VTR FINANCE B.V.

Annual Report
for Year Ended
December 31, 2014

VTR FINANCE B.V.
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VTR FINANCE B.V.

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FORWARD-LOOKING STATEMENTS

Certain statements in this Annual Report constitute forward-looking statements. To the extent that statements in this Annual Report are not recitations of historical fact, such statements constitute forward-looking statements, which, by definition, involve risks and uncertainties that could cause actual results to differ materially from those expressed or implied by such statements. In particular, statements under *Business* and *Management's Discussion and Analysis of Financial Condition and Results of Operations* may contain forward-looking statements, including statements regarding our growth prospects and our strategic, operating and finance initiatives over the next few years, the percentage of revenue represented by our property and equipment additions in 2015, our future projected cash flows, subscriber growth and retention rates, competitive, regulatory and economic factors, anticipated cost increases and our capital structure, our future projected contractual commitments 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 risks and uncertainties in 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 Chile, including competitor responses to our products and services;
- fluctuations in currency exchange rates and interest rates;
- instability in global financial markets, including sovereign debt issues and related fiscal reforms;
- consumer disposable income and spending levels, including the availability and amount of individual consumer debt;
- changes in consumer television viewing preferences and habits;
- consumer acceptance of our existing service offerings, including our digital 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;
- our ability to maintain or increase the number of subscriptions to our digital video, broadband internet, fixed-line telephony and mobile service offerings and our average revenue per household;
- our ability to provide satisfactory customer service, including support for new and evolving products and services;
- our ability to maintain or increase rates to our subscribers or to pass through increased costs to our subscribers;
- the impact of our future financial performance, or market conditions generally, on the availability, terms and deployment of capital;
- changes in, or failure or inability to comply with, government regulations in Chile and adverse outcomes from regulatory proceedings;
- our ability to obtain regulatory approval and satisfy other conditions necessary to close acquisitions and dispositions and the impact of conditions imposed by competition and other regulatory authorities in connection with acquisitions;
- our ability to successfully acquire new businesses and, if acquired, to integrate, realize anticipated efficiencies from, and implement our business plan with respect to, the businesses we have or may acquire;
- changes in laws or treaties relating to taxation, or the interpretation thereof, in Chile and the Netherlands;
- changes in laws and government regulations that may impact the availability and cost of credit and the derivative instruments that hedge certain of our financial risks;
- the ability of suppliers and vendors (including our third-party wireless network provider under our mobile virtual network operator (MVNO) arrangement) to timely deliver quality products, equipment, software, services and access;

- the availability of attractive programming for our digital 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;
- the availability of capital for the acquisition and/or development of telecommunications networks and services;
- the leakage of sensitive customer data;
- the outcome of any pending or threatened litigation;
- the loss of key employees and the availability of qualified personnel;
- changes in the nature of key strategic relationships with partners and joint venturers; and
- events that are outside of our control, such as political unrest in international markets, terrorist attacks, malicious human acts, natural disasters, pandemics 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," "us" and "VTR" refer, as the context requires, to VTR Finance B.V. (VTR Finance) or collectively to VTR Finance and its subsidiaries, including VTR GlobalCom SpA and its subsidiaries (VTR GlobalCom). Unless otherwise indicated, operational and statistical data, including subscriber statistics, are as of December 31, 2014. Certain competitive and market information contained in this section has been derived from several sources, including information from third-party sources such as DataXis as of September 30, 2014, and information on Chilean telecommunications provided by SubTel as of September 30, 2014.

Introduction

We are a subsidiary of Liberty Global plc (Liberty Global) that provides our customers the "triple-play" of video, broadband internet and fixed-line telephony services. In May 2012, we added mobile telephony and data services to our suite of product offerings. Since December 2013, we have been providing our mobile services solely as an MVNO. We are the largest cable operator in Chile in terms of homes passed and number of subscribers, the largest provider of broadband internet services in our footprint and the second largest nationally in terms of number of subscribers. We are also the second largest fixed-line telephony provider in Chile in terms of lines in service. We provide our telecommunications services over our networks in the largest cities and more affluent regions of Chile, including Santiago, Chile's capital and largest city, and the large regional cities of Iquique, Antofagasta, Concepción, Viña del Mar, Valparaiso and Rancagua.

Liberty Global is the largest international cable company with operations in 14 countries. Liberty Global connects people to the digital world and enables them to discover and experience its endless possibilities. Liberty Global's market-leading triple-play services are provided through next-generation networks and innovative technology platforms that connected 27 million customers subscribing to 56 million television, broadband internet and fixed-line telephony services at December 31, 2014. In addition, Liberty Global served 5 million mobile subscribers across nine countries at year-end 2014.

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

	December 31,	
	2014	2013
Footprint		
Homes Passed (1)	2,978,800	2,927,300
Two-way Homes Passed (2)	2,459,700	2,406,100
Subscribers (RGUs) (3)		
Digital Cable (4)	901,900	854,600
Analog Cable (5)	111,600	134,800
Total Video	1,013,500	989,400
Internet (6)	932,000	885,700
Fixed-line Telephony (7)	693,800	689,700
Total RGUs	2,639,300	2,564,800
Penetration		
Digital Cable as % of Total Video Subs (8)	89.0 %	86.4%
Internet as % of Two-way Homes Passed (9)	37.9 %	36.8%
Fixed-line Telephony as % of Two-way Homes Passed (9)	28.2 %	28.7%
Customer relationships		
Customer Relationships (10)	1,225,300	1,199,800
RGUs per Customer Relationship	2.15	2.14
Customer bundling		
Single-Play	31.3 %	32.6%
Double-Play	22.1 %	21.1%
Triple-Play	46.6 %	46.3%
ARPU (11)		
Q4 Monthly ARPU per Customer Relationship	CLP 32,284	CLP 31,573

(1) Homes Passed are homes or commercial units that can be connected to our network without materially extending the distribution plant. Our Homes Passed counts are based on internal reports.

(2) Two-way Homes Passed are Homes Passed by those sections of our network that are technologically capable of providing two-way services, including video, internet and fixed-line telephony services.

(3) Revenue Generation Unit (RGU) is separately an Analog Cable Subscriber, Digital Cable Subscriber, Internet Subscriber or Telephony Subscriber. A home or commercial unit may contain one or more RGUs. For example, if a residential customer subscribed to our digital cable service, broadband internet service, and fixed-line telephony service, the customer would constitute three RGUs. Total RGUs is the sum of Analog Cable Subscribers, Digital Cable Subscribers, Internet Subscribers and Fixed-line Telephony Subscribers. RGUs generally are 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 cable, internet or fixed-line telephony service is counted as a separate RGU regardless of the nature of any bundling discount or promotion. Non-paying subscribers are counted as subscribers during their free promotional service period. Some of these subscribers may choose to disconnect after their free service period. Services offered without charge on a long-term basis (*e.g.*, VIP subscribers or free service to employees) generally are not counted as RGUs. Certain of our residential and commercial RGUs are counted on an equivalent billing unit (EBU) basis including commercial establishments, such as hotels and hospitals. Our EBUs are generally calculated by dividing the bulk price charged to accounts in an area by the most prevalent price charged to non-bulk residential customers in that market for the comparable tier of service. As such, we may experience variances in our EBU counts solely as a result of changes in rates. We do not include subscriptions to mobile services in our externally reported RGU counts. In this regard, our December 31, 2014 and 2013 RGU counts exclude 110,500 and 71,300 postpaid and prepaid mobile subscribers, respectively. Our mobile subscriber count represents the number of active subscriber identification module (SIM) cards in service.

(4) Digital Cable Subscriber is a home or commercial unit that receives our digital cable service over our broadband network. We count a subscriber with one or more digital converter boxes that receives our digital cable service in one premises as just one subscriber. A Digital Cable Subscriber is not counted as an Analog Cable Subscriber. As we migrate customers from analog to digital cable services, we report a decrease in our Analog Cable Subscribers equal to the increase in our Digital Cable Subscribers.

(5) Analog Cable Subscriber is a home or commercial unit that receives our analog cable service over our broadband network.

(6) Internet Subscriber is a home or commercial unit that receives internet services over our network. Internet Subscribers exclude mobile internet subscribers.

(7) Fixed-line Telephony Subscriber is a home or commercial unit that receives voice services over our network. Fixed-line Telephony Subscribers exclude mobile telephony subscribers.

(8) Digital cable penetration is calculated by dividing the number of digital cable RGUs by the total number of digital and analog cable RGUs.

(9) Internet and fixed-line telephony penetration is calculated by dividing the number of internet and fixed-line telephony RGUs by the number of two-way homes passed.

(10) Customer Relationships are the number of customers who receive at least one of our video, internet or fixed-line telephony services that we count as RGUs, without regard to which or 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 note 3 above. 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 customers from Customer Relationships.

(11) The average monthly subscription revenue per average Customer Relationship (ARPU) is calculated by dividing the average monthly subscription revenue (excluding fees from interconnection, installation and late fees) for the indicated period, by the average of the opening and closing balances for Customer Relationships for the period.

History

VTR Finance, an indirect wholly-owned subsidiary of Liberty Global, was formed on December 1, 2011, as a limited liability company (*besloten vennootschap*) organized under the laws of the Netherlands and is a holding company that owns, directly or indirectly, 100% of VTR GlobalCom, a *sociedad por acciones* that was organized under the laws of Chile on December 10, 1993. Our broadband video, internet, fixed-line telephony and mobile businesses are operated by VTR GlobalCom and its subsidiaries.

In March 2014, a subsidiary of VTR Finance acquired each of the 20% ownership interests in VTR GlobalCom and VTR Wireless SpA (VTR Wireless) that VTR Finance and its affiliates did not already own from Inversiones Corp Comm 2 SpA, formerly known as Corp Comm S.A.

In December 2014, Liberty Global completed a reorganization of certain of its subsidiaries whereby VTR Wireless merged with VTR GlobalCom's programing subsidiary, VTR Banda Ancha (Chile) SpA, with VTR Wireless as the surviving entity. Immediately following the merger, VTR Wireless changed its name to VTR Comunicaciones SpA (VTR Comunicaciones).

Our Products and Services

We provide a broad range of telecommunications and other services in our footprint, including pay-television, broadband internet, fixed-line local and long distance telephony service and mobile telephone and data services. Available broadband service offerings depend on network bandwidth capacity and whether the network serving an area has been upgraded for two-way communications. Our network covers approximately 55% of Chilean homes, with approximately 3.0 million homes passed of which approximately 2.5 million homes passed have been upgraded with two-way capability (which accounts for approximately 83% of our network). The upgraded portion of our network provides us with full bi-directional capability that enables us to provide customers access to our triple-play services consisting of digital cable video, broadband internet and fixed-line telephony.

We generate revenue principally from relationships with our customers who pay subscription fees for the services we provide. Subscription fees for basic cable video services are typically paid directly by customers who live in single family homes or single dwelling units, or SDUs, 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 digital cable 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. We also charge one-time activation fees for premium boxes, such as our d-BOX PRO.

Video

We offer a full range of video services, including basic and premium packages, in the capital city of Santiago (the largest city in Chile) and in 42 other cities. As of September 30, 2014, based on publicly available information, our video cable services were available to approximately 60% of the Chilean television households and we served 21% of the total television market in Chile. All of our digital video services are encrypted and require a d-BOX provided by VTR GlobalCom, as well as additional set-top boxes as requested by subscribers for an additional fee. These set-top boxes permit access to an electronic programming guide, parental controls, digital video recording and pay-per-view and access to a library of video-on-demand, or "VoD". In addition, d-BOX customers may subscribe to premium packages of additional movies, sports, general entertainment and foreign language channels. We continue to upgrade our systems to expand our digital service offerings and encourage our analog subscribers, which accounted for only 11% of our total video subscribers at year end 2014, to convert to a digital service where available so that customers have access to our digital cable offerings.

Currently we offer three tiers of digital cable services. Our basic digital package includes 23 digital channels with a d-BOX, an electronic programming guide and VoD service, and for an additional fee, the option to purchase up to 4 premium channels. Our second tier digital service includes 79 digital channels with a d-BOX, an electronic programming guide and VoD services, and for an additional fee, the option to purchase up to 57 premium channels, including 31 HD channels, and a DVR. Our top tier digital service includes 114 digital channels with a d-BOX, including 23 HD channels, an electronic programming guide and VoD service, and for an additional fee, up to 34 premium channels and a DVR. In addition to our digital cable packages, our SD boxes allow the reception of 7 SD free-to-air channels while our HD boxes allow the reception of 7 SD and 2 HD free-to-air channels.

Broadband Internet

We offer multiple tiers of broadband internet services in 34 municipalities within Santiago and 42 municipalities outside Santiago. As of September 30, 2014, our share of the broadband internet market in Chile was 38%. Our internet strategy is speed leadership. We seek to outperform on speed including increasing the maximum speed of our connections and offering 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 10 Mbps or more at mass market price points and ultra-high-speed internet with speeds of up to 120 Mbps. Our key mass-market package includes a download speed of up to 40 Mbps. As of December 31, 2014, over 80% of our network is capable of providing up to 120 Mbps speeds and 64% of our homes passed are served by a network with a bandwidth of at least 860 MHz, with over 85% of our homes passed served with a bandwidth of 750 MHz or greater.

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.

Fixed-Line Telephony

We are the second largest residential fixed-line telephony operator in Chile, and the leading provider within our footprint. We estimate that our fixed-line services are available to 82% of the homes in our footprint, and as of September 30, 2014, our share of the residential and commercial fixed-line telephony market in Chile was 21%. We offer multi-feature fixed-line telephony service within the two-way portion of our network. We offer this telephony service via circuit-switched telephony or voice-over-internet-protocol (VoIP), depending on location. We offer our fixed-line 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.

Fixed-line telephony subscribers can subscribe to one of two calling plans. Our “Plan 250” is a landline phone plan which provides subscribers with 250 minutes for local calls to landlines within the same region in Chile. Our “Unlimited Plan” is a landline phone plan with unlimited local calls to landlines within the same region in Chile.

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, backbone and 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 build and 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 whether the mobile service is included with our fixed-line telephony service or includes mobile data services via mobile phones, tablets or laptops. Our mobile services typically include telephony, short message service (SMS) and internet. 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 comprised of 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, 2014, we served 110,500 mobile subscribers, of which over 80% were on postpaid plans.

Our Technology

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

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

- recapturing bandwidth and optimizing our networks by increasing the number of nodes in our network, increasing the bandwidth of our hybrid fiber coaxial cable network to 1 GHz and using digital compression technologies;
- using wireless technologies to extend our services outside the home;
- caching websites from outside of Chile to provide faster internet speeds;
- upgrading our current DOCSIS 3.0 technology to DOCSIS 3.1 technology;
- introducing next generation set-top boxes with computer-like interfaces and multi-device (television, computer, tablet and smartphone) capability; and
- expanding our network to accommodate business-to-business services.

Our principal property and equipment consists of outside plant and switching equipment, as well as operating units that are located throughout our footprint within Chile. Our network is comprised of 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 4,200 kilometers of fiber and 18,000 kilometers of coaxial cable. Our 27 hubs across our footprint house data switches, digital television processing equipment, telephone switches, data centers, cable modem termination systems, optical transmitters and receivers that provide or facilitate the transmission of telephony, data and video services over our network.

Competition

The Chilean market for video, broadband internet and fixed-line and mobile telephony services is highly competitive and rapidly evolving. Consequently, our business has faced and is expected to continue to face significant competition across all of our product and service offerings. The information presented in this section has been derived from several sources, including information from third-party sources such as DataXis as of September 30, 2014, and information on Chilean telecommunications provided by SubTel as of September 30, 2014.

Video

We compete directly with a wide range of providers of communication and entertainment services to consumers. Our principal competition is the provision of video services from direct-to-home (DTH) satellite providers, where we compete with established satellite platforms, as well as other pay television operators. Over-the-top (OTT) viewing is also a competitive factor. However, depending on the location, we may also be competing against: (1) traditional "free-to-air" broadcast television services; (2) other fixed-line telecommunications carriers and broadband providers, including the incumbent telephony operator, offering (a) DTH satellite services, (b) IPTV over broadband internet connections using ADSL and (c) IPTV over fiber optic lines where the fiber is is to the home, cabinet, or building or to the node networks (fiber-to-the-home/-cabinet/-building/-node is referred to herein as FTTx); (3) other cable operators in the same municipalities that we serve; (4) OTT video content aggregators utilizing our or our competitors' high-speed internet connections; (5) satellite master antenna television systems, commonly known as SMATVs, which generally serve condominiums, apartment and office complexes and residential developments; and (6) movie theaters, video stores, video websites and home video products. Our businesses also compete to varying degrees with other sources of information and entertainment, such as online entertainment, newspapers, magazines, books, live entertainment/concerts and sporting events.

VTR is the largest cable television operator in Chile based on number of subscribers. As of September 30, 2014, our video cable services were available to approximately 60% of the Chilean television households and served approximately 21% of the total television market in Chile. We compete primarily with DTH service providers in Chile, including the incumbent Chilean telecommunications operator Compañia de Telecomunicaciones de Chile SA using the brand name Movistar (Movistar), Claro Chile S.A., a subsidiary of América Móvil, S.A.B. de C.V. (Claro), and DirecTV Chile. Movistar offers double-play and triple-play packages, using DTH for video and ADSL for internet and fixed-line telephony, and also offers mobile services. On a smaller scale, Movistar also offers IPTV services over FTTx networks in Chile. Claro offers triple-play packages using DTH and, in most major cities in Chile, through a hybrid fiber coaxial cable network. Claro also offers mobile services. To a lesser extent, VTR also competes with video services offered by or over networks of fixed-line telecommunication providers using DSL or ADSL technology. Of the Chilean households, 12%, 7% and 9% subscribed to the DTH services of Movistar, Claro and DirecTV Chile, respectively, as of September 30, 2014. To enhance our competitive position in Chile, we offer VoD, catch-up television, DVR functionality, premium HD channels, pay-per-view, HD receivers and a variety of premium channels as value added services that can be purchased by our video cable customers. These services and the marketing of bundle options, including internet and fixed-line telephony, enhance our competitive position.

Broadband Internet

With respect to broadband internet services and online content in Chile, we face competition in a rapidly evolving marketplace from incumbent and non-incumbent telecommunications companies, mobile operators and cable based internet service providers, many of which have substantial resources. The internet services offered by these competitors include both fixed-line broadband internet services using digital subscriber lines (DSL) or FTTx and wireless broadband internet services in a range of product offerings with varying speeds and pricing, as well as interactive computer based services, data and other non-video services offered to homes and businesses. With technological developments, competition from wireless services using various advanced technologies has become significant as well. Recently competitors in certain of our markets have started offering high-speed mobile data via long-term evolution wireless networks, the next generation of ultra high-speed mobile data, also called "4G" (referred to herein as LTE). In addition, other wireless technologies, such as WiFi, are becoming more prevalent.

