VTR FINANCE N.V.

Annual Report
December 31, 2021

VTR FINANCE N.V.
Boeing Avenue 53
1119 PE Schiphol-Rijk
The Netherlands

GLOSSARY OF DEFINED TERMS

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TABLE OF CONTENTS

GLOSSARY OF DEFINED TERMS

Unless the context requires otherwise, references to VTR Finance, "**we**," "**our**," "**our company**" and "**us**" in this annual report may refer to VTR Finance N.V. or collectively to VTR Finance N.V. and its subsidiaries. We have used several other terms in this quarterly report most of which are defined or explained below.

2021 Annual Report	Annual Report for the year ended December 31, 2021
2028 VTR Finance Senior Notes	$550 million principal amount of 6.375% senior notes due July 15, 2028 issued by VTR Finance N.V.
2028 VTR Senior Secured Notes	$480 million principal amount of 5.125% senior secured notes due January 15, 2028 issued by VTR Comunicaciones SpA
2029 VTR Senior Secured Notes	$410 million principal amount of 4.375% senior secured notes due April 15, 2029 issued by VTR Comunicaciones SpA
Adjusted OIBDA	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.
América Móvil	América Móvil S.A.B. de C.V.
ARPU	Average monthly subscription revenue per average fixed RGU or mobile subscriber, as applicable
ASU	Accounting Standards Update
B2B	Business-to-business
CDS	Credit default swap
Chilean Competition Law	The Chilean antitrust regulation, which mainly comprises Decree Law No. 211
Chile JV	Defined as the pending formation of a joint venture between Liberty Latin America and América Móvil that will be 50:50 owned by each investee
CLP	Chilean peso
CNTV	The National Television Council
Consumer Protection Law	Ley de Protección al Consumidor
CPE	Customer premises equipment
DSL	Digital subscriber line
DTH	Direct-to-Home
DVR	Digital video recorder
Entel	Empresa Nacional de Telecomunicaciones S.A.
FASB	Financial Accounting Standards Board
FTTH	Fiber-to-the-home/-cabinet/-building/-node
FNE	The Chilean Antitrust Authority, or Fiscalía Nacional Económica
FX	Foreign currency translation effects
General Instruction	General Instruction No. 2/2012
GITC	General information technology controls
HD	High definition
IPTV	Internet protocol television
ISP	Internet service providers
IT	Information technology
LCH Note Receivable	$97 million (CLP 77 billion at the October 7, 2020 transaction rate) short-term note receivable with our parent, Lila Chile Holding B.V. The note bears interest at 2.8% and matures on October 8, 2021. Effective October 5, 2021, the terms of this note were amended, such that the note bears interest at 2.6% and matures on October 5, 2023. In addition, on October 5, 2021, Lila Chile Holding B.V. we loaned an additional $21 million (CLP 17 billion) on the note.
LCRH Note Receivable	$108 million (CLP 74 billion at the transaction date) note receivable between VTR Finance and Liberty Costa Rica Holdings Ltd. entered into during 2018. The note bears interest at 9.9% and matures on May 23, 2023.
LIBOR	London Inter-Bank Offered Rate

Liberty Latin America	Liberty Latin America Ltd.
Ministry	The Ministry of Transportation and Telecommunications
MVNO	Mobile virtual network operator
Network Extension	Network extension and upgrade program across Chile
ODECU	La Organización de Consumidores y Usuarios de Chile
PSUs	Performance-based restricted stock units
RGU	Revenue generating unit
SARs	Stock appreciation rights
SD	Standard definition
SDU	Single dwelling unit
SERNAC	Servicio Nacional del Consumidor (the Chilean National Consumer Authority)
SIM	Subscriber identification module
SMS	Short message service
SubTel	Sub-secretary of Telecommunications
TAB	Tasa Activa Bancaria interest rate
TDLC	Tribunal de Defensa de la Libre Competencia
Telecommunications Law	Law No. 18,168, or Ley General de Telecomunicaciones
Television Act	Law No. 18,838, or Ley que crea el Consejo Nacional de Televisión
U.K.	United Kingdom
U.K. Holding Note Receivable	CLP 372 billion long-term, interest bearing note receivable between VTR Finance and LLA UK Holding Ltd. (formerly known as Liberty Global CIHB Ltd) entered into during 2019. The note bears interest at 6.7% and matures on December 26, 2029.
U.S.	United States
U.S. GAAP	Generally accepted accounting principles in the United States
VAT	Value-added taxes
VoD	Video-on-demand
VoIP	Voice-over-internet-protocol
VTR Credit Facilities	Senior secured credit facilities comprising: (i) VTR RCF – A; (ii) VTR RCF – B; and (iii) at December 31, 2020, the VTR TLB-1 and VTR TLB-2 facilities
VTR Finance	VTR Finance N.V., formerly known as VTR Finance B.V.
VTR Notes	Comprises (i) 2028 VTR Finance Senior Notes, (ii) 2028 VTR Senior Secured Notes and (iii) 2029 VTR Senior Secured Notes.
VTR Revolving Credit Facilities	Comprises (i) VTR RCF – A and (ii) VTR RCF – B
VTR RCF - A	CLP 45 billion TAB + 3.35% revolving credit facility due June 15, 2026
VTR RCF - B	$200 million LIBOR + 2.75% revolving credit facility due June 15, 2026
VTR TLB-1 Facility	CLP 141 billion principal amount ICP +3.8% term loan facility (repaid during 2021)
VTR TLB-2 Facility	CLP 33 billion principal amount 7% term loan facility (repaid during 2021)
WOM	WOM S.A.

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, products, foreign currency and finance strategies; grants or renewals of licenses; subscriber growth and retention rates; changes in competitive, regulatory and economic factors; anticipated changes in our revenue, expenses or growth rates; debt levels; our liquidity, and our ability to access the liquidity of our subsidiaries; credit risks; internal control over financial reporting; foreign currency risks; interest rate risks; compliance with debt, financial and other covenants; our future projected contractual commitments and cash flows; the pending formation of the Chile JV; the effects and potential impacts of COVID-19 on our business and results of operations; reductions in operating and capital costs; the remediation of material weaknesses; the outcome and impact of pending litigation; 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 industries in which we operate in Chile, including competitor responses to our products and services;
- fluctuations in currency exchange rates, inflation rates and interest rates;
- our relationships with third-party programming providers and broadcasters, and the ability to acquire programming;
- our relationships with suppliers and licensors and the ability to maintain equipment, software and certain services;
- instability in global financial markets, including sovereign debt issues and related fiscal reforms;
- our ability to obtain additional financing and generate sufficient cash to meet our debt obligations;
- the impact of restrictions contained in certain of our and our subsidiaries' debt instruments;
- 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 on broadband internet;
- 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 and mobile subscriber;
- 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 renew necessary regulatory licenses, concessions or other operating agreements and to otherwise acquire spectrum or other licenses that we need to offer mobile data or other technologies or services;

- 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, such as with respect to the pending formation of the Chile JV;

- 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, such as with respect to the Chile JV;

- changes in laws or treaties relating to taxation, or the interpretation thereof, in Chile and the Netherlands and the results of any tax audits or tax disputes;

- 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 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;

- the effects of any of the identified material weaknesses in our internal control over financial reporting;

- piracy, vandalism against our networks, and cybersecurity and ransomware 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;

- the effects of any strikes, work stoppages or other industrial actions that could affect our operations;

- changes in the nature of key strategic relationships with partners and joint ventures;

- our ability to realize the full value of our intangible assets;

- changes in and compliance with applicable data privacy laws, rules, and regulations;

- our ability to recoup insurance reimbursements and settlements from third-party providers;

- our ability to comply with economic and trade sanctions laws, such as the U.S. Treasury Department's Office of Foreign Assets Control; 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, including the COVID-19 pandemic, 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 or collectively to VTR Finance and its subsidiaries. Unless otherwise indicated, operational and statistical data, including subscriber statistics, are as of December 31, 2021.

Introduction

We are a subsidiary of Liberty Latin America that provides our customers bundles 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, and the second largest provider of broadband internet and fixed-line telephony services in terms of number of subscribers. 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 Arica, Iquique, Antofagasta, La Serena, Talca, Chillán, Concepción, Temuco, Puerto Montt, Viña del Mar, Valparaiso and Rancagua.

VTR Finance, a public limited liability company 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. Our video, broadband internet, fixed-line telephony and mobile businesses are operated by VTR and its subsidiaries.

