



## **VTR FINANCE N.V.**

**Condensed Consolidated Financial Statements  
September 30, 2021**

**VTR FINANCE N.V.  
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**VTR FINANCE N.V.**  
**TABLE OF CONTENTS**

|  | <u>Page<br/>Number</u> |
|--|------------------------|
| <b>CONDENSED CONSOLIDATED FINANCIAL STATEMENTS</b>   |                        |
| Condensed Consolidated Balance Sheets as of September 30, 2021 and December 31, 2020 (unaudited) .....   | <a href="#">1</a>      |
| Condensed Consolidated Statements of Operations for the Three and Nine Months Ended September 30, 2021 and 2020 (unaudited) .....                    | <a href="#">3</a>      |
| Condensed Consolidated Statements of Comprehensive Earnings (Loss) for the Three and Nine Months Ended September 30, 2021 and 2020 (unaudited) ..... | <a href="#">4</a>      |
| Condensed Consolidated Statements of Owner's Equity for the Three and Nine Months Ended September 30, 2021 and 2020 (unaudited) .....                | <a href="#">5</a>      |
| Condensed Consolidated Statements of Cash Flows for the Nine Months Ended September 30, 2021 and 2020 (unaudited) .....                              | <a href="#">6</a>      |
| Notes to Condensed Consolidated Financial Statements (unaudited) .....   | <a href="#">7</a>      |
| <b>MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</b> .....   | <a href="#">21</a>     |

## GLOSSARY OF DEFINED TERMS

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

|   |  |
|---|--|
| <b>2020 Annual Report</b> .....             | Annual Report for the year ended December 31, 2020   |
| <b>2028 VTR Finance Senior Notes</b> .....  | \$550 million principal amount of 6.375% senior notes due July 15, 2028 issued by VTR Finance N.V.   |
| <b>2028 VTR Senior Secured Notes</b> .....  | \$480 million principal amount of 5.125% senior secured notes due January 15, 2028 issued by VTR Comunicaciones SpA  |
| <b>2029 VTR Senior Secured Notes</b> .....  | \$410 million principal amount of 4.375% senior secured notes due April 15, 2029 issued by VTR Comunicaciones SpA  |
| <b>Adjusted OIBDA</b> .....                 | Operating income or loss before share-based compensation, depreciation, related-party fees and allocations, provisions and provision releases related to significant litigation and impairment, restructuring and other operating items. Other operating items include (i) gains and losses on the disposition of long-lived assets, (ii) third-party costs directly associated with successful and unsuccessful acquisitions and dispositions, including legal, advisory and due diligence fees, as applicable and (iii) other acquisition-related items, such as gains and losses on the settlement of contingent consideration. |
| <b>América Móvil</b> .....                  | América Móvil S.A.B. de C.V.   |
| <b>ARPU</b> .....                           | Average monthly subscription revenue per average fixed RGU or mobile subscriber, as applicable   |
| <b>ASU</b> .....                            | Accounting Standards Update  |
| <b>B2B</b> .....                            | Business-to-business   |
| <b>CIHB Note Receivable</b> .....           | CLP 372 billion long-term, interest bearing note receivable between VTR Finance and LLA UK Holding Ltd. (formerly known as Liberty Global CIHB Ltd) entered into during 2019. The note bears interest at 6.7% and matures on December 26, 2029.  |
| <b>CLP</b> .....                            | Chilean peso   |
| <b>Chile JV</b> .....                       | Defined as the pending formation of a joint venture between Liberty Latin America and América Móvil that will be 50:50 owned by each investee  |
| <b>Chile JV Entities</b> .....              | Represents the entities that will be contributed to the Chile JV upon closing, consisting of Lila Chile Holding B.V., and its subsidiaries, which include VTR Finance and combine each investee's Chilean operations (as further described in note 1 to the condensed consolidated financial statements)   |
| <b>CPE</b> .....                            | Customer premises equipment  |
| <b>FASB</b> .....                           | Financial Accounting Standards Board   |
| <b>FX</b> .....                             | Foreign currency translation effects   |
| <b>LCRH Long-Term Note Receivable</b> ..... | \$108 million (CLP 74 billion at the transaction date) note receivable between VTR Finance and Liberty Costa Rica Holdings Ltd. entered into during 2018. The note bears interest at 9.9% and matures on May 23, 2023.   |
| <b>LIBOR</b> .....                          | London Inter-Bank Offered Rate   |
| <b>Liberty Latin America</b> .....          | Liberty Latin America Ltd.   |
| <b>LCH Note Receivable</b> .....            | \$97 million (CLP 77 billion at the October 7, 2020 transaction rate) short-term note receivable with our parent, Lila Chile Holding B.V. The note bears interest at 2.8% and matures on October 8, 2021. Effective October 5, 2021, the terms of this note were amended, such that the note bears interest at 2.6% and matures on October 5, 2023. In addition, on October 5, 2021, Lila Chile Holding B.V. we loaned an additional \$21 million (CLP 17 billion) on the note.  |
| <b>MVNO</b> .....                           | Mobile virtual network operator  |
| <b>ODECU</b> .....                          | La Organización de Consumidores y Usuarios de Chile  |
| <b>RGU</b> .....                            | Revenue generating unit  |
| <b>SERNAC</b> .....                         | Servicio Nacional del Consumidor (the Chilean National Consumer Authority)   |
| <b>TAB</b> .....                            | Tasa Activa Bancaria interest rate   |
| <b>U.K.</b> .....                           | United Kingdom   |
| <b>U.S.</b> .....                           | United States  |
| <b>U.S. GAAP</b> .....                      | Generally accepted accounting principles in the United States  |