As of September 30, 2014, broadband connections (ADSL, cable modem, FTTx, WiMax and Wireless Local Loop (WLL)) represented 95.3% of all fixed-line internet connections in Chile. We estimate that broadband access in Chile through fixed lines grew to 2.48 million by September 30, 2014, an 8.6% increase from September 30, 2013. As of September 30, 2014, ADSL broadband connections represented 40.4% of Chile's total broadband use. According to SubTel, as of September 30, 2014, 3G mobile broadband connections services reached approximately 7.9 million subscribers, a 40.2% increase over the number of subscribers as of September 30, 2013.

We face competition primarily from non-cable-based internet service providers such as Movistar and Claro. We are experiencing increased pricing and download speed pressure from Movistar and Claro and more effective competition from these companies with the bundling of their internet service with other services. Mobile broadband competition is significant as well. In 2013, both Movistar and Claro launched an LTE network for high-speed mobile data. In response to the availability of mobile data in Chile, we have more than doubled our available internet speeds with a high-speed internet offering of up to 120 Mbps. Our share of the fixed-line broadband internet market in Chile was 38%, compared to 41% for Movistar as of September 30, 2014.

Our internet strategy is speed leadership. We seek to increase the maximum speed of our connections and 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 new bundling strategies, including ultra-high-speed internet with speeds of up to 120 Mbps. Our focus continues to be high-end internet products to safeguard our customer base and allow us to become more aggressive in all areas of the access market. By fully utilizing the technical capabilities of our DOCSIS 3.0 technology (and by upgrading to DOCSIS 3.1 technology once it becomes available), we intend to compete with local FTTx initiatives and create a competitive advantage compared to ADSL infrastructures on a national level and LTE initiatives as they expand to a national level.

Fixed-Line Telephony and Mobile 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. Competition in both the residential and business telephony markets is increasing as a result of market trends and regulatory changes affecting general price competition, number portability, and the growth of VoIP services. We offer circuit-switched and VoIP telephony services over our cable network. Our share of the residential and commercial fixed-line telephony market in Chile as of September 30, 2014 was 21%. The Chilean fixed-line telephony market as measured by lines in service increased by 4.8% between September 30, 2013 and September 30, 2014, and our fixed-line telephony services grew by 2.2% during the same period. We believe that we are well suited improve our fixed-line growth as Chilean regulators implement the elimination of long-distance charges in fixed-line telephony within Chile.

An increasing number of consumers have gravitated towards mobile service, prompting us in 2012 to add wireless plans to our services. Claro, Movistar and Entel PCS Telecommunications S.A. are the primary companies that offer mobile telephony in Chile. Competition in the Chilean mobile services market is increasing quickly, with new competitors providing services to customers using the MVNO model, as we do. There are five competitors that use the MVNO model: Móvil Falabella, Virgin Mobile Chile, GTD-Manquehue, Nextel and Netline. We offer our mobile telephony services on a standalone basis. Our mobile subscribers represent less than 1% of the mobile telephony market in Chile, of which approximately 82% comprise postpaid accounts. Of these postpaid mobile customers, 86% subscribe to at least one of our fixed-line services.

Regulatory Matters

We are subject to regulation and enforcement by various governmental entities in Chile, including the Chilean Antitrust Authority, the Ministry of Transportation and Telecommunications (the Ministry) through SubTel, the National Television Council (CNTV) and Chile's National Consumer Service (Sernac).

In addition to the specific regulations described below, we are subject to certain regulatory conditions, which were imposed by the Chilean Antitrust Authority in connection with our combination with Metrópolis Intercom SA in April 2005. These conditions are indefinite and include, among others, (1) prohibiting VTR GlobalCom and its control group from participating, directly or indirectly through a related person, in Chilean satellite or microwave television businesses, (2) prohibiting VTR GlobalCom from obtaining exclusive broadcast rights, except for specific events, and (3) requiring VTR GlobalCom to offer its broadband capacity for resale of internet services on a wholesale basis.

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, and, because such permits do not involve radioelectric spectrum, they are granted without ongoing duties or royalties. We have permits to provide cable pay television services in the major cities, including Santiago, and in most of the medium-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, pornography or other objectionable content. 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 has been recently amended to establish a retransmission consent regime between broadcast television concessionaires and pay television operators. This regime provides that once a broadcast operator achieves digital coverage of 85% of the population within its concession areas, the broadcast operator may require that pay television operators enter into an agreement for the retransmission of its digital signal. In addition, the Television Act requires that the technical or commercial conditions imposed by broadcast operators not discriminate among pay television operators. Also, the Television Act establishes a must-carry regime requiring pay television operators to distribute up to four local broadcast television channels in each operating area. The channels that must be carried by any particular pay television operator are to be selected by CNTV.

The Chilean Consumer's Rights Protection Law contains provisions that have been interpreted by Sernac to require that any increase 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, which permits us to make adjustments to our published rates twice per year to adjust for inflation. In addition, we may once a year propose to our existing subscribers additional changes to their rates. If a subscriber does not accept these proposed rate changes, the subscriber is permitted to terminate its subscription contract. In addition, the agreement with Sernac establishes the criteria upon which we may modify our channel line-up without the consent of subscribers.

Broadband Internet

In August 2010, a law on internet neutrality was passed, which 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 internet service providers (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 were subsequently implemented, including obligations related to consumer information, traffic management policies applied by each ISP and 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.

Fixed-Line Telephony and Mobile Services

The provision of fixed-line telephony and mobile services requires a public telecommunications service concession. With respect to mobile services, in 2009, SubTel awarded us a license for 30 MHz of spectrum in the 1700/2100 MHz frequency band for the provision of wireless telephony services. The license has a 30-year renewable term. In 2012, VTR GlobalCom transferred this license to its affiliate VTR Wireless, which was merged with another subsidiary of VTR GlobalCom in December 2014 and the surviving entity is now known as VTR Comunicaciones. On January 15, 2014, VTR Wireless received a letter from SubTel in which SubTel asserted that VTR Wireless is not in compliance with the terms of such wireless license. SubTel alleged that the terms of the wireless license require VTR Wireless to comply with certain minimum network coverage and traffic levels. VTR disagrees with SubTel's assertions regarding the terms of the wireless license and has contested such assertions vigorously.

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. In Chile, fixed-line telephony communications between primary zones within the country were, until recently, domestic long distance calls. Then, on November 6, 2013, SubTel eliminated domestic long distance calls and in August 2014, it completed the process of unifying Chile into a single telephone service primary zone. We believe this new system may benefit VTR along with the Chilean fixed-line market as a whole in relation to our mobile telephony competition. Fixed-line subscribers now have the ability to make phone calls throughout Chile without incurring long-distance charges, thereby making our fixed-line telephony services more attractive.

There are no universal service obligations in Chile. However, local service concessionaires 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 services concessionaires 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, and charges for network unbundling services. Rate regulation on interconnection charges is applicable to all fixed-line and mobile telephony companies, including VTR. 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. In September 2014, we received a tariff proposal from SubTel that would have retroactive effect to June 2012. The tariff proposal represents a significant reduction in the fixed-line interconnection rates currently charged by VTR. We are awaiting SubTel's final decision and the subsequent legality review by the National Comptroller. Final resolution of the tariff-setting process in Chile is expected to occur during the first half of 2015. If the September 2014 tariff proposal were ultimately to be upheld, including retroactive application to June 2012, we would be required to issue credit notes of approximately CLP 7.4 billion for revenue previously recognized through December 31, 2014.

Other Chilean Regulation

Bundling. On December 18, 2012, the Chilean Antitrust Authority issued its regulation governing the on-net/off-net pricing practice in the mobile telephone 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 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), 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.

Telecommunication Services Proposal. In February 2014, SubTel published a General Telecommunication Services Ruling that regulates the offer of telecommunication services, including voice, internet access, and pay television, either alone or in bundles, from a consumer protection point of view. The new regulation introduced service billing, significant changes in contracts with customers, new requirements regarding compensation in case of service failure, and new rules regarding treatment of customers' personal information.

Minimum Standards on Quality of Service and Operation. From August 5 to September 4, 2013, SubTel submitted for public comment a draft of the Technical Fundamental Plan on Maintenance and Public Service Telecommunications Network Managing. This draft seeks to impose minimum standards on quality of service and operation of telecommunications networks, in general, and in some particular services: voice services; text and multimedia messages services; data transmission services; minimum coverage for mobile services; and digital terrestrial television minimum coverage. We are uncertain when SubTel will publish the final version of the plan.

Legal Proceedings

TVN. Cable television providers in Chile, including VTR GlobalCom, have historically retransmitted programming from public broadcasters without paying any fees to the broadcasters for such retransmission. Certain broadcasters have filed lawsuits against VTR GlobalCom claiming that by retransmitting their signals, VTR GlobalCom has violated the broadcasters' intellectual property rights or Chilean antitrust laws. In 2003, two major broadcasters, including Televisión Nacional de Chile (TVN), filed a lawsuit against VTR GlobalCom claiming that VTR GlobalCom's retransmission of the broadcasters' signals violated their intellectual property rights. The lower court dismissed these claims in 2006, and the Court of Appeals of Santiago confirmed the lower court's decision finding that no compensation or authorization was required as long as VTR GlobalCom retransmits the signal simultaneously, without modifying it, and in the same geographic area where the over-the-air signal is transmitted. On June 3, 2013, the Chilean Supreme Court of Justice ratified this decision. In 2010, TVN filed a second lawsuit (the Second TVN Lawsuit) against VTR GlobalCom claiming that VTR GlobalCom was not authorized to retransmit TVN's experimental HD signal. On July 17, 2012, the first instance tribunal ruled in favor of TVN in the Second TVN Lawsuit and ordered VTR GlobalCom (i) to stop retransmitting TVN's HD signal (DTT signal) and (ii) to pay damages, which would be established at the time of enforcing the judgment. VTR GlobalCom appealed the ruling of the first instance tribunal and, on October 27, 2014, the Court of Appeals of Santiago confirmed the ruling of the first instance tribunal in the Second TVN Lawsuit. Accordingly, VTR GlobalCom has ceased transmitting TVN's DTT signal. VTR GlobalCom continues to believe that its retransmission of TVN's DTT signal complied with applicable law and has therefore filed an appeal of the Court of Appeals' decision with the Chilean Supreme Court. We expect a decision on the appeal during the second half of 2015.

On January 6, 2014, VTR GlobalCom was notified of a third lawsuit filed against it by TVN (the Third TVN Lawsuit), requesting termination of a 1996 contract between TVN and VTR GlobalCom based on VTR GlobalCom's alleged unauthorized retransmission of TVN's analog signal, with the amount of damages to be determined at a later date. On January 27, 2014, we filed our answer denying all of the claims made in the Third TVN Lawsuit.

VTR GlobalCom believes that the Third TVN Lawsuit is without merit and intends to defend itself vigorously. We are not in a position to reasonably estimate the range of loss that might be incurred by VTR GlobalCom in the event of an unfavorable outcome in the Second TVN Lawsuit or the Third TVN Lawsuit because, among other matters (including that, with respect to the Third TVN Lawsuit, the discovery phase has not commenced), the amount of damages has not been specified and we cannot predict the final outcome of these proceedings.

In addition to the matters identified above, we are a party to a variety of other 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 500 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, respectively.

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, 2014, we had an aggregate of approximately 2,650 full-time employees, of whom approximately 39% belong to one of eight unions. We negotiate new agreements with each union on a staggered basis approximately every three to four years. Also, through our contractors, we indirectly employ approximately 6,000 technicians and other workers, and also hire temporary employees for various projects. We believe that our relations with our employees and unions are good.

MANAGEMENT AND GOVERNANCE

Managing Director of VTR Finance

The managing director of VTR Finance is Liberty Global Europe Management, which is an indirect, wholly- owned subsidiary of Liberty Global. The address for the managing director is Boeing Avenue 53, 1119 PE Schiphol-Rijk, the Netherlands. The managing director is authorized to conduct the day-to-day business of VTR Finance.

Executive Management of VTR GlobalCom

The executive management team of VTR GlobalCom is currently comprised of the following individuals:

Name	Current Position	Years of Service
Guillermo Ponce	Chief Executive Officer	21
Marcelo Von Chrismar	VP, Finance & Administration (CFO)	12
Jorge Carey Carvallo	VP, Legal & Contents	9
Maria Paz Epelman	VP, Public Affairs & Corporate Social Responsibility	14
Cristián Ariztía	VP, Commercial & Clients	16
Iván Rozas	VP, People	21
Pedro Assael	VP, Products and Marketing	5
Ramón Cañas	VP, Technology & Infrastructure	1

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

Guillermo Ponce

Mr. Ponce, 43, has served as our Chief Executive Officer since 2011. Previously, he served as Vice President of Sales and Operations, as well as Customer Care Manager and other positions within VTR since 1993. Previously, he was an advisor for the Chilean think tank, Latin American Economic Research Corporation (CIEPLAN). He holds an Engineering degree from the Universidad de Chile and a Master in Business Administration from the University of California, Los Angeles.

Marcelo Von Chrismar

Mr. Von Chrismar, 45, has served as our Vice President of Finance and Chief Financial Officer since 2006. Previously, he served as VTR's Manager of Administration and Finance. Mr. Von Chrismar holds a degree in Economics from the Universidad de Chile and also an MBA from IESE Business School, Universidad de Navarra (Spain). Prior to joining VTR, he was the CFO of Canal 13, one of the main open TV broadcasters in Chile.

Jorge Carey Carvallo

Mr. Jorge Carey, 46, has 16 years of experience in the field of telecommunications in Latin America. Mr. Carey has served as VTR's Vice President of Legal and Contents since 2006 and also serves as Vice Chairman of the Board of Directors of VTR GlobalCom. Prior to joining VTR, he was a member of the Chilean law firm Carey y Cia. Ltda., where he advised VTR in corporate, regulatory and financial matters as external counsel. Mr. Carey holds a Law degree from Pontificia Universidad Católica de Chile and a Master of Laws degree from Duke University (NC).

Maria Paz Epelman

Mrs. Epelman, 47, has served as our Vice President of Public Affairs and Corporate Social Responsibility since 2007. Previously, she served as VTR's Corporate Communications Manager. Prior to joining VTR in 2000, she was an advisor in communications to Apple and CIEPLAN, among others. Mrs. Epelman holds a degree in Journalism from the Universidad de Chile.

Cristián Ariztía

Mr. Ariztía, 48, has served as our Vice President of Commercial and Clients since 2012. Previously, he served as our Zone Manager, Metropolitan Area, as well as other positions in the areas of Business & Sales. Mr. Ariztía holds a bachelor's degree in Business from the Universidad Diego Portales.

Iván Rozas

Mr. Rozas, 55, has served as our Vice President of People since 2007. Previously, he served as our Zone Manager, Northern Chile, as well as other positions since 1993. Mr. Rozas holds a bachelor's degree in Business from the Universidad Católica del Norte and a master's degree in Marketing and Business Management from Spain's Escuela Internacional de Dirección Empresarial.

Pedro Assael

Mr. Assael, 48, has served as our Vice President of Products and Marketing since 2012. Previously, Mr. Assael held a number of executive positions at Telefonica and Banco de Chile. Also, between 2000 and 2005 he held the position of Internet manager at VTR. Mr. Assael holds a degree in Engineering from the Universidad Católica de Chile and an MBA degree from the Massachusetts Institute of Technology (MIT).

Ramón Cañas

Mr. Cañas, 51, has served as our Vice President of Technology & Operations since 2014. Previously, he was CEO of Metro de Santiago, Chile's capital subway system, CEO of Aguas Chañar, a water concession operator and also, between 1998 and 2006, he worked with VTR occupying several managing positions in the area of infrastructure and commercial. Mr. Cañas holds a degree in Engineering from the Universidad de Santiago and an MBA from Spain's Universidad de Lérida.

Independent Auditors' Report

The Board of Directors
Liberty Global plc:

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of VTR Finance B.V., which comprise the consolidated balance sheets as of December 31, 2014 and 2013, and the related consolidated statements of operations, comprehensive earnings (loss), owners' equity (deficit), and cash flows for the three-year period ended December 31, 2014, 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 accounting principles generally accepted in the United States of America; 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 B.V. as of December 31, 2014 and 2013, and the results of its operations and cash flows for the three-year period ended December 31, 2014, in accordance with accounting principles generally accepted in the United States of America.

Teresa Oliva S.

KPMG Ltda.

Santiago, Chile, March 19, 2015

VTR FINANCE B.V.

CONSOLIDATED BALANCE SHEETS

	December 31,	
	2014	2013
	CLP in billions	
ASSETS		
Current assets:		
Cash and cash equivalents	51.7	86.9
Due from related party (note 10)	—	315.9
Trade receivables, net	68.8	56.8
Value-added taxes receivable	24.3	—
Deferred income taxes (note 8)	10.4	7.4
Other current assets (notes 3, 4 and 10)	15.0	19.9
Total current assets	170.2	486.9
Property and equipment, net (note 6)	334.8	316.3
Goodwill (note 6)	267.1	267.1
Derivative instruments (note 4)	61.4	—
Deferred income taxes (note 8)	37.1	57.3
Other assets, net (notes 6 and 10)	73.3	35.2
Total assets	943.9	1,162.8

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

VTR FINANCE B.V.

CONSOLIDATED BALANCE SHEETS – (Continued)

	December 31, 2014	December 31, 2013
	CLP in billions	
LIABILITIES AND OWNERS' EQUITY (DEFICIT)		
Current liabilities:		
Accounts payable	40.5	14.8
Interest payable	26.9	2.2
Derivative instruments (note 4)	24.1	24.7
Deferred revenue	21.7	13.7
Accrued programming	15.2	11.6
Restructuring liability (note 11)	7.8	13.3
Current portion of debt and capital lease obligations (note 7):		
Third-party	0.2	59.6
Related-party (note 10)	—	2.5
Other accrued and current liabilities (note 10)	81.0	75.9
Total current liabilities	217.4	218.3
Long-term debt and capital lease obligations (note 7):		
Third-party	849.8	0.3
Related-party (note 10)	—	288.1
Restructuring liability (note 11)	20.1	24.3
Other long-term liabilities (note 10)	0.8	7.8
Total liabilities	1,088.1	538.8
Commitments and contingencies (notes 4, 7, 8, and 13)		
Owners' equity (deficit) (note 9):		
Parent's equity (deficit):		
Accumulated net contributions (distributions)	(286.6)	423.3
Accumulated earnings	125.6	114.4
Accumulated other comprehensive earnings, net of taxes	16.8	21.3
Total parent's equity (deficit)	(144.2)	559.0
Noncontrolling interests	—	65.0
Total owners' equity (deficit)	(144.2)	624.0
Total liabilities and owners' equity (deficit)	943.9	1,162.8

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

VTR FINANCE B.V.