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

	December 31,	
	2021	**2020**
Footprint		
Homes Passed	4,175,900	3,848,600
Two-way Homes Passed	3,809,300	3,424,700
Subscribers (RGUs)		
Video	1,060,500	1,065,500
Internet	1,218,900	1,286,100
Telephony	544,900	497,200
Total RGUs	2,824,300	2,848,800
Penetration		
Internet as % of Two-way Homes Passed	32.0 %	37.6 %
Telephony as % of Two-way Homes Passed	14.3 %	14.5 %
Fixed-line Customer relationships		
Customer Relationships	1,388,800	1,465,800
RGUs per Customer Relationship	2.03	1.94
Customer bundling		
Single-play	32.1 %	34.9 %
Double-play	32.5 %	35.8 %
Triple-play	35.4 %	29.3 %
Mobile subscribers		
Postpaid	243,000	269,000
Prepaid	8,200	11,300
Total mobile subscribers	251,200	280,300

Operating Data Glossary

- **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. 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 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 60 to 90 days, based on industry standards within the respective country. In a number of countries, our mobile subscribers receive mobile services pursuant to prepaid contracts.

- **RGU** – RGU is separately a video RGU, internet RGU or telephony RGU. 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 RGUs 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 over 55% of Chilean homes, with approximately 4.2 million homes passed. We provide our services to approximately 3.1 million RGUs represented by approximately 1.4 million customers as of December 31, 2021.

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

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 over 90 communities outside of Santiago. In addition, digital cable customers may subscribe to one or more premium video channels, including HD channels for an additional monthly charge. The premium channels include movies, sports, international and adult channels. 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 85 digital channels and our extended tier digital service includes approximately 90 digital channels. Both include a d-BOX, approximately 70 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 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 over 90 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 300 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 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, 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, 2021, we served 251,200 mobile subscribers, approximately 97% 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.

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;
- 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 FTTH.

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 over 15,000 kilometers of fiber and over 20,000 kilometers of coaxial cable. Our over 40 hubs and head-ends 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 DTH and IPTV service providers, including the incumbent Chilean telecommunications operator Movistar, América Móvil, and DirecTV, among others. Movistar offers double-play and triple-play packages using IPTV for video in its FTTH footprint and over-the-top on its DSL footprint. América Móvil offers triple-play packages using DTH and, in most major cities in Chile, through a hybrid fiber coaxial cable network. América Móvil also offers mobile services. DirecTV offers video through DTH and does not bundle with any broadband or telephony services. To compete effectively, we focus on enhancing our subscribers' viewing options in and out of the home through a broad non-linear content offering,, catch-up television, DVR functionality, 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 ISPs, many of which have substantial resources. The internet services offered by these competitors include fixed-line broadband internet services using cable, DSL or FTTH 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 favorable 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 América Móvil and GTD Manquehue. 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, América Móvil and Entel have launched 5G services for high-speed mobile data and all 4 MVNO operators have LTE services. To compete effectively, we are expanding our two-way coverage and offering attractive bundling with fixed-line telephony and digital video service and high-speed internet.

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, América Móvil, 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 FNE, the Ministry through SubTel, CNTV and SERNAC.

In addition to the specific regulations described below, we are subject to certain regulatory conditions, which were imposed by the Chilean Antitrust Authority 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.

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 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 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 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 at least 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, using a mid-sized programmer from former precedent, in August 2019, AMC Networks Latin America LLC sued VTR claiming a breach of the condition related to contracting with programmers, arguing that we were 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. This 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. After approval, the industry through this Representative Committee called for a public auction which failed to appoint a provider, given no bidder applied with a valid offer, the Representative Committee has a filed a new proposal of terms and conditions for a public tender to designate the OTI again (which has not been approved by SubTel yet).

Fixed-Line Telephony and Mobile 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. In November 2018, Movistar 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. Although the TDLC rejected Movistar’s request, it considered that in order to allow the use of this already assigned spectrum for mobile services, SubTel should open public tenders to assign the concessions for mobile services.

In January 2020, SubTel opened for public comments its plan for a 5G tender, which ended with a contest for four bands of spectrum: 20MHz in the 700 MHz band, 30 MHz in the AWS Band, 150 MHz in the 3.5 MHz band (not including the spectrum previously assigned to fixed wireless local telephony), and 400 MHz in the 26 GHz band. Technical proposals were submitted in October 2020, and given that several competitors tied there was an auction to define the winners. In February 2021, Entel, Movistar, WOM and América Móvil were awarded with several spectrum bands to provide mobile services using 5G technologies. Additionally, the concessions granted in this tender allow SubTel to modify the licenses in case of non-use or inefficient use of the spectrum.

With respect to mobile services, in 2009, SubTel awarded us a 30MHz license in the 1700/2100 MHz band. The license has a 30-year renewable term, expiring in 2040. Currently, antitrust bodies and the Supreme Court have declared a new cap structure for spectrum allocation, which is variable depending on the macro band were spectrum is being assigned and the amount of spectrum available. Therein for the low macro-band from 0 to 1000 MHz the cap is 32% of the band, from 1001 MHz to 3000MHz the cap is 30% of the band, for 3001MHz band to 6000MHz band the cap is 30% and for higher than 6001MHz the cap is 25%.

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.

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 raise in rates exceeding inflation must be previously accepted and agreed to by subscribers. Although VTR disagrees with this interpretation, in July 2012, VTR.com 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.

Consumer Protection Law

All of our subsidiaries with operations in Chile are subject to the 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 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 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. On April 21, 2021, the Court of Appeals of Santiago issued a ruling joining the four class action complaints into one legal procedure. 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, 2021, we had an aggregate of approximately 1,500 full-time employees, of whom approximately 40% 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, 2021 was comprised of the following individuals:

Name	Current Position	Years of Service
Vivek Khemka	Chief Executive Officer	1
Marcelo Von Chrismar	VP, Finance and Administration (CFO)	19
Alejandra Jalon	VP, People	14
Pedro Assael	VP, Operations (VPTO)	10
Jeroen van der Broek	Head of Marketing	9
Miguel Oyonarte	VP, Legal and Corporate Affairs	5
José Luis Soto	Head of Sales	2
Lorena Schmitt	Head of Corporate Communications	2
Matias Arena	Senior Director Digital	1
Leandro Kabbach	VP, Customer Experience	1

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

Vivek Khemka

Mr. Khemka is an electrical engineer from the Indian Institute of Technology in Kanpur and has an MBA from Carnegie Mellon University. In 2021, he took over as CEO of VTR. Previously, since 2018, he served as Chief Technology and Product Officer at Liberty Latin America (LLA), where he was also Senior Vice President, driving IT platforms. He has extensive experience in product development, operations and networks. Prior to joining Liberty Latin America, Mr. Khemka was Executive Vice President and Chief Technology Officer at DISH Network and also held positions at Danaher, Motorola and McKinsey & Co.

Marcelo Von Chrismar

Mr. Von Chrismar 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

Mrs. Jalon has served as our Vice President of People since 2021. Prior to VTR, Ms. Jalon worked in the area of selection and organizational development at companies such as Trabajando.com, Copec and Entel. Later on, she served as Head of Talent in Liberty Latin America as well as other positions in VTR since 2008. Mrs. Jalon holds a degree in Psychology from the Pontificia Universidad Catolica de Chile and has a specialization in brief psychology and strategic coaching.

Pedro Assael

Mr. Assael, has served as our Vice President of Operations since 2021. Previously, he had the role of VP of Product and Marketing in VTR for 9 years. Before joining VTR in 2012, he 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).

Jeroen van der Broek

Mr. Van der Broek holds a bachelor's degree in communication sciences from VUB Brussels, with a master's degree from Vlerick Business School. He started his career in telecommunications at Belgacom Skynet as Marketing and Communications Manager. In 2006, he joined Liberty Global through its Belgian subsidiary Telenet to lead the development of digital media as Online Media Director. In 2013 he arrived to VTR as Fixed Product Director.

Miguel Oyonarte

Mr. Oyonarte, 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 América Móvil 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.

José Luis Soto

Mr. Soto is a civil industrial engineer from the Pontificia Universidad Católica de Chile. He is an expert in leading analytical, commercial and strategic areas. In 2019, he joined VTR as Director of Stores Management. He currently is Head of Sales and Stores. He worked 11 years at Latam Airlines as International Sales Manager and Channel Strategy Manager.