## GLOSSARY OF DEFINED TERMS

|  |  |
|--|--|
| <b>VTR Credit Facilities</b> .....           | Senior secured credit facilities comprising: (i) VTR RCF – A; (ii) VTR RCF – B; and (iii) at December 31, 2020, the VTR TLB-1 and VTR TLB-2 facilities |
| <b>VTR Finance</b> .....                     | VTR Finance N.V., formerly known as VTR Finance B.V.   |
| <b>VTR Notes</b> .....                       | Comprises (i) 2028 VTR Finance Senior Notes, (ii) 2028 VTR Senior Secured Notes and (iii) 2029 VTR Senior Secured Notes.                               |
| <b>VTR Revolving Credit Facilities</b> ..... | Comprises (i) VTR RCF – A and (ii) VTR RCF – B   |
| <b>VTR RCF - A</b> .....                     | CLP 45 billion TAB + 3.35% revolving credit facility due June 15, 2026   |
| <b>VTR RCF - B</b> .....                     | \$200 million LIBOR + 2.75% revolving credit facility due June 15, 2026  |
| <b>VTR TLB-1 Facility</b> .....              | CLP 141 billion principal amount of ICP +3.8% term loan facility (repaid during 2021)  |
| <b>VTR TLB-2 Facility</b> .....              | CLP 33 billion principal amount of 7% term loan facility (repaid during 2021)  |

**VTR FINANCE N.V.**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
**(unaudited)**

|   | <b>September 30,<br/>2021</b> | <b>December 31,<br/>2020</b> |
|---|-------------------------------|------------------------------|
|   | <b>CLP in billions</b>        |                              |
| <b>ASSETS</b>   |                               |                              |
| Current assets:   |                               |                              |
| Cash and cash equivalents .....   | 142.1                         | 52.8                         |
| Trade receivables, net of allowances of CLP 7.9 billion and CLP 12.0 billion, respectively .... | 65.1                          | 67.0                         |
| Prepaid expenses .....  | 4.9                           | 4.6                          |
| Current note receivable - related-party .....   | —                             | 75.1                         |
| Current interest receivable - related party .....   | 22.0                          | 25.8                         |
| Income tax receivable .....   | 0.3                           | 19.0                         |
| Other current assets, net .....   | 34.3                          | 18.4                         |
| Total current assets .....  | 268.7                         | 262.7                        |
| Property and equipment, net .....   | 551.6                         | 537.4                        |
| Goodwill .....  | 266.7                         | 266.7                        |
| Long-term notes receivable - related-party .....  | 477.1                         | 451.7                        |
| Derivative instruments .....  | 163.4                         | 1.9                          |
| Other assets, net .....   | 39.7                          | 60.2                         |
| Total assets .....  | 1,767.2                       | 1,580.6                      |

