indemnifications to our lenders, our vendors and certain other parties and (ii) performance and/or financial guarantees to local municipalities, our customers and vendors. Historically, these arrangements have not resulted in our company making any material payments and we do not believe that they will result in material payments in the future.

Legal and Regulatory Proceedings and Other Contingencies

VTR Class Action. On August 25, 2020, VTR was notified that the Chilean National Consumer Authority ("**SERNAC**", the Spanish acronym for Servicio Nacional del Consumidor) had filed a class action complaint against VTR in the 14th Civil Court of Santiago. The complaint relates to consumer complaints regarding VTR's broadband service and capacity during the pandemic and raises claims regarding, among other things, VTR's disclosure of its broadband speeds and aggregate capacity availability and VTR's response to address the causes of service instability during the pandemic. VTR was also notified in August about two additional class action complaints filed by two Chilean consumer associations (ODECU and AGRECU) making similar claims and allegations. The class action complaint of ODECU was filed in the 21st Civil Court of Santiago, and the class action complaint of AGRECU was filed in the 26th Civil Court of Santiago. The complaint of SERNAC and ODECU seeks (i) the Court declare that VTR has infringed the rules of the Consumer Protection Law; (ii) the responsibility of VTR for such infractions and, if so, establish the corresponding fines; and (iii) compensatory damages. In the case of AGRECU, the complaint only seeks compensatory damages. On October 22, 2020, VTR was notified of a fourth class action complaint filed by Conadecus in the 16th Civil Court of Santiago alleging that VTR did not adhere to certain call center, technical visit and service level requirements under applicable law. We believe that the allegations contained in the complaints are without merit, in particular as it relates to VTR's service and response during the pandemic and intend to defend the complaints vigorously. We cannot predict at this point the length of time that these actions will be ongoing. Additionally, a liability, if any, or a reasonable range of loss is not currently determinable based upon the current facts and circumstances of these claims.

Regulatory Issues. Video distribution, broadband internet, fixed-line telephony and mobile businesses are regulated in Chile. Adverse regulatory developments could subject our business to a number of risks. Regulation, including conditions imposed on us by competition or other authorities as a requirement to close acquisitions or dispositions, could limit growth, revenue and the number and types of services offered and could lead to increased operating costs and property and equipment additions. In addition, regulation may restrict our operations and subject them to further competitive pressure, including pricing restrictions, interconnect and other access obligations, and restrictions or controls on content, including content provided by third parties. Failure to comply with current or future regulation could expose our business to various penalties.

In addition to the foregoing items, we have contingent liabilities related to matters arising in the ordinary course of business, including (i) legal proceedings, (ii) issues involving wage, property, withholding and other tax issues and (iii) disputes over interconnection, programming and copyright fees. While we generally expect that the amounts required to satisfy these contingencies will not materially differ from any estimated amounts we have accrued, no assurance can be given that the resolution of one or more of these contingencies will not result in a material impact on our results of operations, cash flows or financial position in any given period. Due, in general, to the complexity of the issues involved and, in certain cases, the lack of a clear basis for predicting outcomes, we cannot provide a meaningful range of potential losses or cash outflows that might result from any unfavorable outcomes.

(15) Revenue by Product

Our revenue by major category is set forth below and includes the following categories:

- residential fixed subscription and residential mobile services revenue include amounts received from subscribers for ongoing fixed and airtime services, respectively;
- residential fixed non-subscription revenue primarily includes installation, interconnect and advertising revenue; and
- B2B service revenue primarily includes broadband internet, video, and fixed-line telephony services offered to small enterprises (including small or home office).

	Year ended December 31,		
	2020	2019	2018
	CLP in billions		
Residential revenue:			
Residential fixed revenue:			
Subscription revenue:			
Video	230.4	242.9	245.9
Broadband internet	262.0	257.5	241.4
Fixed-line telephony	58.1	68.8	78.6
Total subscription revenue	550.5	569.2	565.9
Non-subscription revenue	14.7	17.7	16.7
Total residential fixed revenue	565.2	586.9	582.6
Residential mobile revenue:			
Service revenue	44.1	44.0	40.3
Interconnect, equipment sales and other (a)	6.5	8.4	8.5
Total residential mobile revenue	50.6	52.4	48.8
Total residential revenue	615.8	639.3	631.4
B2B service revenue	24.0	21.2	16.4
Total	639.8	660.5	647.8

(a) These amounts include revenue from sales of mobile handsets and other devices of CLP 5 billion, CLP 6 billion and CLP 5 billion during 2020, 2019, and 2018, respectively.