CONSOLIDATED STATEMENTS OF OPERATIONS

	Year ended December 31,		
	2014	2013	2012
		CLP in billions	
Revenue	512.4	491.0	457.1
Operating costs and expenses:			
Operating (other than depreciation and amortization) (including share-based compensation) (notes 10 and 12)	225.3	231.7	215.2
Selling, general and administrative (SG&A) (including share-based compensation) (note 12)	91.4	85.7	90.0
Related-party fees and allocations (note 10)	4.7	1.8	1.6
Depreciation and amortization (note 6)	87.2	142.9	93.1
Impairment, restructuring and other operating items, net (note 11)	7.8	46.4	1.1
	416.4	508.5	401.0
Operating income (loss)	96.0	(17.5)	56.1
Non-operating income (expense):			
Interest expense:			
Third-party	(55.8)	(6.0)	(3.5)
Related-party (note 10)	(0.3)	(10.5)	(10.7)
Interest income	1.9	1.3	1.4
Realized and unrealized gains (losses) on derivative instruments, net (note 4)	30.7	8.2	(27.2)
Foreign currency transaction gains (losses), net	(56.8)	(10.8)	20.0
Other expense, net	(1.7)	(1.7)	(1.8)
	(82.0)	(19.5)	(21.8)
Earnings (loss) before income taxes	14.0	(37.0)	34.3
Income tax benefit (expense) (notes 8 and 10)	(5.3)	9.2	3.3
Net earnings (loss)	8.7	(27.8)	37.6
Net loss (earnings) attributable to noncontrolling interests	2.5	6.2	(8.9)
Net earnings (loss) attributable to parent	11.2	(21.6)	28.7

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

VTR FINANCE B.V.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE EARNINGS (LOSS)

	Year ended December 31,		
	2014	2013	2012
		CLP in billions	
Net earnings (loss)	8.7	(27.8)	37.6
Other comprehensive earnings (loss) – foreign currency translation adjustments	(4.5)	(17.6)	4.2
Comprehensive earnings (loss)	4.2	(45.4)	41.8
Comprehensive loss (earnings) attributable to noncontrolling interests	2.5	6.2	(8.9)
Comprehensive earnings (loss) attributable to parent	6.7	(39.2)	32.9

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

VTR FINANCE B.V.

CONSOLIDATED STATEMENTS OF OWNERS' EQUITY (DEFICIT)

	Parent's equity					
	Accumulated net contributions	Accumulated earnings	Accumulated other comprehensive earnings, net of taxes	Total parent's equity	Noncontrolling interests	Total owners' equity
	CLP in billions					
Balance at January 1, 2012	67.5	107.3	34.7	209.5	69.8	279.3
Net earnings	—	28.7	—	28.7	8.9	37.6
Other comprehensive earnings	—	—	4.2	4.2	—	4.2
Distributions to parent, net (note 9)	(9.9)	—	—	(9.9)	—	(9.9)
Distributions to noncontrolling interest owners (note 9)	—	—	—	—	(11.0)	(11.0)
Contributions from noncontrolling interest owners (note 9)	—	—	—	—	8.4	8.4
Deemed contribution of services (note 10)	1.6	—	—	1.6	—	1.6
Balance at December 31, 2012	59.2	136.0	38.9	234.1	76.1	310.2

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

VTR FINANCE B.V.

CONSOLIDATED STATEMENTS OF OWNERS' EQUITY (DEFICIT) – (Continued)

	Parent's equity					
	Accumulated net contributions	Accumulated earnings	Accumulated other comprehensive earnings, net of taxes	Total parent's equity	Noncontrolling interests	Total owners' equity
	CLP in billions					
Balance at January 1, 2013	59.2	136.0	38.9	234.1	76.1	310.2
Net loss	—	(21.6)	—	(21.6)	(6.2)	(27.8)
Other comprehensive loss	—	—	(17.6)	(17.6)	—	(17.6)
Contributions from parent, net (note 9)	360.4	—	—	360.4	—	360.4
Distributions to noncontrolling interest owners (note 9)	—	—	—	—	(15.8)	(15.8)
Contributions from noncontrolling interest owners (note 9)	—	—	—	—	10.9	10.9
Intercompany tax allocations (notes 8 and 10)	1.9	—	—	1.9	—	1.9
Deemed contribution of services (note 10)	1.8	—	—	1.8	—	1.8
Balance at December 31, 2013	423.3	114.4	21.3	559.0	65.0	624.0

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

VTR FINANCE B.V.

CONSOLIDATED STATEMENTS OF OWNERS' EQUITY (DEFICIT) – (Continued)

	Parent's equity (deficit)					
	Accumulated net contributions (distributions)	Accumulated earnings	Accumulated other comprehensive earnings, net of taxes	Total parent's equity (deficit)	Noncontrolling interests	Total owners' equity (deficit)
	CLP in billions					
Balance at January 1, 2014	423.3	114.4	21.3	559.0	65.0	624.0
Net earnings	—	11.2	—	11.2	(2.5)	8.7
Other comprehensive loss	—	—	(4.5)	(4.5)	—	(4.5)
Deemed distribution in connection with issuance of VTR Finance Senior Secured Notes (notes 7 and 9)	(757.2)	—	—	(757.2)	—	(757.2)
Acquisition of noncontrolling ownership interests in VTR GlobalCom and VTR Wireless (note 9)	(178.1)	—	—	(178.1)	(62.5)	(240.6)
Contributions from parent (note 9)	235.6	—	—	235.6	—	235.6
Distributions to parent (note 9)	(79.4)	—	—	(79.4)	—	(79.4)
Settlement of UPC Chile Mobile Shareholder Loan and related interest (notes 7 and 9)	64.6	—	—	64.6	—	64.6
Deemed contribution of services (note 10)	4.6	—	—	4.6	—	4.6
Balance at December 31, 2014	(286.6)	125.6	16.8	(144.2)	—	(144.2)

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

VTR FINANCE B.V.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,		
	2014	2013	2012
		CLP in billions	
Cash flows from operating activities:			
Net earnings (loss)	8.7	(27.8)	37.6
Adjustments to reconcile net earnings (loss) to net cash provided by operating activities:			
Share-based compensation expense	4.9	2.0	0.8
Related-party fees and allocations	4.7	1.8	1.6
Depreciation and amortization	87.2	142.9	93.1
Impairment, restructuring and other operating items, net	7.8	46.4	1.1
Realized and unrealized losses (gains) on derivative instruments, net	(30.7)	(8.2)	27.2
Foreign currency transaction losses (gains), net	56.8	10.8	(20.0)
Loss on debt extinguishment	1.1	—	—
Deferred income tax expense (benefit)	17.2	(27.9)	(18.6)
Changes in operating assets and liabilities:			
Receivables and other operating assets	(25.6)	22.7	(0.3)
Payables and accruals	(11.6)	(46.0)	(33.8)
Net cash provided by operating activities	120.5	116.7	88.7
Cash flows from investing activities:			
Capital expenditures	(92.2)	(102.3)	(108.5)
Advances to related party, net	(4.9)	—	—
Other investing activities, net	—	(0.7)	(0.8)
Net cash used by investing activities	(97.1)	(103.0)	(109.3)

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

VTR FINANCE B.V.

CONSOLIDATED STATEMENTS OF CASH FLOWS – (Continued)

	Year ended December 31,		
	2014	2013	2012
		CLP in billions	
Cash flows from financing activities:			
Repayments received from (advances to) related parties, net	339.9	(315.9)	—
Purchase of Liberty Global shares in connection with the acquisition of noncontrolling ownership interests in VTR GlobalCom and VTR Wireless	(240.6)	—	—
Repurchase of related-party debt, net	(233.9)	(2.4)	(2.2)
Contributions from (distributions to) parent, net	156.2	360.4	(9.9)
Repayments of third-party debt and capital lease obligations	(60.4)	(0.3)	(0.1)
Borrowings of third-party debt	13.5	15.4	27.5
Net cash paid related to derivative instruments	(20.3)	—	—
Payment of financing costs	(16.4)	(0.1)	(0.2)
Distributions to noncontrolling interest owners	—	(15.8)	(11.0)
Contributions from noncontrolling interest owners	—	10.9	8.4
Other financing activities, net	2.4	(0.3)	(2.1)
Net cash provided (used) by financing activities	(59.6)	51.9	10.4
Effect of exchange rate changes on cash	1.0	0.1	0.6
Net increase (decrease) in cash and cash equivalents	(35.2)	65.7	(9.6)
Cash and cash equivalents:			
Beginning of year	86.9	21.2	30.8
End of year	51.7	86.9	21.2
Cash paid for interest	31.2	10.8	8.8
Net cash paid for taxes	20.5	19.4	10.7

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

(1) Basis of Presentation

VTR Finance B.V. (VTR Finance) and its subsidiaries, including VTR GlobalCom SpA and its subsidiaries (VTR GlobalCom, and collectively with VTR Finance, VTR), provide video, broadband internet, fixed-line telephony and mobile services in Chile. VTR Finance is a wholly-owned subsidiary of Liberty Global plc (Liberty Global). In these notes, the terms "we," "our," "our company" and "us" refer, as the context requires, to VTR Finance or collectively to VTR.

In January 2014, Liberty Global completed a reorganization of its credit pools. In connection with this reorganization, (i) VTR Finance and certain of its subsidiaries were extracted from the UPC Holding B.V. (UPC Holding) credit pool and, along with VTR Wireless SpA (VTR Wireless), were placed in a separate credit pool (the VTR Extraction), (ii) VTR Finance acquired the outstanding shares of UPC Chile Mobile Holding B.V. (UPC Chile Mobile Holding), the then parent company of VTR Wireless, from Liberty Global Europe Holding B.V. (Liberty Global Europe), a subsidiary of Liberty Global, at nominal value, which was the deemed fair value of such shares, and (iii) UPC Chile Mobile Holding immediately merged with VTR Finance, with VTR Finance as the surviving entity. Collectively, we refer to the VTR Extraction and the acquisition and merger of UPC Chile Mobile Holding as the 2014 VTR Reorganization. We have accounted for the 2014 VTR Reorganization as common control transfers at carryover basis.

Unless otherwise indicated, ownership percentages and convenience translations into the Chilean peso (CLP) are calculated as of December 31, 2014.

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

These consolidated financial statements reflect our consideration of the accounting and disclosure implications of subsequent events through March 19, 2015, the date of issuance.

(2) Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board issued Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers* (ASU 2014-09), which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. ASU 2014-09 will replace existing revenue recognition guidance in U.S. GAAP when it becomes effective, currently scheduled for January 1, 2017. Early application is not permitted. This new standard permits the use of either the retrospective or cumulative effect transition method. We are currently evaluating the effect that ASU 2014-09 will have on our consolidated financial statements and related disclosures. We have not yet selected a transition method nor have we determined the effect of the standard on our ongoing financial reporting.

(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, allowances for uncollectible accounts, programming and copyright costs, deferred income taxes and related valuation allowances, loss contingencies, fair value measurements, impairment assessments, capitalization of internal costs associated with construction and installation activities, useful lives of long-lived assets and share-based compensation. 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 the accounts of the entities described in note 1, all of which are voting interest entities in which we or Liberty Global exercise a controlling financial interest through the ownership of a direct or indirect controlling voting interest. All significant intercompany accounts and transactions have been eliminated in consolidation.

As we are not the primary beneficiary for any variable interest entity, these consolidated financial statements do not include the accounts of any variable interest entities.

Cash and Cash Equivalents and Restricted Cash

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 reported by the investment manager as there are no restrictions on our ability, contractual or otherwise, to redeem our investments at the stated net asset value reported by the investment manager.

Restricted cash consists of cash held in restricted accounts, including cash held as collateral for debt and other compensating balances. Restricted cash amounts that are required to be used to purchase long-term assets or repay long-term debt are classified as long-term assets. All other cash that is restricted to a specific use is classified as current or long-term based on the expected timing of the disbursement. At December 31, 2014 and 2013, we had nil and CLP 2.4 billion, respectively, of restricted cash included in other current assets in our consolidated balance sheets.

Trade Receivables

Our trade receivables are reported net of an allowance for doubtful accounts. Such allowance aggregated CLP 14.5 billion and CLP 13.2 billion at December 31, 2014 and 2013, respectively. The allowance for doubtful accounts is based upon our assessment of probable loss related to uncollectible accounts receivable. We use a number of factors in determining the allowance, including, among other things, collection trends, prevailing and anticipated economic conditions and specific customer credit risk. The allowance is maintained until either receipt of payment or the likelihood of collection is considered to be remote.

Concentration of credit risk with respect to trade receivables is limited due to the large number of customers. We also manage this risk by disconnecting services to customers whose accounts are delinquent.

Financial Instruments

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

Derivative Instruments

We do not apply hedge accounting to any of our derivative instruments. Accordingly, all derivative instruments are recorded on the balance sheet at fair value and changes in fair value are recognized in earnings. For information regarding our derivative instruments, including our policy for classifying cash flows related to derivative instruments in our consolidated statements of cash flows, 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 transmission and distribution facilities and the installation of new cable services. Capitalized construction and installation costs include materials, labor and other directly attributable costs. 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 customer locations where a drop already exists, disconnecting customer locations and repairing or maintaining drops, are expensed as incurred. Interest capitalized with respect to construction activities was not material during any of the periods presented.

Capitalized internal-use software is included as a component of property and equipment. We capitalize internal and external costs directly associated with the development of internal-use software. We also capitalize costs associated with the purchase of software licenses. 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 capital leases is amortized on a straight-line basis over the shorter of the lease term or estimated useful life of the asset.

Useful lives used to depreciate our property and equipment are assessed periodically and are adjusted when warranted. The useful lives of cable 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 charged to operations.

Intangible Assets

Our primary intangible assets relate to goodwill, our trade name and spectrum licenses. Goodwill and our trade name were originally recorded in connection with business combinations.

Goodwill and other intangible assets with indefinite useful lives are not amortized, but instead are tested for impairment at least annually. Intangible assets with finite lives are amortized on a straight-line basis over their respective estimated useful lives to their estimated residual values, and reviewed for impairment.

We do not amortize our trade name and spectrum licenses as these assets have indefinite lives. For additional information regarding the useful lives of our intangible assets, see note 6.

Impairment of Property and Equipment and Intangible Assets

We review, when circumstances warrant, 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, among other items, (i) an expectation of a sale or disposal of a long-lived asset or asset group, (ii) adverse changes in market or competitive conditions, (iii) an adverse change in legal factors or business climate in the markets in which we operate and (iv) 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 (a) sale prices for similar assets, (b) discounted estimated future cash flows using an appropriate discount rate and/or (c) estimated replacement cost. Assets to be disposed of are carried at the lower of their financial statement 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 other facts and circumstances indicate that the carrying amounts of goodwill and other indefinite-lived intangible assets may not be recoverable. 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 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"). If the carrying value of a reporting unit were to exceed its fair value, we would then compare the implied fair value of the reporting unit's goodwill to its carrying amount, and any excess of the carrying amount over the fair value would be 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 of the indefinite-lived intangible asset is also charged to operations as an impairment loss.

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 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. Interest and penalties related to income tax liabilities are included in income tax expense.

VTR Finance is part of a Dutch tax fiscal unity (the Dutch Fiscal Unity), along with its ultimate Dutch parent and certain other Dutch subsidiaries of Liberty Global. For additional information regarding our income taxes, including the intercompany tax allocations from the Dutch Fiscal Unity, see note 8.

Foreign Currency Translation and Transactions

The reporting currency of our company is the Chilean peso. The functional currency of our foreign operations generally is the applicable local currency for each foreign subsidiary. Assets and liabilities of our foreign subsidiaries (including intercompany balances for which settlement is not anticipated in the foreseeable future) are translated at the spot rate in effect at the applicable reporting date. With the exception of certain material transactions, the amounts reported in our consolidated statements of operations are translated at the average exchange rates in effect during the applicable period. The resulting unrealized cumulative translation adjustment, net of applicable income taxes, is recorded as a component of accumulated other comprehensive earnings or loss in our consolidated statements of owners' equity (deficit). With the exception of certain material transactions, the cash flows from our operations in foreign countries are translated at the average rate for the applicable period in our consolidated statements of cash flows. The impacts of material transactions generally are recorded at the applicable spot rates in our consolidated statements of operations and cash flows. The effect of exchange rates on cash balances held in United States (U.S.) dollars are separately reported in our consolidated statements of cash flows.

Transactions denominated in currencies other than our or our subsidiaries' functional currencies 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

Service Revenue – Cable Networks. We recognize revenue from the provision of video, broadband internet and fixed-line telephony services over our cable network to customers in the period the related services are provided. Installation revenue (including reconnect fees) related to services provided over our cable network is recognized as revenue in the period during which the installation occurs to the extent these fees are equal to or less than direct selling costs, which costs are expensed as incurred. To the extent installation revenue exceeds direct selling costs, the excess revenue is deferred and amortized over the average expected subscriber life.

Sale of Multiple Products and Services. We 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. Revenue from bundled packages generally is allocated proportionally to the individual services based on the relative standalone price for each respective service.

Mobile Revenue – General. Arrangement consideration from mobile contracts is allocated to the airtime service element and the handset service element based on the relative standalone prices of each element. The amount of arrangement consideration allocated to the handset is limited to the amount that is not contingent upon the delivery of future airtime services. We offer handsets under a subsidized contract model, whereby upfront revenue recognition is limited to the upfront cash collected from the customer as the remaining fees to be received from the customer, including fees that may be associated with the handset, are contingent upon delivering future airtime services.

Mobile Revenue – Airtime Services. We recognize revenue from mobile services in the period the related services are provided. Revenue from pre-pay customers is recorded as deferred revenue prior to the commencement of services and revenue is recognized 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 delivered and title has passed.

Promotional Discounts. For subscriber promotions, such as discounted or free services during an introductory period, revenue is recognized only to the extent of the discounted monthly fees charged to the subscriber, if any.

Deferred Revenue. Payments received in advance or advance billings for the services we provide are deferred and recognized as revenue when the associated services are provided.

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

Share-based Compensation

We recognize share-based payments for grants issued under our share incentive plan at VTR GlobalCom (the VTR GlobalCom Plan) to our employees, including grants of employee share-based incentive awards, based on their grant-date fair values and estimates of forfeitures. We use the liability method to account for share-based incentive awards issued under the VTR GlobalCom Plan, which computes the compensation charge based on the vested remeasured fair value of the awards at each reporting date through the date that the awards are exercised or expire.

For additional information regarding our share-based compensation, see note 12.

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 in cases where market conditions or other factors may cause us to enter into borrowing arrangements that are not denominated in Chilean pesos. In this regard, we have entered into various derivative instruments to manage interest rate exposure and foreign currency exposure with respect to the Chilean peso and the U.S. dollar ($). We do not apply hedge accounting to our derivative instruments. Accordingly, changes in the fair values of our derivative instruments are recorded in realized and unrealized gains or losses on derivative instruments, net, in our consolidated statements of operations.