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

**VTR FINANCE N.V.**  
**CONDENSED CONSOLIDATED BALANCE SHEETS – (Continued)**  
**(unaudited)**

|  | <u>September 30,<br/>2021</u> | <u>December 31,<br/>2020</u> |
|--|-------------------------------|------------------------------|
|  | <b>CLP in billions</b>        |                              |
| <b>LIABILITIES AND OWNER'S EQUITY</b>                        |                               |                              |
| Current liabilities:   |                               |                              |
| Accounts payable .....                                       | 92.6                          | 90.5                         |
| Deferred revenue .....                                       | 23.0                          | 24.5                         |
| Current portion of debt .....                                | 70.0                          | 70.9                         |
| Accrued interest .....                                       | 18.7                          | 24.9                         |
| Accrued programming .....                                    | 28.1                          | 23.9                         |
| Current derivative liabilities .....                         | 17.0                          | 21.0                         |
| Other accrued and current liabilities .....                  | 69.4                          | 66.5                         |
| Total current liabilities .....                              | 318.8                         | 322.2                        |
| Long-term debt .....   | 1,147.1                       | 976.4                        |
| Long-term derivative liabilities .....                       | 1.1                           | 156.3                        |
| Other long-term liabilities .....                            | 31.2                          | 11.8                         |
| Total liabilities .....                                      | 1,498.2                       | 1,466.7                      |
| Commitments and contingencies                                |                               |                              |
| Owner's equity:  |                               |                              |
| Accumulated net contributions .....                          | 15.8                          | 15.5                         |
| Accumulated earnings .....                                   | 228.3                         | 85.0                         |
| Accumulated other comprehensive earnings, net of taxes ..... | 24.9                          | 13.4                         |
| Total owner's equity .....                                   | 269.0                         | 113.9                        |
| Total liabilities and owner's equity .....                   | 1,767.2                       | 1,580.6                      |

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

**VTR FINANCE N.V.**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
**(unaudited)**

|   | Three months ended<br>September 30, |        | Nine months ended<br>September 30, |         |
|---|-------------------------------------|--------|------------------------------------|---------|
|   | 2021                                | 2020   | 2021                               | 2020    |
|   | <b>CLP in billions</b>              |        |                                    |         |
| Revenue .....   | 149.1                               | 157.6  | 451.3                              | 482.0   |
| Operating costs and expenses (exclusive of depreciation, shown separately below): |                                     |        |                                    |         |
| Programming and other direct costs of services .....                              | 44.0                                | 41.1   | 132.6                              | 127.7   |
| Other operating costs and expenses .....  | 58.1                                | 56.4   | 174.2                              | 173.1   |
| Related-party fees and allocations .....  | 4.3                                 | 4.0    | 6.9                                | 9.7     |
| Depreciation .....  | 31.6                                | 36.6   | 101.9                              | 96.1    |
| Impairment, restructuring and other operating items, net .....                    | 4.0                                 | 0.5    | 9.9                                | 3.5     |
|   | 142.0                               | 138.6  | 425.5                              | 410.1   |
| Operating income .....  | 7.1                                 | 19.0   | 25.8                               | 71.9    |
| Non-operating income (expense):   |                                     |        |                                    |         |
| Interest expense .....  | (17.6)                              | (18.3) | (49.5)                             | (63.9)  |
| Interest income - related party .....   | 7.4                                 | 8.6    | 26.2                               | 25.8    |
| Realized and unrealized gains (losses) on derivative instruments, net .....       | 232.5                               | (53.0) | 309.1                              | (13.2)  |
| Foreign currency transaction gains (losses), net .....                            | (98.2)                              | 32.5   | (127.5)                            | (42.5)  |
| Losses on debt extinguishment .....   | (1.5)                               | (33.9) | (8.1)                              | (33.9)  |
| Other income (expense), net .....   | (0.1)                               | (0.2)  | 0.1                                | 0.3     |
|   | 122.5                               | (64.3) | 150.3                              | (127.4) |
| Earnings (loss) before income taxes .....   | 129.6                               | (45.3) | 176.1                              | (55.5)  |
| Income tax benefit (expense) .....  | (21.5)                              | 8.1    | (32.8)                             | 13.8    |
| Net earnings (loss) .....   | 108.1                               | (37.2) | 143.3                              | (41.7)  |

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

**VTR FINANCE N.V.**  
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE EARNINGS (LOSS)**  
**(unaudited)**

|  | Three months ended<br>September 30, |        | Nine months ended<br>September 30, |        |
|--|-------------------------------------|--------|------------------------------------|--------|
|  | 2021                                | 2020   | 2021                               | 2020   |
| CLP in billions  |                                     |        |                                    |        |
| Net earnings (loss) .....  | 108.1                               | (37.2) | 143.3                              | (41.7) |
| Other comprehensive earnings (loss), net of taxes:                 |                                     |        |                                    |        |
| Unrealized gains (loss) on cash flow hedges .....                  | 7.6                                 | (1.6)  | 9.7                                | 0.9    |
| Reclassification adjustments included in net earnings (loss) ..... | (0.1)                               | 0.4    | 1.8                                | (2.1)  |
| Other comprehensive earnings (loss) .....                          | 7.5                                 | (1.2)  | 11.5                               | (1.2)  |
| Comprehensive earnings (loss) .....                                | 115.6                               | (38.4) | 154.8                              | (42.9) |