Lorena Schmitt

Ms Schmitt is a journalist from Finis Terrae University and an expert in strategic communications and public affairs. Since 2019, she assumed the leadership of Corporate Affairs at VTR. She was previously Director of Public Affairs at the public-private corporation Alianza Valor Minero, Assistant Manager of Communications at Antofagasta Minerals Group and Manager of Public Affairs at Burson Marsteller.

Matías Arena

Mr. Arena is an industrial engineer from the Instituto Tecnológico de Buenos Aires with experience in the world of consulting, where he worked in the telecommunications industry, with a specific focus on the areas of digital transformation, operational effectiveness, client experience optimization and strategic planning. He previously worked in companies such as Everis and EY, and since May 2020 has assumed the role of Digital Manager at VTR.

Leandro Kabbach

Leandro is a civil engineer from the Polytechnic School of the University of São Paulo with an MBA from the University of Michigan. Since 2021, he has assumed the role of Vice President of Client Experience at VTR. For the last two years, he has worked alongside the leadership of Liberty Latin America to coordinate strategic initiatives and improve the operational rhythm of functions and businesses.

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

See Glossary of Defined Terms at the beginning of this Annual Report.

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, 2021 and 2020.
- *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, operational data (including subscriber statistics) is presented, as of December 31, 2021.

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, 2021, we (i) owned and operated fixed networks that passed 4,175,900 homes and served 2,824,300 RGUs, comprising 1,218,900 broadband internet subscribers, 1,060,500 video subscribers and 544,900 fixed-line telephony subscribers and (ii) served 251,200 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. During 2020, COVID-19 negatively impacted our operations relative to the 2019 period prior to the pandemic, particularly with respect to revenue associated with B2B and mobile operations. Given COVID-19 continues to 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.

Chile JV

On September 29, 2021, Liberty Latin America entered into an agreement with América Móvil to contribute our operations to América Móvil's Chilean operations to form the Chile JV that will be owned 50:50 by Liberty Latin America and América Móvil. América Móvil is a telecommunications service provider with over 6.5 million mobile customers. The consummation of the transaction is subject to certain customary closing conditions, including regulatory approvals, and is expected to close in the second half of 2022.

Strategy and Management Focus

From a strategic perspective, we are seeking to build or acquire broadband communications and mobile businesses that have strong prospects for future growth.

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 or business 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 the Network Extensions program. The Network Extensions will occur in phases with priority given to the most accretive expansion opportunities. During 2021, our network extension and upgrade program passed approximately 400,900 homes across our footprint. Depending on a variety of factors, including the financial and operational results of the programs, the Network Extensions may be continued, modified or cancelled at our discretion.

Competition and Other External Factors

We are experiencing significant competition from other telecommunications operators and other communication service providers. The significant competition we are experiencing, together with macroeconomic factors, has adversely impacted our revenue, RGUs and/or ARPU. We continue to experience significant competition with respect to our fixed-line business, as competitors continue to upgrade their networks. For additional information regarding the revenue impact of changes in our RGUs and ARPU, see discussion 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, 2021, we have identified the following material weaknesses, which were previously disclosed in our annual report for the year ended December 31, 2020:

- The Company did not have a sufficient number of resources with the appropriate skills and knowledge with assigned responsibilities and accountability for the design and operation of 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) have an effective IT risk assessment process that successfully identified and assessed risks associated with IT systems relevant to our financial reporting to ensure controls were designed and implemented to respond to those risks, (ii) establish effective 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 (iii) have policies and procedures through which GITCs 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, 2021.

Management's Remediation Plan

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

- Hire additional individuals with appropriate skills and experience related to GITCs and the related automation.

- Enhance information and communication processes, including through information technology solutions of which include, but are not limited to, implementing new enterprise resource planning software, to ensure that information needed for financial reporting is accurate, complete, relevant, reliable, and communicated in a timely manner.

- Complete our IT risk assessment process and design and implement GITCs, including program change controls and access controls, that support the consistent operation of the Company's IT operating systems, databases and IT applications, and end user computing over financial reporting, 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 believe that these actions and the improvements we expect to achieve, when fully implemented, will strengthen our internal control over financial reporting and remediate the remaining material weaknesses.

Remediation of Material Weaknesses

Based on the remediation actions we completed and our testing of the control improvements implemented as of December 31, 2021, we believe the following material weaknesses disclosed as of December 31, 2020 no longer exist:

- The company did not provide sufficient training related to the design and implementation of IT solutions.

- 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.

Throughout fiscal year 2021, we implemented the following measures which resulted in the remediation of these material weaknesses during the year ended December 31, 2021:

- Enhanced our training programs related to internal controls over financial reporting and the design and implementation of IT solutions and held trainings to reinforce control concepts and responsibilities for control performers.

- Enhanced our risk assessment process to include continuous activities to identify and assess risks of material misstatement to ensure general IT controls and the related automation were designed and implemented to respond to those risks for certain IT systems.

- Designed and implemented a process to ensure that changes in financial reporting and related general IT controls are identified and communicated throughout its organization and to affected third parties.

- Designed and implemented monitoring processes to ensure the consistent operation of internal control over financial reporting and to remediate known control deficiencies related to general IT controls.

- Created and published policies and procedures through which GITCs can be deployed across the organization.

We are committed to making further progress in our remediation efforts during 2022; however, 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

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 depreciated by 4% for the year ended December 31, 2021, as compared to 2020. This 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 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)	
	2021	2020	CLP	%
	CLP in billions			
Residential revenue:				
Residential fixed revenue:				
Subscription revenue:				
Video	222.8	230.4	(7.6)	(3.3)
Broadband internet	236.9	262.0	(25.1)	(9.6)
Fixed-line telephony	58.6	58.1	0.5	0.9
Total subscription revenue	518.3	550.5	(32.2)	(5.8)
Non-subscription revenue	11.3	14.7	(3.4)	(23.1)
Total residential fixed revenue	529.6	565.2	(35.6)	(6.3)
Residential mobile revenue:				
Service revenue	36.2	44.1	(7.9)	(17.9)
Interconnect, equipment sales and other	5.5	6.5	(1.0)	(15.4)
Total residential mobile revenue	41.7	50.6	(8.9)	(17.6)
Total residential revenue	571.3	615.8	(44.5)	(7.2)
B2B service revenue	24.4	24.0	0.4	1.7
Total	595.7	639.8	(44.1)	(6.9)

The details of the changes in our revenue during 2021, as compared to 2020, are set forth below (CLP in billions):

Decrease in residential fixed subscription revenue due to change in:	
Average number of RGUs (a)	(16.7)
ARPU (b)	(15.5)
Decrease in residential fixed non-subscription revenue (c)	(3.4)
Total decrease in residential fixed revenue	(35.6)
Decrease in residential mobile service revenue (d)	(7.9)
Decrease in residential mobile interconnect, equipment sales and other	(1.0)
Increase in B2B service revenue	0.4
Total	(44.1)

(a) The decrease is primarily attributable to lower average broadband internet and video RGUs.

(b) The decrease is primarily due to lower ARPU from broadband internet services and video services, partially the result of continued high levels of competition. The decline in ARPU from video services is partially offset by increases related to live soccer matches being broadcast on our premium programming that were cancelled during 2020.

(c) The decrease is primarily due to (i) lower volumes of interconnect revenue, (ii) lower installations, and (iii) lower amounts of infrastructure-related engineering projects with local governments.

(d) The decrease is due to lower average numbers of mobile subscribers and lower ARPU from mobile services.

Programming and other direct costs of services

Programming and other direct costs of services include programming and copyright costs, interconnect and access costs, equipment costs, 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)
	2021	2020	
	CLP in billions		
Programming and copyright	143.0	129.0	14.0
Interconnect	25.7	31.1	(5.4)
Equipment and other	8.2	12.9	(4.7)
Total programming and other direct costs of services	176.9	173.0	3.9

- **Programming and copyright:** The increase is primarily due to higher premium and basic content rates. During 2020, programming costs were lower due to the renegotiation of a programming contract governing rates for live soccer matches, which were cancelled as a result of COVID-19. In addition, the comparison includes a decrease of CLP 1 billion related to the foreign currency impact of programming contracts denominated in U.S. dollars.

- **Interconnect:** The decrease is primarily due to (i) lower interconnect rates and volumes, and (ii) a decrease in MVNO charges, as we renegotiated our contract during the second quarter of 2021.

- **Equipment and other:** The decrease is due to (i) lower volumes of handset sales, (ii) lower amounts of infrastructure-related engineering projects with local governments, and (iii) the net effect of (a) higher handset prices and (b) decreases associated with the foreign currency impact of handset contracts denominated in U.S. dollars.