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

	December 31, 2014			December 31, 2013		
	Current (a)	Long-term	Total	Current (a)	Long-term	Total
	CLP in billions					
Assets:						
Cross-currency derivative contracts (b) (c)	—	61.4	61.4	—	—	—
Foreign currency forward contracts	0.7	—	0.7	0.4	—	0.4
	0.7	61.4	62.1	0.4	—	0.4
Liabilities:						
Cross-currency derivative contracts (b) (c)	24.0	—	24.0	24.7	—	24.7
Foreign currency forward contracts	0.1	—	0.1	—	—	—
Total	24.1	—	24.1	24.7	—	24.7

(a) Our current derivative assets are included in other current assets in our consolidated balance sheets.

(b) We consider credit risk in our fair value assessments. As of December 31, 2014 and 2013, (i) the fair values of our cross-currency derivative contracts that represented assets have been reduced by credit risk valuation adjustments aggregating CLP 8.8 billion and nil, respectively, and (ii) the fair values of our cross-currency derivative contracts that represented liabilities have been reduced by credit risk valuation adjustments aggregating nil and CLP 0.1 billion, respectively. The adjustments to our derivative assets relate to the credit risk associated with counterparty nonperformance and the adjustments to our derivative liabilities relate to credit risk associated with our own nonperformance. In all cases, the adjustments take into account offsetting liability or asset positions within a given contract. Our determination of credit risk valuation adjustments generally is based on our and our counterparties' credit risks, as observed in the credit default swap market.

The changes in the credit risk valuation adjustments associated with our cross-currency and interest rate derivative contracts resulted in net gains (losses) of (CLP 8.9 billion), (CLP 0.6 billion) and CLP 1.6 billion during 2014, 2013 and 2012, respectively. These amounts are included in realized and unrealized gains (losses) on derivative instruments, net, in our consolidated statements of operations. For further information concerning our fair value measurements, see note 5.

(c) In January 2014, we entered into new derivative instruments and settled our then existing derivative instruments in connection with the VTR Extraction and issuance of the VTR Finance Senior Secured Notes, as defined and described in note 7.

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

	Year ended December 31,		
	2014	2013	2012
		CLP in billions	
Cross-currency and interest rate derivative contracts	29.2	7.6	(25.3)
Foreign currency forward contracts	1.5	0.6	(1.9)
Total	30.7	8.2	(27.2)

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. For 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. The classification of these cash outflows are as follows:

	Year ended December 31,		
	2014	2013	2012
		CLP in billions	
Operating activities	(11.3)	(21.4)	(22.2)
Financing activities	(20.3)	—	—
Total	(31.6)	(21.4)	(22.2)

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 is generally not posted by either party under our derivative instruments. At December 31, 2014, our exposure to counterparty credit risk included derivative assets with an aggregate fair value of CLP 38.1 billion.

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

Under our derivative contracts, it is generally only the non-defaulting party that has a contractual option to exercise early termination rights upon the default of the other counterparty and to set off other liabilities against sums due upon such termination. However, in an insolvency of a derivative counterparty, under the laws of certain jurisdictions, the defaulting counterparty or its insolvency representatives may be able to compel the termination of one or more derivative contracts and trigger early termination payment liabilities payable by us, reflecting any mark-to-market value of the contracts for the counterparty. Alternatively, or in addition, the insolvency laws of certain jurisdictions may require the mandatory set off of amounts due under such derivative contracts against present and future liabilities owed to us under other contracts between us and the relevant counterparty. Accordingly, it is possible that we may be subject to obligations to make payments, or may have present or future liabilities owed to us partially or fully discharged by set off as a result of such obligations, in the event of the insolvency of a derivative counterparty, even though it is the counterparty that is in default and not us. To the extent that we are required to make such payments, our ability to do so will depend on our liquidity and capital resources at the time. In an insolvency of a defaulting counterparty, we will be an unsecured creditor in respect of any amount owed to us by the defaulting counterparty, except to the extent of the value of any collateral we have obtained from that counterparty.

In addition, where a counterparty is in financial difficulty, under the laws of certain jurisdictions, the relevant regulators may be able to (i) compel the termination of one or more derivative instruments, determine the settlement amount and/or compel, without any payment, the partial or full discharge of liabilities arising from such early termination that are payable by the relevant counterparty or (ii) transfer the derivative instruments to an alternative counterparty.

Details of our Derivative Instruments

In the following tables, we present the details of the various categories of our derivative instruments. The notional amount of multiple derivative instruments that mature within the same calendar month are shown in the aggregate and interest rates are presented on a weighted average basis. In addition, for derivative instruments that were in effect as of December 31, 2014, we present a single date that represents the applicable final maturity date.

Cross-currency Swaps

The terms of our outstanding cross-currency swap contracts at December 31, 2014, which are held by VTR GlobalCom, are as follows:

Final maturity date	Notional amount due from counterparty	Notional amount due to counterparty	Interest rate due from counterparty	Interest rate due to counterparty
	in millions			
January 2022	$ 1,400.0	CLP 760,340.0	6.88%	10.94%

Foreign Currency Forwards

The following table summarizes our outstanding foreign currency forward contracts at December 31, 2014:

Subsidiary	Currency purchased forward	Currency sold forward	Maturity dates
	in millions		
VTR GlobalCom	$ 52.4	CLP 31,739.4	January 2015 – December 2015

(5) Fair Value Measurements

We use the fair value method to account for our derivative instruments. The reported fair values of these derivative instruments as of December 31, 2014 likely will not represent the value that will be paid or received upon the ultimate settlement of these derivative instruments, 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. We record transfers of assets or liabilities in or out of Levels 1, 2 or 3 at the beginning of the quarter during which the transfer occurred. During 2014, no such transfers were made.

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 (forecasted volatilities 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.

As further described in note 4, we enter into derivative instruments to manage our interest rate and foreign currency exchange risk. 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 includes most 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 are Level 3 inputs that are used to derive the credit risk valuation adjustments with respect to the valuations of our cross-currency swaps. As we would not expect changes in our or our counterparties' credit spreads to have a significant impact on the valuations of these derivative 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 cross-currency and interest rate swaps are quantified and further explained in note 4.

Fair value measurements are also used in connection with nonrecurring valuations performed in connection with impairment assessments and acquisition accounting. These nonrecurring valuations include the valuation of our company, property and equipment and the implied value of goodwill. The valuation of our company (our only reporting unit) is based at least in part on discounted cash flow analyses. With the exception of certain inputs for our weighted average cost of capital and discount rate calculations that are derived from pricing services, the inputs used in our discounted cash flow analyses, such as forecasts of future cash flows, are based on our assumptions. Tangible assets are typically valued using a replacement or reproduction cost approach, considering factors such as current prices of the same or similar equipment, the age of the equipment and economic obsolescence. The implied value of goodwill is determined by allocating the fair value of our company to all of the assets and liabilities of that unit as if the reporting unit had been acquired in a business combination, with the residual amount allocated to goodwill. All of our nonrecurring valuations use significant unobservable inputs and therefore fall under Level 3 of the fair value hierarchy. We did not perform significant nonrecurring fair value measurements during 2014 and 2013.

(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, 2014	December 31, 2014	December 31, 2013
		CLP in billions	
Distribution systems	4 to 30 years	454.3	418.9
Customer premises equipment	3 to 5 years	396.0	351.7
Support equipment, buildings and land	3 to 25 years	187.0	169.8
		1,037.3	940.4
Accumulated depreciation		(702.5)	(624.1)
Total property and equipment, net		334.8	316.3

Depreciation expense related to our property and equipment was CLP 87.2 billion, CLP 142.9 billion and CLP 90.0 billion during 2014, 2013 and 2012, respectively.

In May 2012, we began offering mobile services through a combination of our own wireless network and a third-party wireless access arrangement. During the second quarter of 2013, we began exploring strategic alternatives with respect to our mobile operations, including alternatives that involved the use of expanded mobile virtual network operator (MVNO) arrangements. Effective April 1, 2013, we reduced the useful lives of certain of our network equipment to reflect our then expectation that we would enter into a new MVNO arrangement and cease commercial use of our mobile network during the fourth quarter of 2013. In September 2013, we (i) completed the process of migrating our mobile traffic to a third-party wireless network pursuant to an existing roaming agreement and (ii) ceased commercial use of our mobile network, which resulted in a further reduction in the useful lives of the aforementioned network equipment. As a result of these reductions in useful lives, we recognized aggregate incremental depreciation expense of CLP 48.9 billion during 2013. In connection with the foregoing, we have recorded restructuring charges totaling CLP 42.7 billion during the third and fourth quarters of 2013. These restructuring charges include the fair value of (a) the remaining payments due under certain tower and real estate operating leases of CLP 36.2 billion and (b) certain other required payments associated with our mobile network. In December 2013, we amended our existing roaming agreement with an agreement that provides for a full MVNO relationship. For information regarding our restructuring charges, see note 11.

Goodwill

There were no changes in the carrying amount of our goodwill during 2014 and 2013 and no accumulated goodwill impairments as of December 31, 2014.

Other Indefinite-lived Intangible Assets

Our other indefinite-lived intangible assets consist of intangible assets related to our trade name and spectrum licenses. At each of December 31, 2014 and 2013, the balance of our other indefinite-lived intangible assets, which are included in other assets, net, in our consolidated balance sheets, was CLP 15.5 billion.

Impairments

No impairments of our goodwill or other indefinite-lived intangible assets were required to be recorded in connection with our October 1, 2014 and 2013 impairment tests. If, among other factors, (i) our enterprise value or Liberty Global's equity value were to decline significantly or (ii) the adverse impacts of economic, competitive, regulatory or other factors were to cause our results of operations or cash flows to be worse than anticipated, we could conclude in future periods that impairment charges are required in order to reduce the carrying values of our goodwill and, to a lesser extent, other long-lived assets. Any such impairment charges could be significant.

(7) Debt and Capital Lease Obligations

The Chilean peso equivalents of the components of our consolidated debt and capital lease obligations are as follows:

	December 31, 2014			Estimated fair value (b)		Carrying value	
	Weighted average interest rate (a)	Unused borrowing capacity		December 31,		December 31,	
		Borrowing currency	CLP equivalent	2014	2013	2014	2013
				CLP in billions			
Third-party debt:							
VTR Finance Senior Secured Notes	6.875%	$ —	—	873.6	—	849.7	—
VTR Credit Facility	—	(c)	119.1	—	—	—	—
VTR Wireless Bank Facility (d)	—	CLP —	—	—	59.4	—	59.4
Total third-party debt	6.875%		119.1	873.6	59.4	849.7	59.4
Related-party debt:							
UPC Broadband France Loan (e)	—	$ —	—		(g)	—	232.1
UPC Chile Mobile Shareholder Loan (f)	—	$ —	—		(g)	—	58.5
Total related-party debt	—		—			—	290.6
Total debt	6.875%		119.1			849.7	350.0
Capital lease obligations						0.3	0.5
Total debt and capital lease obligations						850.0	350.5
Current maturities						(0.2)	(62.1)
Long-term debt and capital lease obligations						849.8	288.4

(a) Represents the weighted average interest rate in effect at December 31, 2014 for all borrowings outstanding pursuant to each debt instrument including any applicable margin. The interest rate presented represents the stated rate and does not include the impact of our deferred financing costs or commitment fees, both of which affect our overall cost of borrowing. Including the effects of derivative instruments and commitment fees, but excluding the impact of financing costs, our weighted average interest rate on our indebtedness was 11.1% at December 31, 2014. For information concerning our derivative instruments, see note 4.

(b) The estimated fair values of our debt instruments are determined using the average of applicable bid and ask prices (mostly Level 1 of the fair value hierarchy) or, when quoted market prices are unavailable or not considered indicative of fair value, discounted cash flow models (mostly Level 2 of the fair value hierarchy). The discount rates used in the cash flow models are based on market interest rates and estimated credit spreads, to the extent available, and other relevant factors. For additional information concerning fair value hierarchies, see note 5.

(c) Unused borrowing capacity represents the maximum availability at December 31, 2014 without regard to covenant compliance calculations or other conditions precedent to borrowing. At December 31, 2014, the unused borrowing capacity relates to a senior secured revolving credit facility, which includes a $160.0 million (CLP 97.1 billion) U.S. dollar facility (the VTR Dollar Credit Facility) and a CLP 22.0 billion Chilean peso facility (the VTR CLP Credit Facility and, together with the VTR Dollar Credit Facility, the VTR Credit Facility), each of which were undrawn at December 31, 2014. At December 31, 2014, the full amount of unused borrowing capacity was available to be borrowed under the VTR Credit Facility. When the December 31, 2014 compliance reporting requirements have been completed and assuming no changes from December 31, 2014 borrowing levels, we anticipate the full amount of unused borrowing capacity of the VTR Credit Facility will continue to be available to be borrowed.

(d) In January 2014, all outstanding amounts under our Chilean peso denominated CLP 60.0 billion term loan bank facility (the VTR Wireless Bank Facility) were repaid and this facility was cancelled. In connection with this transaction, we recognized a loss on debt extinguishment of CLP 1.1 billion related to the write-off of deferred financing costs. This loss is included in other expense, net, in our consolidated statement of operations.

(e) In January 2014, VTR Finance received a cash contribution of $444.9 million (CLP 235.6 billion at the applicable rate) from our parent, which was used to acquire the corresponding loan receivable under a fully drawn term loan to VTR GlobalCom (the UPC Broadband France Loan) from UPC Broadband France SAS (UPC Broadband France). UPC Broadband France is a wholly-owned subsidiary of Liberty Global Europe. Accordingly, the UPC Broadband France Loan was effectively settled within VTR.

(f) In January 2014, the aggregate principal and accrued interest of $121.9 million (CLP 64.6 billion at the applicable rate) owed under a loan from Liberty Global Europe to UPC Chile Mobile Holding (the UPC Chile Mobile Shareholder Loan) was settled through a non-cash capital contribution by Liberty Global Europe to UPC Chile Mobile Holding. For further information, see note 9.

(g) The fair values of the UPC Broadband France Loan and UPC Chile Mobile Shareholder Loan were not subject to reasonable estimation due to the related-party nature of these loans.

VTR Finance Senior Secured Notes

On January 24, 2014, VTR Finance issued $1.4 billion (CLP 849.7 billion) principal amount of 6.875% senior secured notes due January 15, 2024 (the VTR Finance Senior Secured Notes) pursuant to an indenture dated January 24, 2014 (the VTR Indenture). The net proceeds from the VTR Finance Senior Secured Notes were used, together with existing cash of certain Liberty Global subsidiaries, to repay certain of the outstanding indebtedness of the UPC Holding credit pool in connection with the VTR Extraction. The use of proceeds from the VTR Finance Senior Secured Notes to repay debt of UPC Holding has been reflected as a non-cash deemed distribution in our consolidated statement of owners' equity (deficit). For additional information, see note 9.

Taking into account the derivative contracts that we entered into in connection with the VTR Finance Senior Secured Notes our effective borrowing cost for the VTR Finance Senior Secured Notes is 10.94%.

The VTR Finance Senior Secured Notes are senior obligations of VTR Finance and rank equally with all other existing and future debt of VTR Finance that is not subordinated in right of payment to the VTR Finance Senior Secured Notes and senior in right of payment to all existing and future subordinated debt of VTR Finance. The VTR Finance Senior Secured Notes are secured by a first-ranking pledge over all the shares of VTR Finance and VTR Finance's subsidiary, United Chile LLC.

At any time prior to January 15, 2019, VTR Finance may redeem some or all of the VTR Finance Senior Secured Notes by paying a “make-whole” premium, which is the present value of all remaining scheduled interest payments to January 15, 2019 using the discount rate (as specified in the VTR Indenture) as of the applicable redemption date plus 50 basis points.

At any time prior to January 15, 2019, VTR Finance may redeem during each twelve-month period commencing on January 24, 2014 up to 10% of the principal amount of the VTR Finance Senior Secured Notes at a redemption price equal to 103% of the principal amount thereof plus accrued and unpaid interest.

VTR Finance may redeem all or part of the VTR Finance Senior Secured Notes 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 VTR Indenture), if any, to the applicable redemption date, if redeemed during the twelve-month period commencing January 15 of the years set forth below:

Year	Redemption price
2019	103.438%
2020	102.292%
2021	101.146%
2022 and thereafter	100.000%

VTR Credit Facility

The VTR Credit Facility is the senior secured credit facility of VTR and certain of our subsidiaries and consists of the VTR Dollar Credit Facility and the VTR CLP Credit Facility. The VTR Dollar Credit Facility and the VTR CLP Credit Facility have fees on unused commitments of 1.1% and 1.34% per year, respectively. The interest rate for the VTR Dollar Credit Facility is LIBOR plus a margin of 2.75%. The interest rate for the VTR CLP Credit Facility is the applicable interbank offered rate for Chilean pesos in the relevant interbank market plus a margin of 3.35%. Borrowings under the VTR Dollar Credit Facility and the VTR CLP Credit Facility mature in January 2020 and January 2019, respectively.

Maturities of Debt

As of December 31, 2014, all of our outstanding debt matures in January 2024.

(8) Income Taxes

VTR Finance is part of the Dutch Fiscal Unity. The Dutch Fiscal Unity combines individual tax paying Dutch entities and their ultimate Dutch parent company as one taxpayer for Dutch tax purposes. Tax amounts allocated to VTR Finance are included in our consolidated financial statements on a separate return basis. In this regard, any benefits that arise from tax losses generated by VTR Finance have not been recognized in our consolidated financial statements as we do not expect these benefits to be realized on a separate return basis. Intercompany tax allocations from the Dutch Fiscal Unity are not subject to tax sharing agreements and no cash payments are made between the companies related to the Dutch tax attributes. Accordingly, any intercompany tax allocations are reflected as an adjustment of accumulated net contributions (distributions) in our consolidated statements of owners' equity (deficit). As VTR Finance generated tax losses in 2014 and 2012, no intercompany tax allocations for these periods are reflected in our consolidated financial statements. During 2013, we recognized intercompany tax allocations of CLP 1.9 billion related to taxable income generated by VTR Finance. The income taxes for our subsidiaries that are not a 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.

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

	Year ended December 31,		
	2014	2013	2012
		CLP in billions	
Chile	31.0	(42.3)	41.1
Other	(17.0)	5.3	(6.8)
Total	14.0	(37.0)	34.3

Income tax benefit (expense) consists of the following:

	Current	Deferred	Total
		CLP in billions	
Year ended December 31, 2014			
Chile	11.9	(17.2)	(5.3)
Year ended December 31, 2013			
Chile	(16.8)	27.9	11.1
Other (a)	(1.9)	—	(1.9)
Total	(18.7)	27.9	9.2
Year ended December 31, 2012			
Chile	(15.3)	18.6	3.3

(a) Represents the intercompany tax allocation from the Dutch Fiscal Unity.