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

**VTR FINANCE N.V.**  
**CONDENSED CONSOLIDATED STATEMENTS OF OWNER'S EQUITY**  
**(unaudited)**

|   | <u>Accumulated<br/>net<br/>contributions</u> | <u>Accumulated<br/>earnings</u> | <u>Accumulated other<br/>comprehensive<br/>earnings, net of<br/>taxes</u> | <u>Total owner's<br/>equity</u> |
|---|--|---------------------------------|---|---------------------------------|
|   | CLP in billions                              |                                 |   |                                 |
| Balance at July 1, 2020 .....   | 14.9   | 130.1                           | 17.6  | 162.6                           |
| Net loss .....  | —  | (37.2)                          | —   | (37.2)                          |
| Other comprehensive loss .....  | —  | —                               | (1.2)   | (1.2)                           |
| Excess of the consideration received over the carrying value of property and equipment transferred to entities under common control ..... | 0.5  | —                               | —   | 0.5                             |
| Balance at September 30, 2020 .....   | <u>15.4</u>                                  | <u>92.9</u>                     | <u>16.4</u>   | <u>124.7</u>                    |
| Balance at January 1, 2020 .....  | 14.8   | 134.6                           | 17.6  | 167.0                           |
| Net loss .....  | —  | (41.7)                          | —   | (41.7)                          |
| Other comprehensive loss .....  | —  | —                               | (1.2)   | (1.2)                           |
| Excess of the consideration received over the carrying value of property and equipment transferred to entities under common control ..... | 0.6  | —                               | —   | 0.6                             |
| Balance at September 30, 2020 .....   | <u>15.4</u>                                  | <u>92.9</u>                     | <u>16.4</u>   | <u>124.7</u>                    |
| Balance at July 1, 2021 .....   | 15.7   | 120.2                           | 17.4  | 153.3                           |
| Net earnings .....  | —  | 108.1                           | —   | 108.1                           |
| Other comprehensive earnings .....  | —  | —                               | 7.5   | 7.5                             |
| Excess of the consideration received over the carrying value of property and equipment transferred to entities under common control ..... | 0.1  | —                               | —   | 0.1                             |
| Balance at September 30, 2021 .....   | <u>15.8</u>                                  | <u>228.3</u>                    | <u>24.9</u>   | <u>269.0</u>                    |
| Balance at January 1, 2021 .....  | 15.5   | 85.0                            | 13.4  | 113.9                           |
| Net earnings .....  | —  | 143.3                           | —   | 143.3                           |
| Other comprehensive earnings .....  | —  | —                               | 11.5  | 11.5                            |
| Excess of the consideration received over the carrying value of property and equipment transferred to entities under common control ..... | 0.3  | —                               | —   | 0.3                             |
| Balance at September 30, 2021 .....   | <u>15.8</u>                                  | <u>228.3</u>                    | <u>24.9</u>   | <u>269.0</u>                    |

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

**VTR FINANCE N.V.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(unaudited)**

|  | <b>Nine months ended<br/>September 30,</b> |               |
|--|--|---------------|
|  | <b>2021</b>                                | <b>2020</b>   |
|  | <b>CLP in billions</b>                     |               |
| <b>Cash flows from operating activities:</b>   |  |               |
| Net earnings (loss) .....  | 143.3                                      | (41.7)        |
| Adjustments to reconcile net earnings (loss) to net cash provided by operating activities: |  |               |
| Depreciation .....   | 101.9                                      | 96.1          |
| Impairment .....   | 0.2  | 0.5           |
| Amortization of deferred financing costs .....   | 1.8  | 2.4           |
| Realized and unrealized (gains) losses on derivative instruments, net .....                | (309.1)                                    | 13.2          |
| Foreign currency transaction losses, net .....   | 127.5                                      | 42.5          |
| Losses on debt extinguishment .....  | 8.1  | 33.9          |
| Deferred income tax expense (benefit) .....  | 33.5                                       | (11.3)        |
| Changes in operating assets and liabilities .....  | (7.4)                                      | (7.4)         |
| Net cash provided by operating activities .....  | <u>99.8</u>                                | <u>128.2</u>  |
| <b>Cash flows from investing activities:</b>   |  |               |
| Capital expenditures .....   | (100.4)                                    | (90.8)        |
| Proceeds received from related parties .....   | 83.5                                       | 0.4           |
| Other investing activities .....   | 0.1  | 1.1           |
| Net cash used by investing activities .....  | <u>(16.8)</u>                              | <u>(89.3)</u> |
| <b>Cash flows from financing activities:</b>   |  |               |
| Borrowings of debt .....   | 289.0                                      | 601.4         |
| Payments of principal amounts of debt .....  | (270.2)                                    | (711.6)       |
| Payment of financing costs and debt redemption premiums .....                              | (11.9)                                     | (39.6)        |
| Net cash received (paid) related to derivative instruments .....                           | (7.9)                                      | 147.2         |
| Net cash used by financing activities .....  | <u>(1.0)</u>                               | <u>(2.6)</u>  |
| Effect of exchange rate changes on cash .....  | 7.3  | (1.4)         |
| Net increase in cash and cash equivalents .....  | 89.3                                       | 34.9          |
| <b>Cash and cash equivalents:</b>  |  |               |
| Beginning of period .....  | <u>52.8</u>                                | <u>92.2</u>   |
| End of period .....  | <u>142.1</u>                               | <u>127.1</u>  |
| Cash paid for interest .....   | <u>55.3</u>                                | <u>75.4</u>   |
| Net cash paid (received) for taxes .....   | <u>(26.5)</u>                              | <u>3.3</u>    |