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, vehicle-related, 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)
	2021	2020	
	CLP in billions		
Personnel and contract labor	46.3	48.3	(2.0)
Network-related	59.1	53.1	6.0
Service-related	28.1	28.9	(0.8)
Commercial	62.2	60.4	1.8
Facility, provision, franchise and other	28.1	33.4	(5.3)
Share-based compensation expense	8.5	6.5	2.0
Total other operating costs and expenses	232.3	230.6	1.7

- **Personnel and contract labor:** The decrease is primarily due to lower salary expense as a result of a restructuring program implemented during the first half of 2021.

- **Network-related:** The increase is primarily due to (i) higher rates associated with network access-related contract labor, and (ii) higher maintenance costs.

- **Commercial:** The increase is primarily due to the net effect of (i) higher sales commissions, (ii) a decrease in marketing and advertising expenses, and (iii) higher call center volumes.

- **Facility, provision, franchise and other costs:** The decrease is primarily due to lower bad debt provisions.

Related-party fees and allocations, net

We recorded related-party fees and allocations, net, of CLP 10 billion and CLP 14 billion during 2021 and 2020, 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 7 billion during 2021, as compared to 2020. This increase is primarily due to an increase of CLP 8 billion of accelerated depreciation recognized in the second quarter of 2021 associated with assets no longer in service.

Impairment, restructuring and other operating items, net

We recognized impairment, restructuring and other operating items, net of CLP 11 billion and CLP 9 billion during 2021 and 2020, 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 11 billion during 2021, as compared to 2020. This decrease is primarily due to the net effect of (i) lower weighted-average interest rates and (ii) slightly higher average outstanding debt balances during 2021 relative to 2020, each primarily due to (a) debt refinancings that occurred during July 2020 and March 2021 and (b) partial redemptions of the 2028 VTR Senior Secured Notes in March and July 2021.

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.

Interest income – related party

We recognized related-party interest income of CLP 33 billion and CLP 34 billion during 2021 and 2020, respectively. Our related-party interest income relates to the U.K. Holding Note Receivable and the LCRH Note Receivable.

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

Realized and unrealized gains or 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 or losses on derivative instruments, net, are as follows:

	Year ended December 31,	
	2021	**2020**
	CLP in billions	
Cross-currency and interest rate derivative contracts (a) (b)	370.6	(99.3)
Foreign currency forward contracts	20.6	(4.8)
Total	391.2	(104.1)

(a) The gain during 2021 is primarily attributable to (i) decreases in the value of the Chilean peso relative to the U.S. dollar and (ii) changes in interest rates. In addition, the gain during 2021 includes a net loss of CLP 22 billion resulting from changes in our credit risk valuation adjustments.

(b) The loss during 2020 includes a realized gain of CLP 58 billion associated with the settlement of certain cross-currency swaps in June 2020 that were unwound in connection with the July 2020 refinancing of certain debt. Excluding this gain, we recognized a loss 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 includes a net gain of CLP 26 billion resulting from changes in our credit risk valuation adjustments.

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

Foreign currency transaction gains or losses, net

We recognized foreign currency transaction gains (losses), net, of (CLP 181 billion) and CLP 37 billion during 2021 and 2020, 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.

Gains or losses on debt modification and extinguishment, net

We recognized losses on debt extinguishment of CLP 8 billion and CLP 34 billion during 2021 and 2020, respectively. The loss during 2021 is associated with (i) the payment of breakage fees and the write-off of unamortized deferred financing costs related to the repayments of the VTR TLB-1 Facility and the VTR TLB-2 Facility, and (ii) the payments of redemption premiums and the write-offs of unamortized deferred financing costs related to partial redemptions of the 2028 VTR Senior Secured Notes. The loss during 2020 is associated with the payment of call premiums and the write-off of unamortized deferred financing costs related to the repayment of the 2024 VTR Finance Senior Notes.

Income tax benefit or expense

We recognized income tax benefit (expense) of (CLP 38 billion) and CLP 9 billion during 2021 and 2020, respectively.

The income tax expense during 2021 differs from the expected income tax expense of CLP 50 billion (based on the Netherlands statutory income tax rate of 25.0%), primarily due to the beneficial effects of (i) reductions in valuation allowances and (ii) favorable permanent tax differences, such as non-taxable income. These positive impacts to our effective tax rate were partially offset by the detrimental effects of (i) the expiration of deferred tax assets, which are entirely offset by valuation allowance release, and (ii) international rate differences.

The income tax benefit during 2020 differs from the expected income tax benefit of CLP 15 billion (based on the Netherlands statutory income tax rate of 25.0%), primarily due to the beneficial effects of (i) net favorable changes in uncertain tax positions, (ii) favorable changes in enacted tax rates, and (iii) favorable permanent differences, such as non-taxable income (price level restatements), which are offset by the detrimental effects of (i) increases in valuation allowances and (ii) the inclusion of withholding taxes on cross-border payments.

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

Net earnings or loss

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

	Year ended December 31,	
	2021	**2020**
	CLP in billions	
Operating income	32.0	86.6
Net non-operating expenses (income)	167.0	(145.2)
Income tax benefit (expense)	(38.0)	9.0
Net earnings (loss)	161.0	(49.6)

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, 2021, approximately 45% of our cash and cash equivalents was held by our subsidiaries; the remaining 55% was held at VTR Finance.

Liquidity and capital resources of VTR Finance

At VTR Finance, our current sources of liquidity include (i) loans or contributions from our parent, (ii) interest income received on our investments and, (iii) 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 capital expenditures, 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 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, 2021, our consolidated net leverage ratio was 5.6x, 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 springing maintenance leverage covenants contained in the agreements underlying the VTR Credit Facilities, the 2028 VTR Senior Secured Notes, the 2029 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 support or 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, 2021, 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, 2021, the outstanding principal amount of our debt aggregated CLP 1,297 billion, including CLP 70 billion that is classified as current in our consolidated balance sheet and CLP 1,227 billion that is not due until 2028 or thereafter. Included in the outstanding principal amount of our debt at December 31, 2021 is CLP 70 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. 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, 2021 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, 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, 2021 was an increase of 161 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 7.1% at December 31, 2021.

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 facilities, 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 2021 and 2020 consolidated statements of cash flows are summarized as follows:

	Year ended December 31,		
	2021	2020	Change
	CLP in billions		
Net cash provided by operating activities	134.5	161.7	(27.2)
Net cash used by investing activities	(68.8)	(191.2)	122.4
Net cash used by financing activities	(8.8)	(8.1)	(0.7)
Effect of exchange rate changes on cash	11.1	(1.8)	12.9
Net increase (decrease) in cash and cash equivalents	68.0	(39.4)	107.4

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

Investing Activities. The decrease in net cash used by our investing activities is primarily attributable to the net effect of (i) an increase in proceeds from related parties, (ii) a decrease in advances to related-parties, and (ii) higher capital expenditures, as further discussed below. For additional information regarding our advances to and proceeds from 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,	
	2021	2020
	CLP in billions	
Property and equipment additions	150.6	136.1
Assets acquired under capital-related vendor financing arrangements	(23.8)	(25.0)
Changes in current liabilities related to capital expenditures	8.4	6.9
Capital expenditures	135.2	118.0

The increase in our property and equipment additions during 2021, as compared to 2020, is largely due to the net effect of (i) increases in (a) new build and upgrade equipment and (b) customer premises equipment, and (ii) decreases in capacity-related and product and enabler additions. During 2021 and 2020, a significant portion of our purchases of property and equipment was denominated in U.S. dollars. Our property and equipment additions represented 25.3% and 21.3% of our revenue during 2021 and 2020, respectively.

Financing Activities. During 2021, we used CLP 9 billion in net cash from financing activities, due to the net effect of (i) CLP 8 billion of net cash paid related to derivative instruments, (ii) CLP 11 billion of net borrowings of debt, and (iii) CLP 12 billion of cash paid associated with financing costs and debt redemption premiums. 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 repayments of debt, and (iii) CLP 40 billion of cash paid associated with financing costs and debt redemption premiums.

Contractual Commitments

The following table sets forth our commitments as of December 31, 2021:

	Payments due by period:				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
	CLP in billions				
Debt (excluding interest)	1,296.9	70.0	—	—	1,226.9
Operating leases	11.4	4.6	6.6	0.2	—
Programming minimum commitments (a)	222.2	118.3	100.9	3.0	—
Other (b)	5.9	4.9	0.2	0.2	0.6
Total (c)	1,530.5	192.9	107.5	3.2	1,226.9
Projected cash interest payments on debt (d)	471.2	68.6	137.2	136.0	129.4

(a) Amounts primarily represent guaranteed minimum programming fees under multi-year contracts typically based on a rate per customer or stated annual fee.