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

	Year ended December 31,		
	2014	2013	2012
		CLP in billions	
Computed "expected" tax benefit (expense)	(3.5)	9.2	(8.6)
Change in valuation allowances	(15.3)	(0.1)	5.7
Enacted tax law and rate changes (a)	12.7	—	4.8
International rate difference (b)	1.2	(2.1)	2.1
Increase in tax expense due to non-deductible interest and other expenses	(1.2)	(0.6)	(0.6)
Impact of price level adjustments for tax purposes	0.8	2.8	1.1
Other, net	—	—	(1.2)
Total income tax benefit (expense)	(5.3)	9.2	3.3

(a) The 2014 amount represents the estimated impact on our net deferred tax assets of the current and future tax rate changes that are promulgated in the new Chilean tax law, as further described below.

(b) Amounts reflect the impact of a lower statutory tax rate in Chile, as compared to the Netherlands.

The current and noncurrent components of our deferred tax assets are as follows:

	December 31, 2014	December 31, 2013
	CLP in billions	
Current deferred tax assets	10.4	7.4
Noncurrent deferred tax assets	37.1	57.3
Net deferred tax asset	47.5	64.7

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

	December 31, 2014	December 31, 2013
	CLP in billions	
Deferred tax assets:		
Property and equipment, net	24.1	17.9
Bad debt and other provisions	16.2	12.3
Net operating losses	14.2	30.4
Intangible assets	3.5	3.2
Derivative instruments	—	1.3
Other future deductible amounts	2.2	2.2
Deferred tax assets	60.2	67.3
Valuation allowance	(7.2)	(2.3)
Deferred tax assets, net of valuation allowance	53.0	65.0
Deferred tax liabilities – other future taxable amounts	(5.5)	(0.3)
Net deferred tax asset	47.5	64.7

The significant components of our tax loss carryforwards and related tax assets at December 31, 2014 are as follows:

Country	Tax loss carryforward	Related tax asset	Expiration date
	CLP in millions		
Chile	29.8	8.1	Indefinite
The Netherlands	24.4	6.1	2019 – 2023
Total	54.2	14.2	

In connection with the merger of VTR Wireless with a subsidiary of VTR GlobalCom in December 2014, we recognized a CLP 34.0 billion income tax receivable related to the expected utilization of certain net operating loss carryforwards. This receivable is included in other assets, net, in our consolidated balance sheet.

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.

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.

Tax returns that include or are filed by our company or our subsidiaries for years prior to 2007 are no longer subject to examination by tax authorities. 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.

We had no unrecognized tax benefits as of December 31, 2014. As of December 31, 2013 and 2012, our unrecognized tax benefits and related accrued interest aggregated CLP 1.4 billion and CLP 1.2 billion, respectively. All of our unrecognized tax benefits at December 31, 2013 were recognized during 2014.

During 2015, it is reasonably possible that the resolution of currently ongoing examinations by tax authorities could result in changes to our unrecognized tax benefits related to tax positions taken as of December 31, 2014. We do not expect that any such changes will have a material impact on our unrecognized tax benefits. No assurance can be given as to the nature or impact of any changes in our unrecognized tax positions during 2015.

Chilean Tax Law Changes

On September 26, 2014, the Chilean President signed an extensive tax reform bill, including changes to the corporate tax rate, changes to the thin capitalization rules, taxation of certain Chilean investments abroad and changes to the stamp tax rate, among other relevant changes. The bill became law upon its publication in the Official Gazette (*Diario Oficial*) on September 29, 2014. The impacts of the tax law changes that are currently in effect are reflected in our consolidated financial statements.

According to this new law, the current corporate tax rate of 20% will be increased progressively as follows: 2014 (21%), 2015 (22.5%) and 2016 (24%). Beginning in 2017, there will be two optional income tax regimes: the "attributed system" and the "partially integrated system." Under the "attributed system," the corporate tax rate will be 25% and the 35% withholding tax will be paid on an accrual basis by the corporation on behalf of the shareholder, with the corporate tax fully creditable against the withholding tax. Under the "partially integrated system," the corporate tax rate will be 25.5% in 2017 and 27% in 2018 and future years, and the 35% withholding tax will be paid only upon actual distributions to shareholders. However, under this partially integrated system, only 65% of the corporate tax paid by a Chilean company can be used as a credit against the withholding tax imposed on non-Chilean resident shareholders, which implies a final tax burden of 44.45%. In the case of shareholders resident in countries that have tax treaties in force with Chile, there will be a full credit for the corporate tax paid, which implies a final tax burden of 35% for such shareholders. Corporations must elect the relevant tax regime before December 31, 2016. This election, once made, is irrevocable for a period of five years. Until we formally elect the relevant tax regime, we are calculating our deferred tax position using the partially integrated system.

(9) Owners' Equity (Deficit)

Acquisition of Ownership Interests in VTR GlobalCom and VTR Wireless

On March 14, 2014, our wholly-owned subsidiary, VTR Chile Holdings SpA (VTR Chile Holdings), acquired each of the 20.0% noncontrolling ownership interests in VTR GlobalCom and VTR Wireless from Inversiones Corp Comm 2 SpA (the VTR NCI Acquisition), formerly known as Corp Comm S.A. (the NCI Owner). The consideration for the VTR NCI Acquisition was satisfied by the allotment and issuance of 10,091,178 Liberty Global Class C ordinary shares to the NCI Owner. In consideration for the allotment and issuance by Liberty Global of the Class C ordinary shares to the NCI Owner, VTR Chile Holdings paid Liberty Global $435.1 million (CLP 240.6 billion at the applicable rate) in cash. The VTR NCI Acquisition has been accounted for as an equity transaction. As a result, we recorded the CLP 178.1 billion excess of the fair value of the consideration paid over the carrying value of such interests as a reduction of parent's equity.

Distributions

On December 10, 2014, VTR Finance distributed cash of $128.5 million (CLP 79.4 billion at the applicable rate) to our parent, which represented a return of capital. This distribution represented the portion of the proceeds from the December 2013 capital contribution (as further described below) that was not required to be used to finance the VTR NCI Acquisition.

On January 24, 2014, the $1.4 billion (CLP 757.2 billion at the applicable rate) of proceeds from the issuance of the VTR Finance Senior Secured Notes were used to repay debt of UPC Holding in connection with the VTR Extraction. We have accounted for this non-cash transaction as a deemed distribution in our consolidated statement of owners' equity (deficit).

During 2013 and 2012, we made certain cash distributions to our shareholders. Our parent entity's share of these distributions was reflected as a charge against accumulated net contributions and the NCI Owner's share of these distributions was reflected as a charge against noncontrolling interests in our consolidated statements of owners' equity (deficit).

Contributions

On January 10, 2014, VTR Finance received a cash contribution of $444.9 million (CLP 235.6 billion at the applicable rate) from our parent, which was used to acquire the loan receivable under the UPC Broadband France Loan from UPC Broadband France. For additional information, see note 7.

On January 10, 2014, the UPC Chile Mobile Shareholder Loan was settled through the issuance of shares by UPC Chile Mobile Holding. The issued and outstanding shares of UPC Chile Mobile Holding were subsequently acquired by VTR Finance in connection with the 2014 VTR Reorganization. As a result, the then carrying value of the UPC Chile Mobile Shareholder Loan of $121.9 million (CLP 64.6 billion at the applicable rate) was reflected as an increase to accumulated net contributions.

In December 2013, VTR Finance received capital contributions aggregating €525.0 million (CLP 380.4 billion at the applicable rate) from certain subsidiaries of Liberty Global outside of VTR, of which (i) €436.0 million (CLP 315.9 billion) was immediately advanced to another subsidiary of Liberty Global outside of VTR and (ii) $120.0 million (CLP 63.1 billion at the applicable rate) was used to repay the VTR Wireless Bank Facility. As further described in note 10, the advance to the other subsidiary of Liberty Global was repaid during 2014. The NCI Owner agreed to fund its 20.0% pro rata share of the amount used to repay the VTR Wireless Bank Facility. This funding commitment was settled in connection with the VTR NCI Acquisition. For additional information regarding the repayment of the VTR Wireless Bank Facility, see note 7.

During 2013 and 2012, a subsidiary of Liberty Global and the NCI Owner proportionately funded, as required, certain capital calls of VTR Wireless. The resulting contributions from the Liberty Global subsidiary are reflected as an increase to accumulated net contributions and the NCI Owner's contributions are reflected as an increase to noncontrolling interests in our consolidated statements of owners' equity (deficit).

(10) Related-Party Transactions

Our related-party transactions are as follows:

	Year ended December 31,		
	2014	2013	2012
		CLP in billions	
Operating expenses	0.9	2.1	2.1
Fees and allocations	4.7	1.8	1.6
Included in operating income	5.6	3.9	3.7
Interest expense	0.3	10.5	10.7
Intercompany tax allocations	—	1.9	—
Included in net earnings	5.9	16.3	14.4

General. Certain other subsidiaries of Liberty Global charge fees and allocate costs and expenses to our company. Depending on the nature of these related-party transactions, the amount of the charges or allocations may be based on (i) our estimated share of the underlying costs, (ii) our estimated share of the underlying costs plus a mark-up or (iii) commercially-negotiated rates. Our related-party operating expenses and our related-party fees and allocations are based on actual costs incurred by the applicable Liberty Global subsidiaries. Although we believe that the related-party charges 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.

Operating expenses. Amounts consist of cash settled charges for programming services provided to our company by an affiliate and an entity that was a Liberty Global subsidiary through January 31, 2014, when the entity was sold to a third-party.

Fees and allocations. These amounts, which relate to services performed on our behalf by other subsidiaries of Liberty Global, include allocated costs for management, finance, legal, technology and other services that support our company's operations. As we do not reimburse the other Liberty Global subsidiaries for these services, we reflect the allocated aggregate cost incurred by the other Liberty Global subsidiaries to provide these services as a deemed contribution in our consolidated statement of owners' equity (deficit).

Interest expense. These amounts primarily represent interest on the UPC Broadband France Loan and the UPC Chile Mobile Shareholder Loan, which were settled or effectively settled on January 10, 2014. For additional information, see note 7.

Intercompany tax allocations. During periods in which we generate taxable earnings, we may receive intercompany tax allocations from entities within the Dutch Fiscal Unity. For additional information, see note 8.

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

	December 31,	
	2014	2013
	CLP in billions	
Assets:		
Due from related party (a)	—	315.9
Other noncurrent assets (b)	5.7	—
Total assets	5.7	315.9
Liabilities:		
Interest payable (c)	—	1.5
Other accrued and current liabilities (d)	1.9	0.7
Debt (e)	—	290.6
Other long-term liabilities (f)	—	5.6
Total liabilities	1.9	298.4

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(a) The December 31, 2013 balance represents an advance to another subsidiary of Liberty Global, which was repaid in full during 2014. The proceeds received from the repayment of this advance were used to fund (i) the VTR NCI Acquisition, (ii) a distribution to our parent and (iii) the settlement of certain derivative instruments of VTR GlobalCom. For additional information regarding the VTR NCI Acquisition and the distribution to our parent, see note 9.

(b) Represents a $9.4 million (CLP 5.7 billion) loan (the Lila Chile Note) between VTR Finance and Lila Chile Holding B.V. (Lila Chile Holding), another subsidiary of Liberty Global. The Lila Chile Note bears interest at 5.9% per annum and has a repayment date of July 11, 2022. Accrued and unpaid interest on the Lila Chile Note, which is generally transferred to the loan balance on January 1 of each year, is included in other assets, net, in our consolidated balance sheet. The net increase in the Lila Chile Note during 2014 includes (a) cash loaned of $56.3 million (CLP 31.1 billion at the applicable rates), (b) cash repayments received of $46.9 million (CLP 26.2 billion at the applicable rates) and (c) a CLP 0.8 billion increase due to the impact of foreign currency translation effects (FX).

(c) Represents aggregate interest accrued on the UPC Broadband France Loan. For additional information regarding the effective settlement of the UPC Broadband France Loan, see note 7.

(d) Represents non-interest bearing payables to an affiliate and certain Liberty Global subsidiaries.

(e) Represents amounts outstanding under the UPC Broadband France Loan and the UPC Chile Mobile Shareholder Loan at December 31, 2013. These loans were settled or effectively settled on January 10, 2014. For additional information, see note 7.

(f) Represents accrued interest on the UPC Chile Mobile Shareholder Loan at December 31, 2013 that was capitalized to the principal balance on January 1, 2014. The UPC Chile Mobile Shareholder Loan was settled on January 10, 2014. For additional information regarding the UPC Chile Mobile Shareholder Loan settlement, see note 7.

(11) Restructuring Liabilities

A summary of changes in our restructuring liabilities during 2014 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, 2014	0.1	37.5	37.6
Restructuring charges	6.0	3.9	9.9
Cash paid	(4.7)	(15.1)	(19.8)
Other	—	0.2	0.2
Restructuring liability as of December 31, 2014	1.4	26.5	27.9
Current portion	1.4	6.4	7.8
Noncurrent portion	—	20.1	20.1
Total	1.4	26.5	27.9

Our restructuring charges during 2014 include CLP 6.0 billion of employee severance and termination costs related to certain reorganization activities.

A summary of changes in our restructuring liabilities during 2013 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, 2013	—	—	—
Restructuring charges	4.1	42.7	46.8
Cash paid	(4.0)	(3.6)	(7.6)
Other	—	(1.6)	(1.6)
Restructuring liability as of December 31, 2013	0.1	37.5	37.6
Current portion	0.1	13.2	13.3
Noncurrent portion	—	24.3	24.3
Total	0.1	37.5	37.6

As further described in note 6, we recorded restructuring charges totaling CLP 42.7 billion during the third and fourth quarters of 2013 as a result of our decision to cease commercial use of our mobile network. These restructuring charges include the fair value of (i) the then remaining payments due under our tower and real estate operating leases of CLP 36.2 billion and (ii) certain other required payments associated with our mobile network. In addition, our restructuring charges during 2013 include CLP 4.1 billion of employee severance and termination costs related to certain reorganization activities.

(12) Share-based Compensation

In September 2014, August 2013 and March 2012, certain of our executive officers and key employees were granted 116,978, 142,218 and 127,155 performance share unit awards (VTR PSUs), respectively, under the VTR GlobalCom Plan. Each award represents the right to receive cash, subject to achieving certain performance criteria and vesting over a service period. The service periods for the VTR PSUs granted in September 2014 and August 2013 end on September 30, 2016 and 2015, respectively. The service period for the VTR PSUs granted in March 2012 ended on December 31, 2013. As the outstanding VTR PSUs must be settled in cash, we use the liability method to account for these awards.

The following table summarizes share-based compensation expense associated with our VTR PSUs:

	Year ended December 31,		
	2014	2013	2012
	CLP in billions		
Included in:			
Operating expense	1.7	0.7	0.3
SG&A expense	3.2	1.3	0.5
Total	4.9	2.0	0.8

(13) Commitments and Contingencies

Commitments

In the normal course of business, we have entered into agreements that commit our company to make cash payments in future periods with respect to programming contracts, network and connectivity commitments, non-cancelable operating leases, purchases of customer premises and other equipment and other items. The Chilean peso equivalents of our consolidated commitments as of December 31, 2014 are presented below:

	Payments due during:						
	2015	2016	2017	2018	2019	Thereafter	Total
	CLP in billions						
Programming commitments	42.1	42.5	27.2	27.2	—	—	139.0
Network and connectivity commitments	19.8	17.8	16.2	17.5	14.3	—	85.6
Operating leases	9.7	9.6	9.6	9.6	8.6	10.8	57.9
Purchase commitments	5.2	2.9	—	—	—	—	8.1
Total (a)	76.8	72.8	53.0	54.3	22.9	10.8	290.6

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(a) The commitments reflected in this table do not reflect any liabilities that are included in our December 31, 2014 consolidated balance sheet.

Programming commitments consist of obligations associated with certain of our programming contracts that are enforceable and legally binding on us in that we have agreed to pay minimum fees without regard to (i) the actual number of subscribers to the programming services or (ii) whether we terminate service to a portion of our subscribers or dispose of a portion of our distribution systems. In addition, programming commitments do not include increases in future periods associated with contractual inflation or other price adjustments that are not fixed. Accordingly, the amounts reflected in the above table with respect to these contracts are significantly less than the amounts we expect to pay in these periods under these contracts. Payments to programming vendors have in the past represented, and are expected to continue to represent in the future, a significant portion of our operating costs. In this regard, during 2014, 2013 and 2012, the third-party programming and copyright costs incurred by our broadband communications operations aggregated CLP 86.3 billion, CLP 77.4 billion and CLP 71.0 billion, respectively.

Network and connectivity commitments relate to our domestic network service agreements with certain other telecommunications companies and our MVNO agreements. The amounts reflected in the table with respect to these commitments represent fixed minimum amounts payable under these agreements and, therefore, may be less than the actual amounts we ultimately pay in these periods.

Purchase commitments include unconditional purchase obligations associated with commitments to purchase handset equipment that are enforceable and legally binding on us.

In addition to the commitments set forth in the table above, we have significant commitments under derivative instruments, pursuant to which we expect to make payments in future periods. For information regarding our derivative instruments, including the net cash paid or received in connection with these instruments during 2014, 2013 and 2012, see note 4.

Rental expense under non-cancelable operating lease arrangements amounted to CLP 9.2 billion, CLP 17.3 billion and CLP 20.5 billion in 2014, 2013 and 2012, respectively. With the exception of certain tower and real estate operating leases that are described in note 6, it is expected that in the normal course of business, operating leases that expire generally will be renewed or replaced by similar leases.

Guarantees and Other Credit Enhancements

In the ordinary course of business, we may provide indemnifications to our lenders, our vendors and certain other parties and 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

TVN Proceedings. Cable television providers in Chile, including VTR GlobalCom, have historically retransmitted programming from public broadcasters without paying any fees to the broadcasters for such retransmission. Certain broadcasters have filed lawsuits against VTR GlobalCom claiming that by retransmitting their signals, VTR GlobalCom has violated the broadcasters' intellectual property rights or Chilean antitrust laws. In 2003, two major broadcasters, including Televisión Nacional de Chile (TVN), filed a lawsuit against VTR GlobalCom claiming that VTR GlobalCom's retransmission of the broadcasters' signals violated their intellectual property rights. The lower court dismissed these claims in 2006, and the Court of Appeals of Santiago confirmed the lower court's decision finding that no compensation or authorization was required as long as VTR GlobalCom retransmits the signal simultaneously, without modifying it, and in the same geographic area where the over-the-air signal is transmitted. On June 3, 2013, the Chilean Supreme Court of Justice ratified this decision. In 2010, TVN filed a second lawsuit (the Second TVN Lawsuit) against VTR GlobalCom claiming that VTR GlobalCom was not authorized to retransmit TVN's experimental high definition (HD) signal. On July 17, 2012, the first instance tribunal ruled in favor of TVN in the Second TVN Lawsuit and ordered VTR GlobalCom (i) to stop retransmitting TVN's HD signal (DTT signal) and (ii) to pay damages, which would be established at the time of enforcing the judgment. VTR GlobalCom appealed the ruling of the first instance tribunal and, on October 27, 2014, the Court of Appeals of Santiago confirmed the ruling of the first instance tribunal in the Second TVN Lawsuit. Accordingly, VTR GlobalCom has ceased transmitting TVN's DTT signal. VTR GlobalCom continues to believe that its retransmission of TVN's DTT signal complied with applicable law and has therefore filed an appeal of the Court of Appeals' decision with the Chilean Supreme Court. We expect a decision on the appeal during the second half of 2015.