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

**VTR FINANCE N.V.**  
**Notes to Condensed Consolidated Financial Statements**  
**September 30, 2021**  
**(unaudited)**

**(1) Basis of Presentation**

See the Glossary of defined terms at the beginning of this quarterly report for terms used throughout the condensed consolidated financial statements and related notes.

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

Our unaudited condensed consolidated financial statements have been prepared in accordance with U.S. GAAP for interim financial information. Accordingly, these financial statements do not include all of the information required by U.S. GAAP for complete financial statements. In the opinion of management, these financial statements reflect all adjustments (consisting of normal recurring adjustments) necessary for a fair presentation of the results of operations for the interim periods presented. The results of operations for any interim period are not necessarily indicative of results for the full year. These unaudited condensed consolidated financial statements should be read in conjunction with our consolidated financial statements and notes thereto included in our 2020 Annual Report.

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, expected credit losses, programming and copyright expenses, deferred income taxes and related valuation allowances, loss contingencies, fair value measurements, impairment assessments, capitalization of internal costs associated with construction and installation activities and useful lives of long-lived assets. Actual results could differ from those estimates.

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

Our functional currency is the CLP.

These unaudited condensed consolidated financial statements reflect our consideration of the accounting and disclosure implications of subsequent events through November 29, 2021, the date of issuance.

**(2) Recent Accounting Pronouncements**

*General*

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

*ASU 2020-04 and ASU 2021-01*

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

**VTR FINANCE N.V.**  
**Notes to Condensed Consolidated Financial Statements – (Continued)**  
**September 30, 2021**  
**(unaudited)**

**(3) Current Expected Credit Losses**

The changes in our trade receivables allowance for credit losses are set forth below (CLP in billions):

|                                      | <b>Nine months ended<br/>September 30,</b> |             |
|--------------------------------------|--|-------------|
|                                      | <b>2021</b>                                | <b>2020</b> |
| Balance at beginning of period ..... | 12.0                                       | 9.4         |
| Provision for expected losses .....  | 6.1  | 9.9         |
| Write-offs .....                     | (10.2)                                     | (7.4)       |
| Balance at end of period .....       | 7.9  | 11.9        |

**(4) Derivative Instruments**

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

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

|  | <b>September 30, 2021</b> |                  |              | <b>December 31, 2020</b> |                  |              |
|--|---------------------------|------------------|--------------|--------------------------|------------------|--------------|
|  | <b>Current (a)</b>        | <b>Long-term</b> | <b>Total</b> | <b>Current (a)</b>       | <b>Long-term</b> | <b>Total</b> |
| <b>CLP in billions</b>   |                           |                  |              |                          |                  |              |
| <b>Assets:</b>   |                           |                  |              |                          |                  |              |
| Cross-currency derivative contracts (b)....                            | —                         | 159.1            | 159.1        | 0.5                      | 1.9              | 2.4          |
| Foreign currency forward contracts .....                               | 13.6                      | 4.3              | 17.9         | —                        | —                | —            |
| Total .....  | 13.6                      | 163.4            | 177.0        | 0.5                      | 1.9              | 2.4          |
| <b>Liabilities:</b>  |                           |                  |              |                          |                  |              |
| Cross-currency and interest rate<br>derivative contracts (b) (c) ..... | 17.0                      | 1.1              | 18.1         | 7.7                      | 156.3            | 164.0        |
| Foreign currency forward contracts .....                               | —                         | —                | —            | 13.3                     | —                | 13.3         |
| Total .....  | 17.0                      | 1.1              | 18.1         | 21.0                     | 156.3            | 177.3        |

- (a) Our current derivative assets are included in other current assets, net in our condensed consolidated balance sheets.
- (b) We consider credit risk relating to our and our counterparties' nonperformance in the fair value assessment of our derivative instruments. In all cases, the adjustments take into account offsetting liability or asset positions and are recorded in realized and unrealized gains (losses) on derivative instruments, net, in our condensed consolidated statements of operations. For further information regarding our fair value measurements, see note 5.
- (c) At September 30, 2021, we had not entered into any interest rate derivative contracts.