(b) Amounts primarily represent guaranteed minimum commitments associated with our mobile handset device contractual obligations.

(c) The commitments included in this table do not reflect any liabilities that are included in our December 31, 2021 consolidated balance sheet other than (i) debt and (ii) operating lease obligations.

(d) Amounts are based on interest rates, interest payment dates, commitment fees and contractual maturities in effect as of December 31, 2021. 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 2021, 2020 and 2019, 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, 2021. 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:						
	2022	**2023**	**2024**	**2025**	**2026**	**Thereafter**	**Total**
				CLP in billions			
Projected derivative cash payments (receipts), net:							
Interest-related (a)	15.2	15.2	15.2	15.2	15.2	1.6	77.6
Principal-related (b)	—	—	—	—	(41.2)	(40.3)	(81.5)
Other (c)	(19.4)	—	—	—	—	—	(19.4)
Total	(4.2)	15.2	15.2	15.2	(26.0)	(38.7)	(23.3)

(a) Includes the interest-related cash flows of our cross-currency 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 our *Impairment of property and equipment and intangible assets (including goodwill)* accounting policy is 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.

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 56% of our total assets at December 31, 2021.

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 spectrum licenses) 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.

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 its subsidiaries, which comprise the consolidated balance sheets as of December 31, 2021 and 2020, and the related consolidated statements of operations, comprehensive earnings (loss), owners' equity (deficit), and cash flows for each of the years in the three year period ended December 31, 2021, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated 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.

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 its subsidiaries as of December 31, 2021 and 2020, and the results of their operations and their cash flows for each of the years in the three year period ended December 31, 2021, in accordance with U.S. generally accepted accounting principles.

Patricio Carvajal R. KPMG Auditores Consultores SpA

Santiago, Chile, March 25, 2022

VTR FINANCE N.V.

CONSOLIDATED BALANCE SHEETS

	December 31,	
	2021	**2020**
	CLP in billions	
ASSETS		
Current assets:		
Cash and cash equivalents	120.8	52.8
Trade receivables, net of allowances of CLP 8.5 billion and CLP 12.0 billion, respectively	67.0	67.0
Derivative instruments	22.7	0.5
Current notes receivable - related-party	—	75.1
Income tax receivable	0.4	19.0
Other current assets	26.5	48.3
Total current assets	237.4	262.7
Property and equipment, net	552.9	537.4
Goodwill	266.7	266.7
Long-term note receivable - related party	164.4	451.7
Long-term derivative instruments	235.7	1.9
Other assets, net	41.6	60.2
Total assets	1,498.7	1,580.6

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

VTR FINANCE N.V.

CONSOLIDATED BALANCE SHEETS – (Continued)

	December 31,	
	2021	2020
	CLP in billions	
LIABILITIES AND OWNER'S EQUITY		
Current liabilities:		
Accounts payable	104.3	91.9
Deferred revenue	21.5	24.5
Current portion of debt	70.0	70.9
Accrued interest	27.6	24.9
Accrued programming	30.2	23.9
Accrued payroll and employee benefits	16.9	13.8
Derivative instruments	13.7	21.0
Other accrued and current liabilities	40.1	51.3
Total current liabilities	324.3	322.2
Long-term debt	1,207.2	976.4
Long-term derivative liabilities	1.7	156.3
Other long-term liabilities	41.3	11.8
Total liabilities	1,574.5	1,466.7
Commitments and contingencies		
Owner's equity (deficit):		
Accumulated net contributions (distributions)	(344.7)	15.5
Accumulated earnings	246.0	85.0
Accumulated other comprehensive earnings, net of taxes	22.9	13.4
Total owner's equity (deficit)	(75.8)	113.9
Total liabilities and owner's equity (deficit)	1,498.7	1,580.6

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

VTR FINANCE N.V.

CONSOLIDATED STATEMENTS OF OPERATIONS

	Year ended December 31,		
	2021	2020	2019
	CLP in billions		
Revenue	595.7	639.8	660.5
Operating costs and expenses (exclusive of depreciation, shown separately below):			
Programming and other direct costs of services	176.9	173.0	174.0
Other operating costs and expenses	232.3	230.6	221.8
Related-party fees and allocations, net	9.8	14.0	8.2
Depreciation	133.5	126.7	110.5
Impairment, restructuring and other operating items, net	11.2	8.9	14.0
	563.7	553.2	528.5
Operating income	32.0	86.6	132.0
Non-operating expense:			
Interest expense	(67.7)	(78.9)	(80.7)
Interest income - related party	32.7	34.3	8.3
Realized and unrealized gains (losses) on derivative instruments, net	391.2	(104.1)	66.3
Foreign currency transaction gains (losses), net	(181.3)	37.0	(67.3)
Losses on debt extinguishment	(8.1)	(33.9)	—
Other income, net	0.2	0.4	1.9
	167.0	(145.2)	(71.5)
Earnings (loss) before income taxes	199.0	(58.6)	60.5
Income tax benefit (expense)	(38.0)	9.0	87.0
Net earnings (loss)	161.0	(49.6)	147.5

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,		
	2021	2020	2019
		CLP in billions	
Net earnings (loss)	161.0	(49.6)	147.5
Other comprehensive earnings (loss), net of taxes:			
Unrealized gains (losses) on cash flow hedges	9.0	(2.9)	2.7
Reclassification adjustments included in net earnings (loss)	0.5	(1.3)	(4.3)
Other comprehensive earnings (loss)	9.5	(4.2)	(1.6)
Comprehensive earnings (loss)	170.5	(53.8)	145.9

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, 2019	(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
Net earnings	—	161.0	—	161.0
Other comprehensive earnings	—	—	9.5	9.5
Non-cash distribution to parent	(360.7)	—	—	(360.7)
Excess of the consideration received over the carrying value of property and equipment transferred to entities under common control	0.5	—	—	0.5
Balance at December 31, 2021	(344.7)	246.0	22.9	(75.8)

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,		
	2021	**2020**	**2019**
		CLP in billions	
Cash flows from operating activities:			
Net earnings (loss)	161.0	(49.6)	147.5
Adjustments to reconcile net earnings (loss) to net cash provided by operating activities:			
Depreciation	133.5	126.7	110.5
Impairment	1.1	1.2	0.2
Amortization of deferred financing costs	2.4	3.1	3.1
Realized and unrealized losses (gains) on derivative instruments, net	(391.2)	104.1	(66.3)
Foreign currency transaction losses (gains), net	181.3	(37.0)	67.3
Losses on debt extinguishment	8.1	33.9	—
Deferred income tax expense	37.4	12.0	9.3
Changes in operating assets and liabilities:			
Receivables and other operating assets	4.2	18.7	(20.9)
Payables and accruals	(3.3)	(51.4)	(109.2)
Net cash provided by operating activities	134.5	161.7	141.5
Cash flows from investing activities:			
Capital expenditures	(135.2)	(118.0)	(104.4)
Advances to related parties	(17.3)	(75.1)	(372.0)
Proceeds received from related parties	83.5	0.4	—
Other investing activities, net	0.2	1.5	0.9
Net cash used by investing activities	(68.8)	(191.2)	(475.5)

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,		
	2021	**2020**	**2019**
		CLP in billions	
Cash flows from financing activities:			
Borrowings of third-party debt	298.9	614.8	52.7
Repayments of third-party debt	(287.9)	(730.2)	(78.2)
Contribution from parent	—	—	372.0
Net cash received (paid) related to derivative instruments	(7.9)	147.2	—
Payment of financing costs and debt redemption premiums	(11.9)	(39.9)	(0.2)
Net cash provided (used) by financing activities	(8.8)	(8.1)	346.3
Effect of exchange rate changes on cash	11.1	(1.8)	2.0
Net increase (decrease) in cash and cash equivalents	68.0	(39.4)	14.3
Cash and cash equivalents:			
Beginning of year	52.8	92.2	77.9
End of year	120.8	52.8	92.2
Cash paid for interest	64.7	80.7	75.6
Net cash paid (received) for taxes	(24.6)	14.3	43.5

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

(1) Basis of Presentation

Organization

VTR Finance is a provider of fixed and mobile telecommunication services to residential and B2B customers in Chile. VTR Finance is a wholly-owned subsidiary of Liberty Latin America.