On January 6, 2014, VTR GlobalCom was notified of a third lawsuit filed against it by TVN (the Third TVN Lawsuit), requesting termination of a 1996 contract between TVN and VTR GlobalCom based on VTR GlobalCom's alleged unauthorized retransmission of TVN's analog signal, with the amount of damages to be determined at a later date. On January 27, 2014, we filed our answer denying all of the claims made in the Third TVN Lawsuit. VTR GlobalCom believes that the Third TVN Lawsuit is without merit and intends to defend itself vigorously.

We are not in a position to reasonably estimate the range of loss that might be incurred by VTR GlobalCom in the event of an unfavorable outcome in the Second TVN Lawsuit or the Third TVN Lawsuit because, among other matters (including that, with respect to the Third TVN Lawsuit, the discovery phase has not commenced), the amount of damages has not been specified and we cannot predict the final outcome of these proceedings.

Other Regulatory Issues. Video distribution, broadband internet, fixed-line telephony and mobile businesses are regulated in Chile. Adverse regulatory developments could subject our businesses to a number of risks. Regulation, including conditions imposed on us by competition or other authorities as a requirement to close acquisitions or dispositions, could limit growth, revenue and the number and types of services offered and could lead to increased operating costs and property and equipment additions. In addition, regulation may restrict our operations and subject them to further competitive pressure, including pricing restrictions, interconnect and other access obligations, and restrictions or controls on content, including content provided by third parties. Failure to comply with current or future regulation could expose our businesses to various penalties. In this regard, during September 2014, we received a tariff proposal from the Chilean regulatory authority that would have retroactive effect to June 2012. The tariff proposal represents a significant reduction in the fixed-line interconnection rates currently charged by VTR. We are awaiting SubTel's final decision and the subsequent legality review by the National Comptroller. Final resolution of the tariff-setting process in Chile is expected to occur during the first half of 2015. If the September 2014 tariff proposal were ultimately to be upheld, including retroactive application to June 2012, we would be required to issue credit notes of approximately CLP 7.4 billion for revenue previously recognized through December 31, 2014.

Other. In addition to the foregoing items, we have contingent liabilities related to matters arising in the ordinary course of business including (i) legal proceedings, (ii) issues involving VAT and wage, property and other tax issues and (iii) disputes over interconnection, programming, copyright and carriage 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.

(14) Segment Reporting

We operate in one segment in the country of Chile, within which we provide video, broadband internet, fixed-line telephony and mobile services to residential and business customers.

Our revenue by major category is set forth below:

	Year ended December 31,		
	2014	2013	2012
		CLP in billions	
Subscription revenue (a):			
Video	216.6	203.9	192.8
Broadband internet	159.8	144.9	128.3
Fixed-line telephony	90.6	93.3	92.4
Cable subscription revenue	467.0	442.1	413.5
Mobile subscription revenue (b)	14.0	10.2	5.3
Total subscription revenue	481.0	452.3	418.8
Other revenue (c)	31.4	38.7	38.3
Total revenue	512.4	491.0	457.1

(a) Subscription revenue includes amounts received from subscribers for ongoing services, excluding installation fees. Subscription revenue from subscribers who purchase bundled services at a discounted rate is generally allocated proportionally to each service based on the standalone price for each individual service. As a result, changes in the standalone pricing of our cable and mobile products or the composition of bundles can contribute to changes in our product revenue categories from period to period.

(b) Mobile subscription revenue excludes mobile interconnect revenue of CLP 1.6 billion, CLP 3.0 billion and CLP 1.2 billion during 2014, 2013 and 2012, respectively. Mobile interconnect revenue and revenue from mobile handset sales are included in other revenue.

(c) Other revenue includes, among other items, interconnect, advertising, installation and mobile handset sales revenue.

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

The following discussion and analysis is intended to assist in providing an understanding of our financial condition, changes in financial condition and results of operations and should be read in conjunction with our consolidated financial statements. This discussion 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, 2014, 2013 and 2012.

- *Liquidity and Capital Resources.* This section provides an analysis of our corporate and subsidiary liquidity and consolidated statements of cash flows.

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

The capitalized terms used below have been defined in the notes to our consolidated financial statements. In the following text, the terms, "we," "our," "our company" and "us" refer, as the context requires, to VTR Finance or collectively to VTR.

Unless otherwise indicated, convenience translations into the Chilean peso are calculated, and operational data (including subscriber statistics) are presented, as of December 31, 2014.

Overview

We are a provider of video, broadband internet, fixed-line telephony and mobile services in Chile.

Our analog cable service offerings include basic programming. Our digital cable service offerings include basic and premium programming and incremental product and service offerings such as enhanced pay-per-view programming (including video-on-demand), digital video recorders and high definition programming. Our residential subscribers generally access the internet at download speeds up to 120 Mbps, depending on the tier of service selected. We determine pricing for each tier of broadband internet service through analysis of speed, market conditions and other factors. We offer fixed-line telephony services using voice-over-internet-protocol or "VoIP" and circuit-switched technology. In addition, we offer mobile voice and data services as a full MVNO pursuant to an arrangement with a third-party mobile telecommunications provider.

Our revenue includes revenue earned from (i) subscribers to our broadband communications and mobile services and (ii) interconnect fees, advertising and installation fees. Consistent with the presentation of our revenue categories in note 14 to our consolidated financial statements, we use the term "subscription revenue" in the following discussion to refer to amounts received from subscribers for ongoing services, excluding installation fees. In the following tables, mobile subscription revenue excludes the related interconnect revenue.

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. We also expect our mobile services to contribute to our revenue growth in future periods. As we use the term, organic growth excludes FX and the estimated impact of any acquisitions. While we seek to obtain new customers, we also seek to maximize the average revenue we receive from each household by increasing the penetration of our digital cable, broadband internet, fixed-line telephony and mobile services with existing customers through product bundling and promotions.

At December 31, 2014, we owned and operated networks that passed 2,978,800 homes and served 2,639,300 revenue generating units (RGUs), consisting of 1,013,500 video subscribers, 932,000 broadband internet subscribers and 693,800 fixed-line telephony subscribers. In addition, at December 31, 2014, we served 110,500 mobile subscribers.

We added a total of 74,500 RGUs on an organic basis during 2014, as compared to 129,100 RGUs added on an organic basis during 2013. The organic RGU growth during 2014 is attributable to the net effect of (i) an increase of 47,300 digital cable RGUs, (ii) an increase of 46,300 broadband internet RGUs, (iii) a decrease of 23,200 analog cable RGUs and (iv) an increase of 4,100 fixed-line telephony RGUs.

We are experiencing significant competition from incumbent telecommunications operators, direct-to-home satellite operators and/or other providers. This significant competition may have an adverse impact on our ability to increase or maintain our revenue, RGUs and/or average monthly subscription revenue per average RGU (ARPU). In addition to competition, our operations are subject to macroeconomic and political risks that are outside of our control. For example, high levels of sovereign debt in the U.S.

and certain European countries, combined with weak growth and high unemployment, could lead to fiscal reforms (including austerity measures), tax increases, sovereign debt restructurings, currency instability, increased counterparty credit risk, high levels of volatility and, potentially, disruptions in the credit and equity markets, as well as other outcomes that might adversely impact our company.

The video, broadband internet and fixed-line telephony businesses in which we operate are capital intensive. Significant additions to our property and equipment are required to add customers to our networks and to upgrade our broadband communications networks and customer premises equipment to enhance our service offerings and improve the customer experience, including expenditures for equipment and labor costs. Significant competition, the introduction of new technologies, the expansion of existing technologies such as fiber-to-the-home, -cabinet, -building or -node and advanced digital subscriber line technologies, or adverse regulatory developments could cause us to decide to undertake previously unplanned upgrades of our networks and customer premises equipment. In addition, no assurance can be given that any future upgrades will generate a positive return or that we will have adequate capital available to finance such future upgrades. If we are unable to, or elect not to, pay for costs associated with adding new customers, expanding or upgrading our networks, or making our other planned or unplanned additions to our property and equipment, our growth could be limited and our competitive position could be harmed. For additional information regarding our property and equipment additions, see *Liquidity and Capital Resources — Consolidated Statements of Cash Flows.*

We rely on third-party vendors for the equipment, software and services that we require in order to provide services to our customers. Our suppliers often conduct business worldwide and their ability to meet our needs are subject to various risks, including political and economic instability, natural calamities, interruptions in transportation systems, terrorism and labor issues. As a result, we may not be able to obtain the equipment, software and services required for our businesses on a timely basis or on satisfactory terms. Any shortfall in customer premises equipment could lead to delays in connecting customers to our services, and accordingly, could adversely impact our ability to maintain or increase our RGUs, revenue and cash flows.

Our revenue is derived from jurisdictions that administer VAT or similar revenue-based taxes. Any increases in these taxes could have an adverse impact on our ability to maintain or increase our revenue to the extent that we are unable to pass such tax increases on to our customers. In the case of revenue-based taxes for which we are the ultimate taxpayer, we will also experience increases in our operating expenses and corresponding declines in our operating cash flow and operating cash flow margins to the extent of any such tax increases. As we use the term, operating cash flow is defined as revenue less operating and SG&A expenses (excluding share-based compensation, related-party fees and allocations, depreciation and amortization, provisions and provision releases related to significant litigation and impairment, restructuring and other operating items). Other operating items include (a) gains and losses on the disposition of long-lived assets, (b) third-party costs directly associated with successful and unsuccessful acquisitions and dispositions, including legal, advisory and due diligence fees, as applicable, and (c) other acquisition-related items, such as gains and losses on the settlement of contingent consideration.

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. The amounts we charge and incur with respect to fixed-line telephony and mobile interconnection fees are subject to regulatory oversight. To the extent that regulatory authorities introduce fixed-line or mobile termination rate changes, we would experience prospective changes and, in cases such as the one described in note 13 to our consolidated financial statements, we could experience retroactive changes in our interconnect revenue and/or costs. The ultimate impact of any such changes in termination rates on our operating cash flow would be dependent on the call or text messaging patterns that are subject to the changed termination rates.

Results of Operations

2014 compared to 2013

Revenue

Our revenue by major category is set forth below:

	Year ended December 31, 2014	Year ended December 31, 2013	Increase (decrease) CLP	Increase (decrease) %
	CLP in billions			
Subscription revenue (a):				
Video	216.6	203.9	12.7	6.2
Broadband internet	159.8	144.9	14.9	10.3
Fixed-line telephony	90.6	93.3	(2.7)	(2.9)
Cable subscription revenue	467.0	442.1	24.9	5.6
Mobile subscription revenue (b)	14.0	10.2	3.8	37.3
Total subscription revenue	481.0	452.3	28.7	6.3
Other revenue (c)	31.4	38.7	(7.3)	(18.9)
Total revenue	512.4	491.0	21.4	4.4

(a) Subscription revenue includes amounts received from subscribers for ongoing services, excluding installation fees. Subscription revenue from subscribers who purchase bundled services at a discounted rate is generally allocated proportionally to each service based on the standalone price for each individual service. As a result, changes in the standalone pricing of our cable and mobile products or the composition of bundles can contribute to changes in our product revenue categories from period to period.

(b) Mobile subscription revenue excludes mobile interconnect revenue of CLP 1.6 billion and CLP 3.0 billion during 2014 and 2013, respectively. Mobile interconnect revenue and revenue from mobile handset sales are included in other revenue.

(c) Other revenue includes, among other items, interconnect, advertising, installation and mobile handset sales revenue.

Total revenue. Our consolidated revenue increased CLP 21.4 billion or 4.4% during 2014, as compared to 2013. The details of the increase in our consolidated subscription and non-subscription revenue during 2014, as compared to 2013, are as follows:

	Subscription revenue	Non-subscription revenue	Total
		CLP in billions	
Increase in cable subscription revenue due to change in:			
Average number of RGUs (a)	18.2	—	18.2
ARPU (b)	6.7	—	6.7
Total increase in cable subscription revenue	24.9	—	24.9
Increase in mobile subscription revenue (c)	3.8	—	3.8
Total increase in subscription revenue	28.7	—	28.7
Decrease in non-subscription revenue (d)	—	(7.3)	(7.3)
Total	28.7	(7.3)	21.4

(a) The increase in cable subscription revenue related to a change in the average number of RGUs is attributable to increases in the average numbers of digital cable, broadband internet and fixed-line telephony RGUs that were only partially offset by a decline in the average number of analog cable RGUs.

(b) The increase in cable subscription revenue related to a change in ARPU is due to (i) a net increase resulting from the following factors: (a) lower ARPU due to the impact of higher bundling and promotional discounts, (b) higher ARPU due to semi-annual inflation and other price adjustments for video, broadband internet and fixed-line telephony services, (c) higher ARPU due to the inclusion of higher-priced tiers of broadband internet and fixed-line telephony services in our bundles, (d) lower ARPU due to a decrease in fixed-line telephony call volumes for customers on usage-based plans and (e) higher ARPU from incremental digital cable services and (ii) an improvement in RGU mix.

(c) The increase in mobile subscription revenue is attributable to an increase in (i) the average number of postpaid subscribers, which more than offset the decrease in the average number of prepaid subscribers, and (ii) mobile ARPU, primarily due to a higher proportion of mobile subscribers on postpaid plans, which generate higher ARPU than prepaid plans.

(d) The decrease in non-subscription revenue is primarily due to decreases in (i) interconnect revenue, primarily associated with a January 2014 decline in mobile terminations rates, and (ii) prepaid mobile handset sales. For information regarding an ongoing tariff-setting process in Chile that may impact our revenue, see note 13 to our consolidated financial statements.

Operating Expenses

General. Operating expenses include programming and copyright, network operations, interconnect, customer operations, customer care, share-based compensation and other costs related to our operations. Programming and copyright costs, which represent a significant portion of our operating costs, are expected to rise in future periods as a result of (i) growth in the number of our digital video subscribers, (ii) 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, and (iii) rate increases. In addition, we are subject to inflationary pressures with respect to our labor and other 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 through rate increases would result in increased pressure on our operating margins.

Our operating expenses decreased CLP 6.4 billion or 2.8% during 2014, as compared to 2013. Our operating expenses include share-based compensation expense, which increased CLP 1.0 billion during 2014, as compared to 2013. For additional information, see the discussion under *Share-based compensation expense* below. Excluding the effects of share-based compensation expense, our operating expenses decreased CLP 7.4 billion or 3.2% during 2014, as compared to 2013. This decrease includes the following factors:

- An increase in programming and copyright costs of CLP 8.9 billion or 11.6%, primarily associated with (i) growth in digital cable services and (ii) a CLP 2.6 billion increase arising from foreign currency exchange rate fluctuations with respect to our U.S. dollar denominated programming contracts. During 2014, $39.9 million (CLP 22.8 billion) or 27.6% of our programming costs were denominated in U.S. dollars;

- A decrease in facilities expenses of CLP 6.4 billion or 81.7%, primarily due to lower tower and real estate rental costs, as the fair value of all remaining payments due under these leases was included in the restructuring charges recorded during the third and fourth quarters of 2013 in connection with certain strategic changes that were implemented with regard to our mobile operations, as further described in note 6 to our consolidated financial statements;

- A decrease in outsourced labor and professional fees of CLP 2.6 billion or 13.3%, primarily attributable to the net effect of (i) lower costs associated with the network operating center related to our mobile operations, (ii) higher call center costs and (iii) the favorable impact of a CLP 1.5 billion nonrecurring charge recorded during the second quarter of 2013 to provide for our mandated share of severance and other labor-related obligations that were incurred by a contractor in connection with such contractor's bankruptcy;

- A decrease in mobile handset costs of CLP 2.5 billion or 23.0%, primarily attributable to (i) a decrease of CLP 1.8 billion related to the impact of the liquidation or write-off of slow moving or obsolete mobile handsets and wireless network adaptors in 2013 and (ii) a decrease in mobile handset sales due to a reduced emphasis on prepaid plans;

- A decrease of CLP 2.4 billion due to the favorable impact of nonrecurring adjustments during the fourth quarter of 2014 related to the reassessment of certain accrued liabilities;

- An increase in personnel costs of CLP 1.6 billion or 5.8%, primarily due to the net effect of (i) higher incentive compensation costs and (ii) decreased staffing levels, primarily resulting from the strategic changes that were implemented with regard to our mobile operations;

- A decrease in mobile access and interconnect costs of CLP 1.1 billion or 2.8%, primarily attributable to the net effect of (i) lower mobile access charges due to the impacts of lower contractual rates and (ii) an increase in interconnect costs resulting from the net effect of (a) higher call volumes and (b) lower rates; and

- A decrease in bad debt and collection expenses of CLP 1.1 billion or 5.4%, primarily due to more selective credit acceptance policies.

SG&A Expenses

General. SG&A expenses include human resources, information technology, general services, management, finance, legal and sales and marketing costs, share-based compensation and other general expenses. As noted under *Operating Expenses* above, we are subject to inflationary pressures with respect to our labor and other costs and, to a lesser extent, foreign currency exchange risk with respect to non-functional currency expenses.

Our SG&A expenses increased CLP 5.7 billion or 6.7% during 2014, as compared to 2013. Our SG&A expenses include share-based compensation expense, which increased CLP 1.9 billion during 2014, as compared to 2013. For additional information, see the discussion under *Share-based compensation expense* below. Excluding the effects of share-based compensation expense, our SG&A expenses increased CLP 3.8 billion or 4.5% during 2014, as compared to 2013. This increase includes the following factors:

- An increase in sales and marketing costs of CLP 6.0 billion or 23.9%, primarily due to the net effect of (i) higher third-party sales commissions and advertising costs related to our cable operations and (ii) lower third-party sales commissions related to our mobile operations;

- A decrease in personnel costs of CLP 1.3 billion or 4.0%, primarily due to the net effect of (i) a decrease due to lower staffing levels, (ii) an increase due to higher incentive compensation costs and (iii) an increase due to higher severance costs; and

- A decrease of CLP 1.0 billion due to the favorable impact of nonrecurring adjustments during the fourth quarter of 2014 related to the reassessment of certain accrued liabilities.

Share-based compensation expense (included in operating and SG&A expenses)

We recognized share-based compensation expense of CLP 4.9 billion and CLP 2.0 billion during 2014 and 2013, respectively, related to VTR PSUs granted under the VTR GlobalCom Plan.

For additional information regarding our share-based compensation, see note 12 to our consolidated financial statements.