**VTR FINANCE N.V.**  
**Notes to Condensed Consolidated Financial Statements – (Continued)**  
**September 30, 2021**  
**(unaudited)**

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

|  | <b>Three months ended<br/>September 30,</b> |               | <b>Nine months ended<br/>September 30,</b> |               |
|--|---|---------------|--|---------------|
|  | <b>2021</b>                                 | <b>2020</b>   | <b>2021</b>                                | <b>2020</b>   |
| <b>CLP in billions</b>   |   |               |  |               |
| Cross-currency and interest rate derivative contracts (a) (b)..... | 220.2                                       | (51.3)        | 293.2                                      | (18.4)        |
| Foreign currency forward contracts .....                           | 12.3  | (1.7)         | 15.9                                       | 5.2           |
| <b>Total .....</b>   | <b>232.5</b>                                | <b>(53.0)</b> | <b>309.1</b>                               | <b>(13.2)</b> |

- (a) Changes in the credit risk valuation adjustments associated with our cross-currency and interest rate derivative contracts resulted in net gains (losses) of (CLP 9 billion) and CLP 10 billion during the three months ended September 30, 2021 and 2020, respectively, and net gains (losses) of (CLP 21 billion) and CLP 9 billion during the nine months ended September 30, 2021 and 2020, respectively.
- (b) The losses for the nine months ended September 30, 2020 include a realized gain of CLP 58 billion associated with the settlement of certain cross-currency interest rate swaps at VTR in June 2020 that were unwound in connection with the refinancing of certain VTR debt in 2020.

At September 30, 2021, our accumulated other comprehensive earnings, net of taxes, includes CLP 8 billion of deferred net gains on derivative instruments to which we apply hedge accounting. We generally expect any such deferred gains or losses to be reclassified to operating income or loss in our condensed consolidated statement of operations within the next 12 months.

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

|                                | <b>Nine months ended<br/>September 30,</b> |              |
|--------------------------------|--|--------------|
|                                | <b>2021</b>                                | <b>2020</b>  |
| <b>CLP in billions</b>         |  |              |
| Operating activities .....     | (5.9)                                      | 16.3         |
| Investing activities (a) ..... | (1.2)                                      | 6.0          |
| Financing activities (b) ..... | (7.9)                                      | 147.2        |
| <b>Total .....</b>             | <b>(15.0)</b>                              | <b>169.5</b> |

- (a) Amounts relate to foreign currency forward contracts that are used to hedge the purchase of capital expenditures denominated in U.S. dollars.
- (b) The 2021 amount is related to the settlement of our interest rate swaps in connection with the refinancing of the VTR Credit Facilities that occurred during the first quarter of 2021. The 2020 amount is related to the settlement of certain cross-currency interest rate swaps. For additional information regarding our debt refinancing activity, see note 7.

***Counterparty Credit Risk***

We are exposed to the risk that the counterparties to our derivative instruments will default on their obligations to us. We manage these credit risks through the evaluation and monitoring of the creditworthiness of, and concentration of risk with, the respective counterparties. In this regard, credit risk associated with our derivative instruments is spread across a relatively broad counterparty base of banks and financial institutions. Collateral has not been posted by either party under our derivative instruments. At September 30, 2021, our exposure to counterparty credit risk included derivative assets with an aggregate fair value of CLP 159 billion.

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

**VTR FINANCE N.V.**  
**Notes to Condensed Consolidated Financial Statements – (Continued)**  
**September 30, 2021**  
**(unaudited)**

***Details of our Derivative Instruments***

***Cross-currency Derivative Contracts***

As noted above, we are exposed to foreign currency exchange rate risk in situations where our debt is denominated in a currency other than the Chilean peso (unmatched debt). Our policy is generally to provide for an economic hedge against foreign currency exchange rate movements, whenever possible and when cost effective to do so, by using derivative instruments to synthetically convert unmatched debt into Chilean pesos. At September 30, 2021, our cross-currency swap contracts were accruing interest on total notional amounts due from and to counterparties of \$1,380 million and CLP 1,097 billion, respectively, with a weighted average remaining contractual life of 5.0 years.

***Foreign Currency Forwards Contracts***

We enter into foreign currency forward contracts with respect to non-functional currency exposure. At September 30, 2021, our foreign currency forward contracts had total notional amounts due from and to counterparties of \$213 million and CLP 158 billion, respectively, with a weighted average remaining contractual life of 0.6 years.