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 U.S. GAAP.

Our functional currency is the CLP.

These consolidated financial statements reflect our consideration of the accounting and disclosure implications of subsequent events through March 25, 2022, the date of issuance.

On September 29, 2021, Liberty Latin America entered into an agreement with América Móvil to contribute our operations to América Móvil's Chilean operations to form the Chile JV that will be owned 50:50 by Liberty Latin America and América Móvil. The consummation of the transaction is subject to certain customary closing conditions, including regulatory approvals, and is expected to close in the second half of 2022. The announcement of the Chile JV did not have an impact on our consolidated financial statements.

(2) Recent Accounting Pronouncements

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 LIBOR. 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, expected 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.

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.

Trade Receivables

We have trade receivables that 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 allowance for expected credit losses associated with trade receivables are set forth below (CLP in billions):

	Year ended December 31,	
	2021	2020
	in billions	
Beginning balance	12.0	9.4
Provision for expected losses	8.2	12.0
Write-offs	(11.8)	(9.4)
Other	0.1	—
Ending balance	8.5	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 in 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 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, 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 spectrum licenses. Goodwill represents the excess purchase price over the fair value of the identifiable net assets acquired in a business combination. Customer relationships, and spectrum licenses 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 spectrum licenses and certain other intangible assets as these assets have indefinite lives.

Spectrum licenses provide us with the exclusive right to utilize a certain radio frequency spectrum to provide wireless communications services. While spectrum licenses are issued for only a fixed time (generally, 10 years), renewals of spectrum licenses occur routinely and at nominal cost. Moreover, we believe there are currently no significant legal, regulatory, contractual, competitive, economic or other factors limiting the useful lives of our spectrum licenses, and therefore we treat these spectrum licenses as indefinite-lived intangible assets. We believe we will be able to meet all requirements necessary to secure renewal of such spectrum licenses.

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 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 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.

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.

Sales, Use and Other 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 denominated in a currency other than our functional currency. In this regard, we have entered into various derivative instruments to manage interest rate exposure and foreign currency exposure with respect to the 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, 2021			December 31, 2020		
	Current	Long-term	Total	Current	Long-term	Total
			CLP in billions			
Assets:						
Cross-currency derivative contracts (a)	—	235.7	235.7	0.5	1.9	2.4
Foreign currency forward contracts	22.7	—	22.7	—	—	—
Total	22.7	235.7	258.4	0.5	1.9	2.4
Liabilities:						
Cross-currency and interest rate derivative contracts (a)	13.7	1.7	15.4	7.7	156.3	164.0
Foreign currency forward contracts	—	—	—	13.3	—	13.3
Total	13.7	1.7	15.4	21.0	156.3	177.3

(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 and are recorded 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,		
	2021	2020	2019
		CLP in billions	
Cross-currency and interest rate derivative contracts (a) (b)	370.6	(99.3)	59.4
Foreign currency forward contracts	20.6	(4.8)	6.9
Total	391.2	(104.1)	66.3

(a) Changes in the credit risk valuation adjustments associated with our cross-currency and interest rate derivative contracts resulted in net gains (losses) of CLP (22 billion) and CLP 26 billion during 2021 and 2020, respectively.

(b) The losses for 2020 includes a realized gain of CLP 58 billion associated with the settlement of certain cross-currency swaps at VTR in June 2020 that were unwound in connection with the July 2020 refinancing of certain debt.

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

	Year ended December 31,		
	2021	2020	2019
	CLP in billions		
Operating activities	(5.7)	13.2	8.5
Investing activities (a)	(0.5)	6.0	4.6
Financing activities (b)	(7.9)	147.2	—
Total	(14.1)	166.4	13.1

(a) Amounts relate to foreign currency forward contracts that are used to hedge the purchase of capital expenditures denominated in U.S. dollars.

(b) The 2021 amount is related to the settlement of our interest rate swaps in connection with the refinancing of the VTR Credit Facilities. The 2020 amount is related to the settlement of certain cross-currency interest rate swaps. For additional information regarding our debt refinancing activity, see 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, 2021, our exposure to counterparty credit risk included derivative assets with an aggregate fair value of CLP 243 billion.

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, 2021, our cross-currency swap contracts had total notional amounts due from and to counterparties of $1 billion and CLP 1,145 billion, respectively, with a weighted average remaining contractual life of 4.8 years.

Foreign Currency Forwards Contracts

We enter into foreign currency forward contracts with respect to non-functional currency exposure. At December 31, 2021, our foreign currency forward contracts had total notional amounts due from and to counterparties of $159 million and CLP 116 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 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 (non-interest rate curves and 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. As we would not expect changes in our or our counterparties' credit spreads to have a significant impact on the valuations of these instruments, we have determined that these valuations 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 2021 and 2020.

(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, 2021	December 31, 2021	December 31, 2020
		CLP in billions	
Distribution systems	4 to 25 years	711.6	643.9
Customer premises equipment	3 to 5 years	781.7	716.1
Support equipment, buildings and land	2 to 25 years	258.8	311.9
		1,752.1	1,671.9
Accumulated depreciation		(1,199.2)	(1,134.5)
Total		552.9	537.4

We recorded non-cash increases to our property and equipment related to vendor financing arrangements of CLP 24 billion, CLP 25 billion and CLP 22 billion during 2021, 2020 and 2019, respectively, which exclude related VAT of CLP 4 billion, CLP 5 billion and CLP 4 billion during 2021, 2020 and 2019, respectively, that were also financed by our vendors under these arrangements.

Goodwill

We evaluate goodwill and other indefinite-lived intangible assets 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, 2021 evaluation, we did not identify any impairments of such assets. If, among other factors, (i) Liberty Latin America's equity values were to decline significantly, (ii) our enterprise value was to decline, or (iii) the adverse impacts stemming from COVID-19, 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 value of goodwill. Any such impairment charges could be significant.

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, 2021 and 2020.

(7) Debt

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

	December 31, 2021		Estimated fair value (b)		Principal amount	
			December 31,		December 31,	
	Weighted average interest rate (a)	Unused borrowing capacity	2021	2020	2021	2020
			CLP in billions			
Parent – 2028 VTR Finance Senior Notes	6.38 %	—	490.2	427.4	468.6	391.5
Subsidiaries:						
2028 VTR Senior Secured Notes	5.13 %	—	416.5	455.0	409.0	427.1
2029 VTR Senior Secured Notes	4.38 %	—	345.6	—	349.3	—
VTR Credit Facilities (c)	— %	215.4	—	173.5	—	174.0
Vendor financing (d)	3.82 %	—	70.0	70.9	70.0	70.9
Total debt before deferred financing costs	5.30 %	215.4	1,322.3	1,126.8	1,296.9	1,063.5

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

	December 31,	
	2021	2020
	CLP in billions	
Total debt before deferred financing costs	1,296.9	1,063.5
Deferred financing costs	(19.7)	(16.2)
Total carrying amount of debt	1,277.2	1,047.3
Less: Current maturities of debt	(70.0)	(70.9)
Long-term debt	1,207.2	976.4

(a) Represents the weighted average interest rate in effect at December 31, 2021 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 applicable bid prices (mostly Level 1 of the fair value hierarchy). For additional information regarding fair value hierarchies, see note 5.

(c) The VTR Credit Facilities comprise U.S. dollar and CLP revolving credit facilities. Unused borrowing capacity represents the maximum availability under the VTR Credit Facilities at December 31, 2021 without regard to covenant compliance calculations or other conditions precedent to borrowing. At December 31, 2021, the full amount of unused borrowing capacity was available to be borrowed under the VTR Credit Facilities both before and after completion of the December 31, 2021 compliance reporting requirements.

(d) 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 VAT that were paid on our behalf by the vendor. Our operating expenses include CLP 42 billion, CLP 48 billion and CLP 53 billion for 2021, 2020 and 2019, respectively, that were financed by an intermediary and are reflected on the borrowing date as a cash outflow within net cash provided by operating activities and a cash inflow within net cash provided (used) by financing activities in our consolidated statements of cash flows. Repayments of vendor financing obligations are included in payments of principal amounts of debt in our consolidated statements of cash flows.