Depreciation and amortization expense

Our depreciation and amortization expense decreased CLP 55.7 billion during 2014, as compared to 2013. This decrease is primarily due to the net effect of (i) a decrease due to the impact of accelerated depreciation recorded during 2013 due to a change in our mobile strategy, as further discussed in note 6 to our consolidated financial statements, (ii) a decrease associated with certain assets becoming fully depreciated and (iii) an increase associated with property and equipment additions related to the installation of customer premises equipment, the expansion and upgrade of our networks and other capital initiatives.

Related-party fees and allocations

We recorded net related-party fees and allocations of CLP 4.7 billion and CLP 1.8 billion during 2014 and 2013, respectively. These amounts represent allocated costs for services provided by other Liberty Global subsidiaries on our behalf, including management, finance, legal, technology and other services that support our company's operations.

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

Impairment, restructuring and other operating items, net

We recognized impairment, restructuring and other operating items, net, of CLP 7.8 billion during 2014, as compared to CLP 46.4 billion during 2013.

The 2014 amount primarily includes (i) employee severance and termination costs related to certain reorganization activities and (ii) contract termination costs.

The 2013 amount primarily relates to restructuring charges that include (i) CLP 42.7 billion recorded by our mobile operations during the third and fourth quarters of 2013 as a result of the decision to cease commercial use of our mobile network, as further described in note 6 to our consolidated financial statements, and (ii) CLP 4.1 billion of employee severance and termination costs related to certain reorganization activities. The restructuring charges recorded by our mobile operations include the fair value of (a) the remaining payments due under certain tower and real estate operating leases of CLP 36.2 billion and (b) certain other required payments associated with the mobile network.

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

If, among other factors, (i) our enterprise value or Liberty Global's equity value were to decline significantly or (ii) the adverse impacts of economic, competitive, regulatory or other factors were to cause our results of operations or cash flows to be worse than anticipated, we could conclude in future periods that impairment charges are required in order to reduce the carrying values of our goodwill and, to a lesser extent, other long-lived assets. Any such impairment charges could be significant. For additional information, see *Critical Accounting Policies, Judgments and Estimates — Impairment of Property and Equipment and Intangible Assets*, below.

Interest expense – third-party

Our third-party interest expense increased CLP 49.8 billion during 2014, as compared to 2013. This increase is primarily attributable to a higher average outstanding debt balance, primarily due to the issuance of the VTR Finance Senior Secured Notes in January 2014.

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

It is possible that (i) the interest rates on any new borrowings could be higher than the current interest rates on our existing indebtedness and (ii) the interest rates on 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 expense – related-party

Our related-party interest expense primarily relates to the interest expense on the UPC Broadband France Loan and the UPC Chile Mobile Shareholder Loan. Related-party interest expense decreased CLP 10.2 billion during 2014, as compared to 2013. This decrease is due to the effective settlement of the UPC Broadband France Loan and settlement of the UPC Chile Mobile Shareholder Loan in January 2014.

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

	Year ended December 31,	
	2014	**2013**
	CLP in billions	
Cross-currency and interest rate derivative contracts (a)	29.2	7.6
Foreign currency forward contracts	1.5	0.6
Total	30.7	8.2

(a) The gain during 2014 is primarily attributable to the net effect of (i) gains associated with decreases in the value of the Chilean peso relative to the U.S. dollar and (ii) losses associated with decreases in market interest rates in the Chilean peso market. In addition, the gain during 2014 includes a net loss of CLP 8.9 billion resulting from changes in our credit risk valuation adjustments. The gain during 2013 is primarily attributable to the net effect of (i) gains associated with a decrease in the value of the Chilean peso relative to the U.S. dollar and (ii) losses associated with decreases in market interest rates in the Chilean peso market. In addition, the gain during 2013 includes a net loss of CLP 0.6 billion resulting from changes in our credit risk valuation adjustments.

For additional information regarding our derivative instruments, see note 4 to our consolidated financial statements.

Foreign currency transaction losses, net

We recognized foreign currency transaction losses, net, of CLP 56.8 billion and CLP 10.8 billion during 2014 and 2013, respectively.

Our foreign currency transaction gains or losses primarily result from the remeasurement of our U.S. dollar denominated debt instruments, including (i) the VTR Finance Senior Secured Notes during 2014 and (ii) the UPC Broadband France Loan and the UPC Chile Mobile Shareholder Loan during 2013. 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.

Other expense, net

We recognized other expense, net, of CLP 1.7 billion during each of 2014 and 2013. The 2014 amount primarily includes (i) a CLP 1.1 billion loss on debt modification and extinguishment related to the write-off of deferred financing costs associated with the repayment of the VTR Wireless Bank Facility, as further described in note 7 to our consolidated financial statements, and (ii) our share of the net losses of our equity method affiliates. The 2013 amount primarily includes our share of the net losses of our equity method affiliates.

Income tax benefit (expense)

We recognized income tax expense of CLP 5.3 billion and income tax benefit of CLP 9.2 billion during 2014 and 2013, respectively.

The income tax expense during 2014 differs from the expected income tax expense of CLP 3.5 billion (based on the Dutch statutory income tax rate of 25.0%) primarily due to the negative impact of a net increase in valuation allowances. The negative impact of this item is largely offset by the positive impacts of (i) an increase in net deferred tax assets in Chile due to enacted changes in tax law and (ii) a lower statutory tax rate in Chile, as compared to the Netherlands.

The income tax benefit during 2013 approximates the expected income tax benefit of CLP 9.2 billion (based on the Dutch statutory income tax rate of 25.0%) as the positive impact of certain permanent differences between the financial and tax accounting treatment of price level adjustments were offset by the negative impacts of a lower statutory tax rate in Chile, as compared to the Netherlands.

For additional information regarding our income taxes, see note 8 to our consolidated financial statements.

Net earnings (loss)

During 2014 and 2013, we reported net earnings (loss) of CLP 8.7 billion and (CLP 27.8 billion), respectively, including (i) operating income (loss) of CLP 96.0 billion and (CLP 17.5 billion), respectively, (ii) non-operating expense of CLP 82.0 billion and CLP 19.5 billion, respectively, and (iii) income tax benefit (expense) of (CLP 5.3 billion) and CLP 9.2 billion, respectively.

Gains or losses associated with (i) changes in the fair values of derivative instruments, (ii) movements in foreign currency exchange rates and (iii) the disposition of assets 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 aggregate operating cash flow to a level that more than offsets the aggregate amount of our (a) share-based compensation expense, (b) depreciation and amortization, (c) impairment, restructuring and other operating items, net, (d) interest expense, (e) other net non-operating expenses and (f) income tax expenses.

Subject to the limitations included in our various debt instruments, we expect that Liberty Global will cause our company to maintain our debt at current levels relative to our consolidated operating cash flow for the foreseeable future. As a result, we expect that we will continue to report significant levels of interest expense for the foreseeable future.

Net loss (earnings) attributable to noncontrolling interests

Net earnings or loss attributable to noncontrolling interests includes the NCI Owner's share of the results of our operations. Net loss attributable to noncontrolling interests decreased CLP 3.7 billion during 2014, as compared to 2013, due to the VTR NCI Acquisition, as further described in note 9 to our consolidated financial statements.

2013 compared to 2012

Revenue

Our revenue by major category is set forth below:

	Year ended December 31,		Increase	
	2013	2012	CLP	%
	CLP in billions			
Subscription revenue (a):				
Video	203.9	192.8	11.1	5.8
Broadband internet	144.9	128.3	16.6	12.9
Fixed-line telephony	93.3	92.4	0.9	1.0
Cable subscription revenue	442.1	413.5	28.6	6.9
Mobile subscription revenue (b)	10.2	5.3	4.9	92.5
Total subscription revenue	452.3	418.8	33.5	8.0
Other revenue (c)	38.7	38.3	0.4	1.0
Total revenue	491.0	457.1	33.9	7.4

(a) Subscription revenue includes amounts received from subscribers for ongoing services, excluding installation fees. Subscription revenue from subscribers who purchase bundled services at a discounted rate is generally allocated proportionally to each service based on the standalone price for each individual service. As a result, changes in the standalone pricing of our cable and mobile products or the composition of bundles can contribute to changes in our product revenue categories from period to period.

(b) Mobile subscription revenue excludes mobile interconnect revenue of CLP 3.0 billion and CLP 1.2 billion during 2013 and 2012, respectively. Mobile interconnect revenue and revenue from mobile handset sales are included in other revenue.

(c) Other revenue includes, among other items, interconnect, advertising, installation and mobile handset sales revenue.

Total revenue. Our consolidated revenue increased CLP 33.9 billion or 7.4% during 2013, as compared to 2012. The details of the increase in our consolidated subscription and non-subscription revenue during 2013, as compared to 2012, are as follows:

	Subscription revenue	Non-subscription revenue	Total
		CLP in billions	
Increase in cable subscription revenue due to change in:			
Average number of RGUs (a)	22.1	—	22.1
ARPU (b)	6.5	—	6.5
Total increase in cable subscription revenue	28.6	—	28.6
Increase in mobile subscription revenue (c)	4.9	—	4.9
Total increase in subscription revenue	33.5	—	33.5
Increase in non-subscription revenue (d)	—	0.4	0.4
Total	33.5	0.4	33.9

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(a) The increase in cable subscription revenue related to a change in the average number of RGUs is due to increases in the average numbers of digital cable, broadband internet and fixed-line telephony RGUs that were only partially offset by a decline in the average number of analog cable RGUs.

(b) The increase in cable subscription revenue related to a change in ARPU is due to (i) a net increase resulting from the following factors: (a) higher ARPU due to the impact of lower bundling and promotional discounts, (b) higher ARPU due to semi-annual inflation and other price adjustments for video, broadband internet and fixed-line telephony services, (c) lower ARPU from analog and digital cable services, largely due to a higher proportion of subscribers receiving lower-priced tiers of services, (d) higher ARPU from broadband internet services and (e) lower ARPU due to a decrease in fixed-line telephony call volume for customers on usage-based plans and (ii) improvements in RGU mix.

(c) The increase in mobile subscription revenue is primarily due to our May 2012 launch of mobile services.

(d) The increase in non-subscription revenue is attributable to the net effect of (i) an increase in mobile interconnect revenue primarily due to the May 2012 launch of mobile services at our mobile operations, (ii) an increase in advertising revenue, (iii) a decrease in fixed-line telephony interconnect revenue, (iv) a decrease in installation revenue and (v) a net decrease resulting from individually insignificant changes in various other non-subscription revenue categories.

Operating Expenses

Our operating expenses increased CLP 16.5 billion or 7.7% during 2013, as compared to 2012. Our operating expenses include share-based compensation expense, which increased CLP 0.4 billion during 2013, as compared to 2012. For additional information, see the discussion under *Share-based compensation expense* below. Excluding the effects of share-based compensation expense, our operating expenses increased CLP 16.1 billion or 7.5% during 2013, as compared to 2012. This increase includes the following factors:

- An increase in programming and copyright costs of CLP 6.4 billion or 9.0%, primarily associated with growth in digital cable services;

- An increase in mobile access and interconnect costs of CLP 4.4 billion or 12.5%, primarily due to the impact of our mobile services, which launched in May 2012;

- An increase in personnel costs of CLP 3.5 billion or 14.8%, largely due to higher incentive compensation costs;

- A decrease in facilities expenses of CLP 2.7 billion or 25.3%, primarily due to lower tower and real estate rental costs, as the fair value of all remaining payments due under these leases was included in the restructuring charges recorded during the third and fourth quarters of 2013 in connection with certain strategic changes that were implemented with regard to our mobile operations, as further described in note 6 to our consolidated financial statements;

- An increase in bad debt and collection expenses of CLP 1.8 billion or 9.8%. This increase is largely a function of the May 2012 launch of our mobile services;

- An increase in outsourced labor and professional fees of CLP 1.6 billion or 17.8%. This increase is primarily attributable to a CLP 1.5 billion non-recurring charge recorded during the second quarter of 2013 to provide for our mandated share of severance and other labor-related obligations that were incurred by a contractor in connection with such contractor's bankruptcy; and

- A decrease in mobile handset costs of CLP 0.3 billion, primarily attributable to the net effect of (i) an aggregate increase of CLP 2.1 billion related to the liquidation or write-off of slow-moving or obsolete handsets and wireless network adaptors and (ii) a decrease of CLP 2.6 billion in mobile handset sales largely due to a reduced emphasis on prepaid mobile plans.

SG&A Expenses

Our SG&A expenses decreased CLP 4.3 billion or 4.8% during 2013, as compared to 2012. Our SG&A expenses include share-based compensation expense, which increased CLP 0.8 billion during 2013, as compared to 2012. For additional information, see the discussion under *Share-based compensation expense* below. Excluding the effects of share-based compensation expense, our SG&A expenses decreased CLP 5.1 billion or 5.7% during 2013, as compared to 2012. This decrease includes the following factors:

- A decrease in sales and marketing costs of CLP 4.3 billion or 14.5%, primarily due to lower advertising costs;

- An increase in personnel costs of CLP 1.4 billion or 4.7%, primarily attributable to the net effect of (i) an increase related to our cable operations, primarily due to (a) higher incentive compensation costs, (b) a combination of increased staffing levels and higher salaries and (c) higher severance, and (ii) a decrease related to our mobile operations, primarily due to lower staffing levels and bonus accruals; and

- A decrease in facilities expenses of CLP 1.1 billion or 8.2%, primarily attributable to (i) a decrease related to our cable operations, primarily due to (a) lower rental costs and (b) lower insurance expenses, and (ii) a decrease related to our mobile operations, as the fair value of all remaining payments due under certain facilities-related contracts were included in the restructuring charges recorded during the third and fourth quarters of 2013, as further described in note 6 to our consolidated financial statements.

Share-based compensation expense (included in operating and SG&A expenses)

We recognized share-based compensation expense of CLP 2.0 billion and CLP 0.8 billion during 2013 and 2012, respectively, related to VTR PSUs granted under the VTR GlobalCom Plan.

For additional information regarding our share-based compensation, see note 12 to our consolidated financial statements.

Depreciation and amortization expense

Our depreciation and amortization expense increased CLP 49.8 billion during 2013, as compared to 2012. This increase is primarily due to the net effect of (i) an increase due to accelerated depreciation as result of a change in our mobile strategy, as further discussed in note 6 to our consolidated financial statements, (ii) an increase associated with property and equipment additions related to the installation of customer premises equipment, the expansion and upgrade of our networks and other capital initiatives and (iii) a decrease associated with certain assets becoming fully depreciated.

Related-party fees and allocations

We recorded net related-party fees and allocations of CLP 1.8 billion and CLP 1.6 billion during 2013 and 2012, respectively.

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

Impairment, restructuring and other operating items, net

We recognized impairment, restructuring and other operating items, net, of CLP 46.4 billion during 2013, as compared to CLP 1.1 billion during 2012.

The 2013 amount primarily relates to restructuring charges that include (i) CLP 42.7 billion recorded by our mobile operations during the third and fourth quarters of 2013 as a result of the decision to cease commercial use of our mobile network, as further described in note 6 to our consolidated financial statements, and (ii) CLP 4.1 billion of employee severance and termination costs related to certain reorganization activities. The restructuring charges recorded by our mobile operations include the fair value of (a) the remaining payments due under certain tower and real estate operating leases of CLP 36.2 billion and (b) certain other required payments associated with the mobile network.

The 2012 amount is composed of various individually insignificant items.

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

Interest expense – third-party

Our third-party interest expense, which is primarily related to the VTR Wireless Bank Facility, increased CLP 2.5 billion during 2013, as compared to 2012. This increase is primarily attributable to the net effect of (i) a higher average outstanding debt balance and (ii) a lower weighted average interest rate. In January 2014, the VTR Wireless Bank Facility was repaid and cancelled and we entered into certain new third-party financing arrangements.

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

Interest expense – related-party

Our related-party interest expense primarily relates to the interest expense on the UPC Broadband France Loan and the UPC Chile Mobile Shareholder Loan. Our related-party interest expense remained relatively unchanged during 2013, as compared to 2012.

For additional information regarding the UPC Broadband France Loan and the UPC Chile Mobile Shareholder Loan, see note 7 to our consolidated financial statements.

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

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

	Year ended December 31,	
	2013	**2012**
	CLP in billions	
Cross-currency and interest rate derivative contracts (a)	7.6	(25.3)
Foreign currency forward contracts	0.6	(1.9)
Total	8.2	(27.2)

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(a) The gain during 2013 is primarily attributable to the net effect of (i) gains associated with a decrease in the value of the Chilean peso relative to the U.S. dollar and (ii) losses associated with decreases in market interest rates in the Chilean peso market. In addition, the gain during 2013 includes a net loss of CLP 0.6 billion resulting from changes in our credit risk valuation adjustments. The loss during 2012 is primarily attributable to the net effect of (i) losses associated with an increase in the value of the Chilean peso relative to the U.S. dollar and (ii) gains associated with increases in market interest rates in the Chilean peso market. In addition, the loss during 2012 includes a net loss of CLP 1.6 billion resulting from changes in our credit risk valuation adjustments.

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

Foreign currency transaction gains (losses), net

We recognized foreign currency transaction gains (losses), net, of (CLP 10.8 billion) and CLP 20.0 billion during 2013 and 2012, respectively.

Our foreign currency transaction gains or losses primarily result from the remeasurement of our U.S. dollar denominated debt instruments, which include the UPC Broadband France Loan and the UPC Chile Mobile Shareholder Loan during 2013 and 2012.

Other expense, net

We recognized other expense, net, of CLP 1.7 billion and CLP 1.8 billion during 2013 and 2012, respectively. Other expense, net, primarily includes our share of the net losses of our equity method affiliates during 2013 and 2012.

Income tax benefit

We recognized income tax benefit of CLP 9.2 billion and CLP 3.3 billion during 2013 and 2012, respectively.

The income tax benefit during 2013 approximates the expected income tax benefit of CLP 9.2 billion (based on the Dutch statutory income tax rate of 25.0%) as the positive impact of certain permanent differences between the financial and tax accounting treatment of price level adjustments were offset by the negative impacts of a lower statutory tax rate in Chile, as compared to the Netherlands.

The income tax benefit during 2012 differs from the expected income tax expense of CLP 8.6 billion (based on the Dutch statutory income tax rate of 25.0%) primarily due to the positive impacts of (i) a net decrease in valuation allowances, (ii) an increase in net deferred tax assets in Chile due to enacted changes in tax law, (iii) a lower statutory tax rate in Chile, as compared to the Netherlands and (iv) certain permanent differences between the financial and tax accounting treatment of price level adjustments.

For additional information regarding our income taxes, see note 8 to our consolidated financial statements.

Net earnings (loss)

During 2013 and 2012, we reported net earnings (loss) of (CLP 27.8 billion) and CLP 37.6 billion, respectively, including (i) operating income (loss) of (CLP 17.5 billion) and CLP 56.1 billion, respectively, (ii) non-operating expense of CLP 19.5 billion and CLP 21.8 billion, respectively, and (iii) income tax benefit of CLP 9.2 billion and CLP 3.3 billion, respectively.