**(5) Fair Value Measurements**

***General***

We record our derivative instruments at fair value. The reported fair values of our derivative instruments as of September 30, 2021 likely will not represent the value that will be paid or received upon the ultimate settlement or disposition of these assets and liabilities, as we expect that the values realized generally will be based on market conditions at the time of settlement, which may occur at the maturity of the derivative instrument or at the time of the repayment or refinancing of the underlying debt instrument.

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

***Recurring Fair Value Measurements - Derivatives***

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

***Nonrecurring Fair Value Measurements***

Fair value measurements are also used for purposes of nonrecurring valuations performed in connection with acquisition accounting and impairment assessments. We did not perform any significant nonrecurring fair value measurements related to these assessments during the nine months ended September 30, 2021.

**VTR FINANCE N.V.**  
**Notes to Condensed Consolidated Financial Statements – (Continued)**  
**September 30, 2021**  
**(unaudited)**

**(6) Long-lived Assets**

***Property and Equipment, Net***

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

|   | September 30,<br>2021 | December 31,<br>2020 |
|---|-----------------------|----------------------|
| CLP in billions                             |                       |                      |
| Distribution systems .....                  | 700.2                 | 643.9                |
| CPE .....                                   | 766.4                 | 716.1                |
| Support equipment, buildings and land ..... | 256.2                 | 311.9                |
|   | 1,722.8               | 1,671.9              |
| Accumulated depreciation .....              | (1,171.2)             | (1,134.5)            |
| <b>Total</b> .....                          | <b>551.6</b>          | <b>537.4</b>         |

We recorded non-cash increases of CLP 17 billion and CLP 20 billion to our property and equipment related to vendor financing arrangements during the nine months ended September 30, 2021 and 2020, respectively.

***Goodwill***

Based on the results of our prior-year goodwill impairment test, if, among other factors, (i) Liberty Latin America's equity values were to decline significantly, (ii) our enterprise value was to decline, or (iii) the adverse impacts stemming from COVID-19, competition, economic, regulatory or other factors, including macro-economic and demographic trends, cause our results of operations or cash flows to be worse than currently anticipated, we could conclude in future periods that impairment charges are required in order to reduce the carrying value of goodwill. Any such impairment charges could be significant.

**(7) Debt**

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

|   | September 30, 2021                          |                                 | Estimated fair value (b) |                      | Principal amount      |                      |
|---|---|---------------------------------|--------------------------|----------------------|-----------------------|----------------------|
|   | Weighted<br>average<br>interest<br>rate (a) | Unused<br>borrowing<br>capacity | September 30,<br>2021    | December 31,<br>2020 | September 30,<br>2021 | December 31,<br>2020 |
| CLP in billions                                     |   |                                 |                          |                      |                       |                      |
| Parent - 2028 VTR Finance Senior<br>Notes .....     | 6.38 %                                      | —                               | 480.0                    | 427.4                | 445.7                 | 391.5                |
| Subsidiaries:                                       |   |                                 |                          |                      |                       |                      |
| 2028 VTR Senior Secured Notes .....                 | 5.13 %                                      | —                               | 412.4                    | 455.0                | 388.9                 | 427.1                |
| 2029 VTR Senior Secured Notes .....                 | 4.38 %                                      | —                               | 341.6                    | —                    | 332.2                 | —                    |
| VTR Credit Facilities (c) .....                     | — %   | 207.1                           | —                        | 173.5                | —                     | 174.0                |
| Vendor financing (d) .....                          | 2.49 %                                      | —                               | 70.0                     | 70.9                 | 70.0                  | 70.9                 |
| Total debt before deferred financing<br>costs ..... | 5.22 %                                      | 207.1                           | 1,304.0                  | 1,126.8              | 1,236.8               | 1,063.5              |

**VTR FINANCE N.V.**  
**Notes to Condensed Consolidated Financial Statements – (Continued)**  
**September 30, 2021**  
**(unaudited)**

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

|  | <u>September 30,<br/>2021</u> | <u>December 31,<br/>2020</u> |
|--|-------------------------------|------------------------------|
|  | CLP in billions               |                              |
| Total debt before deferred financing costs ..... | 1,236.8                       | 1,063.5                      |
| Deferred financing costs .....                   | (19.7)                        | (16.2)                       |
| Total carrying amount of debt .....              | 1,217.1                       | 1,047.3                      |
| Less: Current maturities of debt .....           | (70.0)                        | (70.9)                       |
| Long-term debt .....                             | <u>1,147.1</u>                | <u>976.4</u>                 |