General Information

Credit Facilities. We have entered into credit facility agreements with certain financial institutions. Each of these credit facilities contain certain covenants, the more notable of which are as follows:

- Our credit facilities contain certain net leverage ratios, as specified in the relevant credit facility, which are required to be complied with on an incurrence and/or maintenance basis;

- Our credit facilities contain 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 facilities require us to guarantee the payment of all sums payable under the relevant credit facility and have first-ranking security granted over the shares in such guarantors and certain intercompany loans, and in certain cases, over substantially all of their assets to secure the payment of all sums payable thereunder;

- In addition to certain mandatory prepayment events, the instructing group of lenders under the relevant 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 relevant credit facility);

- Our credit facilities contain 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 facilities require 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 facilities generally include certain 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. In general, our senior and senior secured notes (i) are senior obligations of each respective issuer that rank equally with all of the existing and future debt of such issuer and, in the case of our senior secured notes, are senior to all existing and future subordinated debt of each respective issuer, (ii) contain guarantees (as specified in the indenture) and (iii) are secured by pledges over the shares of certain entities in our consolidated group and, in certain instances, over substantially all of the assets of those entities. In addition, 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 notes;

- 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, 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, in each case, subject to compliance with applicable covenants; and

- If the relevant issuer or certain of its subsidiaries (as specified in the applicable indenture) sell 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%.

Outstanding Debt Instruments

VTR Notes

The details of the VTR Notes as of December 31, 2021 are summarized in the following table:

VTR Notes	Maturity	Interest rate	Outstanding principal amount		Carrying value (a)
			Borrowing Currency	CLP equivalent	
			CLP in billions; USD in millions		
Senior secured notes:					
2028 VTR Senior Secured Notes	January 15, 2028	5.125%	$ 480.0	409.0	407.3
2029 VTR Senior Secured Notes	April 15, 2029	4.375%	$ 410.0	349.3	343.6
Senior notes:					
2028 VTR Finance Senior Notes	July 15, 2028	6.375%	$ 550.0	468.6	456.3
Total				1,226.9	1,207.2

(a) Amounts are net of deferred financing costs, as applicable.

Redemption Rights. The VTR Notes are subject to certain redemption rights (as specified in the applicable indenture). Some or all of the 2028 VTR Senior Secured Notes, the 2029 VTR Senior Secured Notes, and the 2028 VTR Finance Senior Notes may be redeemed at the following redemption prices (expressed as a percentage of the principal amount) plus accrued and unpaid interest and additional amounts (as specified in the indenture), if any, to the applicable redemption date, as set forth below:

	2028 VTR Senior Secured Notes	2029 VTR Senior Secured Notes	2028 VTR Finance Senior Notes
12-month period commencing:	July 15	April 15	July 15
2023	102.563%	N.A.	103.188%
2024	101.281%	102.188%	101.594%
2025	100.000%	101.094%	100.000%
2026 and thereafter	100.000%	100.000%	100.000%

VTR Credit Facilities

The details of the VTR Credit Facilities as of December 31, 2021 are summarized in the following table:

			Unused borrowing capacity			Outstanding principal amount
VTR Credit Facilities	Maturity	Interest rate	Borrowing currency		CLP equivalent	CLP equivalent
			CLP in billions; USD in millions			
VTR RCF - A	June 15, 2026	TAB + 3.35%	CLP	45.0	45.0	—
VTR RCF - B	June 15, 2026	LIBOR + 2.75%	$	200.0	170.4	—
Total					215.4	—

(a) The VTR RCF - A and VTR RCF - B have fees on unused commitments of 1.34% and 1.1%, respectively, per year.

Financing and Refinancing Activity

Borrowings related to significant notes we issued and credit facilities we drew down, entered into or amended during 2021 and 2020 are included in the tables below. We had no financing activity during 2019. Non-cash activity relates to cash borrowed that did not pass through our bank accounts, as financing proceeds from the issuance of debt were used to directly repay some or all of outstanding debt instruments within the same borrowing group.

The general terms of the notes we issued and credit facilities we amended during 2021 and 2020 are as follows:

		Borrowing			
Instrument	Issued at	Borrowing Currency		CLP equivalent (a)	Non-cash component
		CLP in billions; USD in millions			
2021:					
2029 VTR Senior Secured Notes	100%	$	410.0	299.7	43.1
VTR RCF – A	N.A.	$	—	—	—
2020:					
2028 VTR Senior Secured Notes	100%	$	600.0	488.3	—
2028 VTR Senior Notes	100%	$	550.0	447.6	447.6
VTR RCF – B	N/A	$	92.0	78.5	—

N.A. — Not applicable.

(a) Translated at the transaction date.

During 2021 and 2020 we made repayments on the following debt instruments:

Instrument	Redemption price	Principal amount repaid: Borrowing currency		Principal amount repaid: CLP equivalent	Non-cash component	Loss on debt extinguishment
				CLP in billions; USD in millions		
2021:						
2028 VTR Senior Secured Notes	103%	$	120.0	86.7	43.1	3.1
VTR TLB-1 Facility	100%	CLP	140.9	140.9	—	4.1
VTR TLB-2 Facility	100%	CLP	33.1	33.1	—	0.9
2020:						
VTR Finance Senior Notes	100%	$	1,260.0	1,025.4	447.6	33.9
VTR RCF – B	N/A	$	92.0	72.4	—	—

(a) Translated at the transaction date, if applicable.

Maturities of Debt

Maturities of our debt as of December 31, 2021 are presented below. Amounts presented below represent the CLP equivalents (in billions) based on December 31, 2021 exchange rates.

Years ending December 31:	
2022	70.0
2023	—
2024	—
2025	—
2026	—
Thereafter	1,226.9
Total debt maturities	1,296.9
Deferred financing costs	(19.7)
Total debt	1,277.2
Current portion	70.0
Noncurrent portion	1,207.2

(8) Leases

The following table provides details of our operating lease expense:

	Year ended December 31, 2021	2020	2019 (a)
		CLP in billions	
Operating lease expense:			
Operating lease cost	6.2	6.4	6.3
Short-term lease cost	0.9	0.5	0.8
Total operating lease expense	7.1	6.9	7.1

Our operating lease expense is included in facility, provision, franchise and other expense, in other operating costs and expenses, in our consolidated statements of operations.

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

	December 31,	
	2021	2020
	CLP in billions	
Operating lease right-of-use assets	11.1	14.7
Operating lease liabilities:		
Current	4.2	4.8
Noncurrent	6.6	9.5
Total operating lease liabilities	10.8	14.3
Weighted-average remaining lease term	2.7 years	3.3 years
Weighted-average discount rate	4.0 %	6.7 %

	Year ended December 31,	
	2020	2019
	CLP in billions	
Operating cash flows from operating leases	6.0	6.6
Right-of-use assets obtained in exchange for new operating lease liabilities (a)	2.7	4.8

(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, 2021 are presented below (CLP, in billions).

Years ending December 31:	
2022	4.6
2023	3.6
2024	3.0
2025	0.2
Total operating lease liabilities on an undiscounted basis	11.4
Present value discount	(0.6)
Present value of operating lease liabilities	10.8

(9) Income Taxes

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

	Year ended December 31,		
	2021	2020	2019
	CLP in billions		
The Netherlands	56.9	(90.6)	(36.0)
Chile	142.1	32.0	96.5
Total	199.0	(58.6)	60.5

Income tax benefit (expense) consists of the following:

	Current	Deferred	Total
		CLP in billions	
Year ended December 31, 2021:			
The Netherlands	3.7	—	3.7
Chile	(4.3)	(37.4)	(41.7)
Total	(0.6)	(37.4)	(38.0)
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

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,		
	2021	2020	2019
		CLP in billions	
Computed "expected" tax benefit (expense)	(49.8)	14.7	(15.1)
Permanent differences	15.3	3.5	2.6
Change in valuation allowances	82.8	(28.0)	(0.8)
Withholding Tax	(1.4)	(14.2)	(0.5)
Expiration of deferred assets with full VA	(85.6)	—	—
Enacted tax law and rate changes (a) (b) (c)	2.7	8.4	(8.3)
International rate difference (d)	(2.8)	(1.1)	(1.9)
Changes in uncertain tax positions	0.7	27.4	118.0
Other, net	0.1	(1.7)	(7.0)
Total income tax benefit (expense)	(38.0)	9.0	87.0

(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) On December 27, 2021, the Netherlands enacted legislation increasing the top corporate income tax rate to 25.8%. with effect from January 1, 2022. While deferred tax assets were re-valued, there is a net nil tax impact of this on total tax result due to a full valuation allowance on all deferred tax items in the Netherlands.