Net loss (earnings) attributable to noncontrolling interests

Net loss attributable to noncontrolling interests was CLP 6.2 billion during 2013, as compared to net earnings attributable to noncontrolling interests of CLP 8.9 billion during 2012.

Liquidity and Capital Resources

Sources and Uses of Cash

At December 31, 2014, we had cash and cash equivalents of CLP 51.7 billion, substantially all of which was held by our subsidiaries. In addition to our existing cash and cash equivalents, the primary source of our liquidity is cash provided by operations and availability under the VTR Credit Facility, as further described in note 7 to our consolidated financial statements. From time to time, subsidiaries of Liberty Global may also agree to provide funding to VTR in the form of subordinated loans or equity contributions. VTR Finance's ability to access the liquidity of its subsidiaries may be limited by tax considerations and other factors.

Our liquidity is generally used to fund property and equipment additions and, to the extent applicable, debt service requirements. From time to time, we may also require cash in connection with (i) the repayment of any outstanding debt, (ii) distributions or loans to our owners, (iii) the satisfaction of contingencies or (iv) acquisitions and other investment opportunities.

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

Capitalization

Our ability to service or refinance our debt and to maintain compliance with the leverage covenants in the credit agreement of the VTR Credit Facility and the indenture for the VTR Finance Senior Secured Notes is dependent primarily on our ability to maintain or increase the operating cash flow of our operating subsidiaries 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 the leverage covenants contained in the VTR Credit Facility and the VTR Finance Senior Secured Notes instruments. In this regard, if our operating cash flow were to decline, we could be required to partially repay or limit our borrowings under the VTR Credit Facility or any then existing debt in order to maintain compliance with applicable covenants. No assurance can be given that we would have sufficient sources of liquidity, or that any funding would be available on favorable terms, or at all, to fund any such required repayment. The ability to access available borrowings under the VTR Credit Facility and/or our ability to complete additional financing transactions can also be impacted by the interplay of average and spot foreign currency rates with respect to leverage calculations under the credit agreement of the VTR Credit Facility and the indenture for the VTR Finance Senior Secured Notes. At December 31, 2014, we were in compliance with our debt covenants. In addition, 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, 2014, our outstanding consolidated debt and capital lease obligations aggregated CLP 850.0 billion, substantially all of which is due in 2024.

We believe that we have sufficient resources to fund our foreseeable liquidity requirements during the next 12 months. However, as our maturing debt grows 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 these refinancing transactions or otherwise extend our debt maturities. In this regard, it is not possible to predict how political and economic conditions, sovereign debt concerns or any adverse regulatory developments could impact the credit and equity markets we access and, accordingly, our future liquidity and financial position. However, (i) the financial failure of any of our counterparties could (a) reduce amounts available under our committed credit facility and (b) adversely impact our ability to access cash deposited with any failed financial institution and (ii) tightening of the credit markets could adversely impact our ability to access debt financing on favorable terms, or at all. 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 — 2014 compared to 2013

Summary. Our 2014 and 2013 consolidated statements of cash flows are summarized as follows:

	Year ended December 31,		
	2014	**2013**	**Change**
		CLP in billions	
Net cash provided by operating activities	120.5	116.7	3.8
Net cash used by investing activities	(97.1)	(103.0)	5.9
Net cash provided (used) by financing activities	(59.6)	51.9	(111.5)
Effect of exchange rate changes on cash	1.0	0.1	0.9
Net increase (decrease) in cash and cash equivalents	(35.2)	65.7	(100.9)

Operating Activities. The increase in net cash provided by our operating activities is primarily attributable to the net effect of (i) a decrease in cash due to higher cash payments for interest, (ii) an increase in cash provided by our operating cash flow and related working capital items and (iii) an increase in cash provided due to lower cash payments related to derivative instruments.

Investing Activities. The decrease in net cash used by our investing activities is primarily attributable to the net effect of (i) a decrease in cash used of CLP 10.1 billion related to lower capital expenditures and (ii) an increase in cash used of CLP 4.9 billion related to advances to another subsidiary of Liberty Global pursuant to the Lila Chile Note. For additional information regarding the Lila Chile Note, 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 lease arrangements. 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 the following discussion, we refer to (i) our capital expenditures as reported in our consolidated statements of cash flows, which exclude amounts financed under capital lease arrangements, and (ii) our total property and equipment additions, which include our capital expenditures on an accrual basis and amounts financed under capital lease arrangements.

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

	Year ended December 31,	
	2014	2013
	CLP in billions	
Property and equipment additions	111.7	92.9
Changes in current liabilities related to capital expenditures	(19.5)	9.4
Capital expenditures	92.2	102.3

The increase in our consolidated property and equipment additions is primarily due to increases in expenditures for (i) new build and upgrade projects, (ii) support capital, such as information technology upgrades and general support systems, and (iii) the purchase and installation of customer premises equipment. During 2014 and 2013, our consolidated property and equipment additions represented 21.8% and 19.0% of our revenue, respectively.

We expect the percentage of revenue represented by our aggregate 2015 consolidated property and equipment additions to range from 17% to 19%. The actual amount of our 2015 consolidated property and equipment additions may vary from expected amounts for a variety of reasons, including (i) changes in (a) the competitive or regulatory environment, (b) business plans, (c) our current or expected future operating results or (d) foreign currency exchange rates and (ii) the availability of sufficient capital . Accordingly, no assurance can be given that our actual property and equipment additions will not vary materially from our expectations.

Financing Activities. The increase in net cash provided by our financing activities is primarily attributable to the net effect of (i) an increase in cash of CLP 655.8 billion related to repayments of advances from related parties, (ii) a decrease in cash of CLP 240.6 billion related to the acquisition of Liberty Global shares that were used to complete the VTR NCI Acquisition, (iii) a decrease in cash of CLP 231.5 billion related to the repurchase of related-party debt, (iv) a decrease in cash of CLP 204.2 billion due to a change in the net amounts contributed from our parent, (v) a decrease in cash of CLP 62.0 billion related to higher net repayments of third-party debt and capital lease obligations, (vi) a decrease in cash of CLP 20.3 billion due to higher cash settlements of derivative instruments and (v) a decrease in cash of CLP 16.3 billion due to higher payments of financing costs.

Consolidated Statements of Cash Flows — 2013 compared to 2012

Summary. Our 2013 and 2012 consolidated statements of cash flows are summarized as follows:

	Year ended December 31,		
	2013	2012	Change
	CLP in billions		
Net cash provided by operating activities	116.7	88.7	28.0
Net cash used by investing activities	(103.0)	(109.3)	6.3
Net cash provided by financing activities	51.9	10.4	41.5
Effect of exchange rate changes on cash	0.1	0.6	(0.5)
Net increase (decrease) in cash and cash equivalents	65.7	(9.6)	75.3

Operating Activities. The increase in net cash provided by our operating activities is primarily attributable to the net effect of (i) an increase in the cash provided by our operating cash flow and related working capital items, (ii) a decrease in cash provided due to higher cash payments for taxes, (iii) a decrease in cash provided due to higher cash payments for interest and (iv) an increase in cash provided due to lower cash payments related to derivative instruments.

Investing Activities. The decrease in net cash used by our investing activities is primarily attributable to a decrease in cash used of CLP 6.2 billion related to lower capital expenditures.

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

	Year ended December 31, 2013	2012
	CLP in billions	
Property and equipment additions	92.9	118.5
Changes in current liabilities related to capital expenditures	9.4	(10.0)
Capital expenditures	102.3	108.5

The decrease in our property and equipment additions is primarily due to the net effect of (i) a decrease in expenditures related to the construction of our mobile network, (ii) a decrease in expenditures for the purchase and installation of customer premises equipment, (iii) a decrease in expenditures for new build and upgrade projects and (iv) an increase in expenditures for support capital, such as information technology upgrades and general support systems. During 2013 and 2012, our property and equipment additions represented 19.0% and 25.9% of our revenue, respectively.

Financing Activities. The increase in net cash provided by our financing activities is primarily attributable to the net effect of (i) an increase in cash provided of CLP 370.3 billion due to a change in the net amounts contributed from and distributed to our parent, (ii) a decrease in cash provided of CLP 315.9 billion associated with an advance made to our parent, (iii) a decrease in cash provided of CLP 12.3 billion related to lower net borrowings of third-party debt and capital lease obligations, (iv) a decrease in cash provided of CLP 4.8 billion associated with higher distributions to the NCI Owner and (v) an increase in cash provided of CLP 2.5 billion associated with higher contributions from the NCI Owner.

Guarantees and Other Enhancements

In the ordinary course of business, we may provide indemnifications to our lenders, our vendors and certain other parties and 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.

Contractual Commitments

The Chilean peso equivalents of our contractual commitments as of December 31, 2014 are presented below:

	Payments due during: 2015	2016	2017	2018	2019	Thereafter	Total
	CLP in billions						
Debt (excluding interest)	—	—	—	—	—	849.7	849.7
Capital leases (excluding interest)	0.2	0.1	—	—	—	—	0.3
Programming commitments	42.1	42.5	27.2	27.2	—	—	139.0
Network and connectivity commitments	19.8	17.8	16.2	17.5	14.3	—	85.6
Operating leases	9.7	9.6	9.6	9.6	8.6	10.8	57.9
Purchase commitments	5.2	2.9	—	—	—	—	8.1
Total (a)	77.0	72.9	53.0	54.3	22.9	860.5	1,140.6
Projected cash interest payments on debt and capital lease obligations (b)	58.4	58.4	58.4	58.4	58.4	236.1	528.1

(a) The commitments reflected in this table do not reflect any liabilities that are included in our December 31, 2014 consolidated balance sheet other than debt and capital lease obligations.

(b) Amounts are based on interest rates, interest payment dates and contractual maturities in effect as of December 31, 2014. 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 interest rate derivative contracts, deferred financing costs and commitment fees, all of which affect our overall cost of borrowing.

Programming commitments consist of obligations associated with certain of our programming contracts that are enforceable and legally binding on us in that we have agreed to pay minimum fees without regard to (i) the actual number of subscribers to the programming services or (ii) whether we terminate service to a portion of our subscribers or dispose of a portion of our distribution systems. In addition, programming commitments do not include increases in future periods associated with contractual inflation or other price adjustments that are not fixed. Accordingly, the amounts reflected in the above table with respect to these contracts are significantly less than the amounts we expect to pay in these periods under these contracts. Payments to programming vendors have in the past represented, and are expected to continue to represent in the future, a significant portion of our operating costs. In this regard, during 2014, 2013 and 2012, the third-party programming and copyright costs incurred by our broadband communications operations aggregated CLP 86.3 billion, CLP 77.4 billion and CLP 71.0 billion, respectively.

Network and connectivity commitments relate to our MVNO agreement. The amounts reflected in the table with respect to these commitments represent fixed minimum amounts payable under this agreement and, therefore, may be significantly less than the actual amounts we ultimately pay in these periods.

Purchase commitments include unconditional purchase obligations associated with commitments to purchase handset equipment that are enforceable and legally binding on us.

In addition to the commitments set forth in the table above, we have significant commitments under derivative instruments, pursuant to which we expect to make payments in future periods. For information regarding our derivative instruments, including the net cash paid or received in connection with these instruments during 2014, 2013 and 2012, 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, 2014. 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:						
	2015	**2016**	**2017**	**2018**	**2019**	**Thereafter**	**Total**
				CLP in billions			
Projected derivative cash payments (receipts), net:							
Interest-related (a)	25.1	25.2	25.1	25.1	25.1	62.9	188.5
Principal-related (b)	—	—		—	—	(89.3)	(89.3)
Total	25.1	25.2	25.1	25.1	25.1	(26.4)	99.2

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

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

Critical Accounting Policies, Judgments and Estimates

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

- Impairment of property and equipment and intangible assets (including goodwill);
- Costs associated with construction and installation activities;
- Useful lives of long-lived assets;
- Fair value measurements; and
- Income tax accounting.

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

Impairment of Property and Equipment and Intangible Assets

Carrying Value. The aggregate carrying value of our property and equipment and intangible assets (including goodwill) that were held for use comprised 65.4% of our total assets at December 31, 2014.

We review, when circumstances warrant, 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, among other items, (i) an expectation of a sale or disposal of a long-lived asset or asset group, (ii) adverse changes in market or competitive conditions, (iii) an adverse change in legal factors or business climate in the markets in which we operate and (iv) 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 (a) sale prices for similar assets, (b) discounted estimated future cash flows using an appropriate discount rate and/or (c) estimated replacement cost. Assets to be disposed of are carried at the lower of their financial statement 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 other facts and circumstances indicate that the carrying amounts of goodwill and other indefinite-lived intangible assets may not be recoverable. 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 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"). If the carrying value of a reporting unit were to exceed its fair value, we would then compare the implied fair value of the reporting unit's goodwill to its carrying amount, and any excess of the carrying amount over the fair value would be 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 of the indefinite-lived intangible asset is also charged to operations as an impairment loss.

When required, considerable management judgment is necessary to estimate the fair value of reporting units and underlying long-lived and indefinite-lived assets. We typically determine fair value using an income-based approach (discounted cash flows) based on assumptions in our long-range business plans and, in some cases, a combination of an income-based approach and a market-based 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, among other items, of subscriber growth and retention rates, rates charged per product, expected gross margin and operating cash flow 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 the risks inherent in the cash flows. Based on the results of our 2014 qualitative assessment of our reporting unit carrying value, we determined that it was more-likely-than-not that fair value exceeded carrying value for VTR. During the three years ended December 31, 2014, 2013 and 2012, we recorded no material impairments of our property and equipment and intangible assets (including goodwill).

If, among other factors, (i) our enterprise value or Liberty Global's equity value were to decline significantly or (ii) the adverse impacts of economic, competitive, regulatory or other factors were to cause our results of operations or cash flows to be worse than anticipated, we could conclude in future periods that impairment charges are required in order to reduce the carrying values of our goodwill and, to a lesser extent, other long-lived assets. Any such impairment charges could be significant.

Costs Associated with Construction and Installation Activities

We capitalize costs associated with the construction of new cable transmission and distribution facilities and the installation of new cable services. 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 customer locations where a drop already exists, disconnecting customer locations and repairing or maintaining drops, are expensed as incurred.

The nature and amount of labor and other costs to be capitalized with respect to construction and installation activities involves significant judgment. In addition to direct external and internal labor and materials, we also capitalize other costs directly attributable to our construction and installation activities, including vehicle-related costs and certain warehouse-related costs. 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.

Useful Lives of Long-Lived Assets

We depreciate our property and equipment on a straight-line basis over the estimated useful life of the underlying asset. The determination of the useful lives of property and equipment requires significant management judgment, based on factors such as the estimated physical lives of the assets, technological changes, changes in anticipated use, legal and economic factors, rebuild and equipment swap-out plans, and other factors. We regularly review whether changes to estimated useful lives are required in order to accurately reflect the economic use of our property and equipment and intangible assets with finite lives. Any changes to estimated useful lives are reflected prospectively. Depreciation and amortization expense during 2014, 2013 and 2012 was CLP 87.2 billion, CLP 142.9 billion and CLP 93.1 billion, respectively.

A 10% increase in the aggregate amount of the depreciation and amortization expense during 2014 would have resulted in a CLP 8.7 billion or 9.1% decrease in our 2014 operating income. In 2013, we reduced the useful lives of our network equipment. For additional information, see note 6 to our consolidated financial statements.

Fair Value Measurements

U.S. GAAP provides guidance with respect to the recurring and nonrecurring fair value measurements and 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.

Recurring Valuations. We perform recurring fair value measurements with respect to our derivative instruments carried at fair value. We use cash flow valuation models to determine the fair values of our interest rate and foreign currency derivative instruments. For a detailed discussion of the inputs we use to determine the fair value of our derivative instruments, see note 5 to our consolidated financial statements. See note 4 to our consolidated financial statements for information concerning our derivative instruments.

Changes in the fair values of our derivative instruments have had, and we believe will continue to have, a significant and volatile impact on our results of operations. During 2014, 2013 and 2012, our results of operations included net gains (losses) attributable to changes in the fair values of derivative instruments of CLP 30.7 billion, CLP 8.2 billion and (CLP 27.2 billion), respectively.

As further described in note 5 to our consolidated financial statements, actual amounts received or paid upon the settlement of our derivative instruments may differ materially from the recorded fair values at December 31, 2014.

Nonrecurring Valuations. Our nonrecurring valuations are primarily associated with (i) the application of acquisition accounting and (ii) impairment assessments, both of which require that we make fair value determinations as of the applicable valuation date. In making these determinations, we are required to make estimates and assumptions that affect the recorded amounts, including, but not limited to, expected future cash flows, market comparables and discount rates, remaining useful lives of long-lived assets, replacement or reproduction costs of property and equipment and the amounts to be recovered in future periods from acquired net operating losses and other deferred tax assets. To assist us in making these fair value determinations, we may engage third-party valuation specialists. Our estimates in this area impact, among other items, the amount of depreciation and amortization, impairment charges and income tax expense or benefit that we report. Our estimates of fair value are based upon assumptions we believe to be reasonable, but which are inherently uncertain. A significant portion of our long-lived assets were initially recorded through the application of acquisition accounting and all of our long-lived assets are subject to impairment assessments. For additional information, see notes 5 and 6 to our consolidated financial statements.

Income Tax Accounting

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

Net deferred tax assets are reduced by a valuation allowance if we believe it more-likely-than-not such net deferred tax assets will not be realized. Establishing or reducing a tax valuation allowance requires us to make assessments about the timing of future events, including the probability of expected future taxable income and available tax planning strategies. At December 31, 2014, the aggregate valuation allowance provided against deferred tax assets was CLP 7.2 billion. The actual amount of deferred income tax benefits realized in future periods will likely differ from the net deferred tax assets reflected in our December 31, 2014 consolidated balance sheet due to, among other factors, (i) possible future changes in income tax law or interpretations thereof in the jurisdictions in which we operate and (ii) differences between estimated and actual future taxable income. Any of such factors could have a material effect on our current and deferred tax positions as reported in our consolidated financial statements. A high degree of judgment is required to assess the impact of possible future outcomes on our current and deferred tax positions.

Tax laws in jurisdictions in which we have a presence are subject to varied interpretation, and many tax positions we take are subject to significant uncertainty regarding whether the position will be ultimately sustained after review by the relevant tax authority. We recognize the financial statement effects of a tax position when it is more-likely-than-not, based on technical merits, that the position will be sustained upon examination. The determination of whether the tax position meets the more-likely-than-not threshold requires a facts-based judgment using all information available. In a number of cases, we have concluded that the more-likely-than-not threshold is not met, and accordingly, the amount of tax benefit recognized in the consolidated financial statements is different than the amount taken or expected to be taken in our tax returns. As of December 31, 2014, we have not recorded unrecognized tax benefits for financial reporting purposes.

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

For additional information concerning our income taxes, see note 8 to our consolidated financial statements.