(d) 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, 2021	December 31, 2020
	CLP in billions	
Deferred tax assets:		
Unrealized gains & losses	1.7	10.5
Accrued expenses	3.4	2.0
Net operating losses, credits and other carryforwards	8.9	100.7
Other future deductible amounts	2.0	1.8
Deferred tax assets	16.0	115.0
Valuation allowance	(1.2)	(83.9)
Deferred tax assets, net of valuation allowance	14.8	31.1
Deferred tax liabilities:		
Intangible assets	(6.8)	(6.7)
Property and equipment	(36.3)	(11.9)
Net deferred tax asset	(28.3)	12.5

Our deferred income tax valuation allowance decreased CLP 82.8 billion during 2021, primarily related to the net effect of (i) the net tax benefit related to our operations of CLP 85.5 billion and (ii) the net tax expense related to enacted tax law changes, which increased the balance of deferred tax assets by CLP 2.7 billion on which a valuation allowance is required. As of December 31, 2021, a valuation allowance of 1.2 billion has been recorded on the Chile net operating loss carryforwards where we do not expect to generate future taxable income.

The significant components of our tax loss carryforwards and related tax assets at December 31, 2021 are as follows:

Country	Tax loss carryforward	Related tax asset	Expiration date
	CLP in billions		
Chile	32.9	8.9	Indefinite

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 2018 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,	
	2021	2020
	CLP in billions	
Balance at January 1	10.5	35.3
Additions for tax positions of prior years	—	0.9
Additions based on tax positions related to the current year	—	1.3
Lapse of statute of limitation	(0.9)	(12.5)
Decreases for tax positions of prior years	—	(14.5)
Balance at December 31	9.6	10.5

As of December 31, 2021, 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, 2021. 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, 2021 and 2020, our unrecognized tax benefits and related accrued interest aggregated CLP 10 billion and CLP 11 billion, respectively.

During 2021, 2020 and 2019, our income tax benefit (expense) includes net interest release (expense) of CLP 0 billion, CLP 3 billion and (CLP 20 billion), respectively, representing the net release or accrual of interest during the respective period. Our other long-term liabilities include immaterial accrued interest at December 31, 2021 and 2020, 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,		
	2021	2020	2019
		CLP in billions	
Other operating costs and expenses	0.7	1.8	—
Allocated share-based compensation expense	8.5	6.5	3.4
Related-party fees and allocations:			
Other operating costs and expenses	4.8	7.6	3.8
Share-based compensation	4.3	6.0	4.0
Management fee	0.7	0.4	0.4
Total fees and allocations	9.8	14.0	8.2
Interest income	32.7	34.3	8.3

Other operating costs and expenses. These amounts represent the net impact of (i) our estimated share of costs charged to our company by Liberty Latin America, primarily related to personnel costs, (ii) personnel costs we recharge to other subsidiaries of Liberty Latin America for employees who perform work on their behalf, and (iii) insurance costs allocated to us by a subsidiary of Liberty Latin America.

Share-based compensation expense. These amounts represent share-based compensation expense that Liberty Latin America charged 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 2021 amount includes estimated bonus-related expenses for the 2021 year that will be paid in the form of Liberty Latin America equity.

Related-party fees and allocations. These 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.* 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 agreement (Covenant EBITDA).

- *Share-based compensation.* The amounts included in this category represent share-based compensation associated with employees of Liberty Latin America whom 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.* The 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, as well as certain other charges allocated to us by related parties.

Interest income. The amounts relate to the U.K. Holding Note Receivable and the LCRH Note Receivable, as further described below.

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

	December 31,	
	2021	2020
	CLP in billions	
Assets:		
Current assets:		
LCH Note Receivable (a)	—	75.1
Current interest income on notes receivable (b)	2.6	25.8
Other current assets (c)	1.1	3.8
Long-term assets:		
LCH Note Receivable (a)	101.3	—
LRCH Note Receivable (d)	—	79.3
U.K. Holding Note Receivable (e)	63.1	372.4
Total assets	168.1	556.4
Liabilities:		
Other accrued and current liabilities (f)	3.6	5.9

(a) At December 31, 2020, the balance 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. On October 5, 2021, we loaned an additional $21 million (CLP 17 billion) to Lila Chile Holding B.V. under the LCH Note Receivable, which is reflected as an investing activity in our consolidated statement of cash flows. In addition, the terms of the LCH Note Receivable agreement were amended, such that the note bears interest at 2.6% and matures on October 5, 2023. As a result of the amendment to the maturity date, the LCH Note Receivable is classified in other assets, net, in our December 31, 2021 consolidated balance sheet.

(b) At December 31, 2021, the balance represents accrued interest income on the U.K. Holding Note Receivable and the LCH Note Receivable of CLP 0.2 billion and CLP 2.4 billion, respectively. At December 31, 2020, the balance primarily represents accrued interest income on the U.K. Holding Note Receivable. On January 1, the accrued interest on the U.K. Holding Note Receivable is generally transferred to the principal balance of the loan.

(c) Represents certain other non-interest bearing receivables from Liberty Latin America subsidiaries.

(d) During 2019, we entered into the LCRH Note Receivable. The LCRH Note Receivable was cash settled during the second quarter of 2021. This settlement is reflected as an investing activity in our December 31, 2021 consolidated statement of cash flows.

(e) During 2020, we entered into a CLP 372 billion note receivable with LLA UK Holding Ltd. (formerly known as Liberty Global CIHB Limited). During December 2021, we made a distribution totaling CLP 360 billion to our parent company, Lila Chile Holding B.V., which is reflected as a decrease to accumulated net distributions on our consolidated statement of owner's deficit. This distribution comprised principal and accrued and unpaid interest on the U.K. Holding Note Receivable as of the December 2021 transaction date. In connection with subsequent distributions of these amounts to LLA U.K. Holding Ltd, a portion of the U.K. Holding Note Receivable was settled, such that CLP 63 billion of the note remains outstanding at December 31, 2021.

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

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.

(11) Restructuring Liabilities

Our restructuring charges during 2021, 2020 and 2019 primarily relate to reorganization programs. 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 2021 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, 2021	1.1	10.3	11.4
Restructuring charges	5.7	5.2	10.9
Cash paid	(6.3)	(7.7)	(14.0)
Other	—	—	—
Restructuring liability as of December 31, 2021	0.5	7.8	8.3
Current portion	0.5	7.8	8.3
Noncurrent portion	—	—	—
Total	0.5	7.8	8.3

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

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

(12) Programming and Other Direct Costs of Services

Programming and other direct costs of services include programming and copyright costs, interconnect and access costs, equipment, 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,		
	2021	2020	2019
		CLP in billions	
Programming and copyright	143.0	129.0	119.9
Interconnect	25.7	31.1	36.5
Equipment and other	8.2	12.9	17.6
Total programming and other direct costs of services	176.9	173.0	174.0

(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, vehicle-related, travel and entertainment and other operating-related costs; and
- **Share-based compensation** expense that relates to (i) Liberty Latin America equity awards 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,		
	2021	2020	2019
	CLP in billions		
Personnel and contract labor	46.3	48.3	53.2
Network-related expenses	59.1	53.1	44.3
Service-related	28.1	28.9	26.9
Commercial	62.2	60.4	55.3
Facility, provision, franchise and other	28.1	33.4	38.7
Share-based compensation expense	8.5	6.5	3.4
Total other operating costs and expenses	232.3	230.6	221.8

(14) Commitments and Contingencies

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. On April 21, 2021, the Court of Appeals of Santiago issued a ruling joining the four class action complaints into one legal procedure. 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. 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 Major Category

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

- residential fixed subscription and residential mobile services revenue, which includes amounts received from subscribers for ongoing fixed and airtime services, respectively;
- residential fixed non-subscription revenue, which 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,		
	2021	2020	2019
		CLP in billions	
Residential revenue:			
Residential fixed revenue:			
Subscription revenue:			
Video	222.8	230.4	242.9
Broadband internet	236.9	262.0	257.5
Fixed-line telephony	58.6	58.1	68.8
Total subscription revenue	518.3	550.5	569.2
Non-subscription revenue	11.3	14.7	17.7
Total residential fixed revenue	529.6	565.2	586.9
Residential mobile revenue:			
Service revenue	36.2	44.1	44.0
Interconnect, equipment sales and other (a)	5.5	6.5	8.4
Total residential mobile revenue	41.7	50.6	52.4
Total residential revenue	571.3	615.8	639.3
B2B service revenue	24.4	24.0	21.2
Total	595.7	639.8	660.5

(a) These amounts include revenue from sales of mobile handsets and other devices of CLP 4 billion, CLP 5 billion and CLP 6 billion during 2021, 2020, and 2019, respectively.