- (a) Represents the weighted average interest rate in effect at September 30, 2021 for all borrowings outstanding pursuant to each debt instrument, including any applicable margin. The interest rates presented represent stated rates and do not include the impact of derivative instruments, deferred financing costs, or commitment fees, all of which affect our overall cost of borrowing.
- (b) The estimated fair values of our debt instruments are determined using the average of applicable bid prices (mostly Level 1 of the fair value hierarchy). For additional information concerning fair value hierarchies, see note 5.
- (c) The VTR Credit Facilities comprise U.S. dollar and CLP revolving credit facilities. Unused borrowing capacity represents the maximum availability under the VTR Credit Facilities at September 30, 2021 without regard to covenant compliance calculations or other conditions precedent to borrowing. At September 30, 2021, the full amount of unused borrowing capacity was available to be borrowed under the VTR Credit Facilities both before and after completion of the September 30, 2021 compliance reporting requirements.
- (d) Represents amounts owed pursuant to interest-bearing vendor financing arrangements that are used to finance certain of our operating expenses and property and equipment additions. These obligations are generally due within one year and include value-added taxes that were paid on our behalf by the vendor. Our operating expenses include CLP 32 billion and CLP 35 billion for the nine months ended September 30, 2021 and 2020, respectively, that were financed by an intermediary and are reflected on the borrowing date as a cash outflow within net cash provided by operating activities and a cash inflow within net cash used by financing activities in our condensed consolidated statements of cash flows. Repayments of vendor financing obligations are included in payments of principal amounts of debt in our condensed consolidated statements of cash flows.

**Financing Activity**

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

| Instrument                          | Issued at | Maturity       | Interest rate | Borrowing          |                    | Non-cash component (b) |
|-------------------------------------|-----------|----------------|---------------|--------------------|--------------------|------------------------|
|                                     |           |                |               | Borrowing Currency | CLP equivalent (a) |                        |
| in billions                         |           |                |               |                    |                    |                        |
| 2029 VTR Senior Secured Notes ..... | 100%      | April 15, 2029 | 4.375%        | \$ 0.4             | CLP 294.1          | CLP 43.0               |
| VTR RCF – A .....                   | N/A       | June 15, 2026  | TAB + 3.35%   | \$ —               | —                  | —                      |

N/A — Not applicable.

- (a) Translated at the transaction date.
- (b) Represents the non-cash component of the financing, if any. Non-cash activity relates to cash borrowed that did not pass through our bank accounts, as financing proceeds from the issuance of debt were used to directly repay some or all of outstanding debt instruments.

**VTR FINANCE N.V.**  
**Notes to Condensed Consolidated Financial Statements – (Continued)**  
**September 30, 2021**  
**(unaudited)**

During 2021, we made repayments on the following debt instruments:

| Instrument                              | Redemption price | Principal amount repaid |                    |     |       | Non-cash component (b) | Loss on debt extinguishment |
|---|------------------|-------------------------|--------------------|-----|-------|------------------------|-----------------------------|
|   |                  | Borrowing currency      | CLP equivalent (a) |     |       |                        |                             |
| in billions                             |                  |                         |                    |     |       |                        |                             |
| 2028 VTR Senior Secured Notes (c) ..... | 103%             | \$                      | 0.1                | CLP | 87.8  | CLP 43.0               | CLP 3.1                     |
| VTR TLB-1 Facility .....                | 100%             | CLP                     | 140.9              | CLP | 140.9 | —                      | CLP 4.1                     |
| VTR TLB-2 Facility .....                | 100%             | CLP                     | 33.1               | CLP | 33.1  | —                      | CLP 0.9                     |

- (a) Translated at the transaction date, if applicable.
- (b) Represents the non-cash component of the repayment, if any. Non-cash activity relates to cash repayments that did not pass through our bank accounts, as financing proceeds from the issuance of debt were used to directly repay some or all of outstanding debt instruments.
- (c) In July 2021, we redeemed \$60 million (CLP 45 billion at the transaction date) of aggregate principal amount of the 2028 VTR Senior Secured Notes. In connection with this redemption, associated cross-currency swap contracts were amended such that the principal amount of outstanding VTR Notes are fully hedged from \$1.4 billion into CLP 1,145 billion.

***Maturities of Debt***

Maturities of our debt as of September 30, 2021 are presented below. Amounts presented below represent the CLP equivalents (in billions) based on September 30, 2021 exchange rates:

|                                |                |
|--------------------------------|----------------|
| Years ending December 31:      |                |
| 2021 (remainder of year) ..... | 17.7           |
| 2022 .....                     | 52.3           |
| 2023 .....                     | —              |
| 2024 .....                     | —              |
| 2025 .....                     | —              |
| 2026 .....                     | —              |
| Thereafter .....               | 1,166.8        |
| Total debt maturities .....    | <u>1,236.8</u> |
| Deferred financing costs ..... | (19.7)         |
| Total debt .....               | <u>1,217.1</u> |
| Current portion .....          | <u>70.0</u>    |
| Noncurrent portion .....       | <u>1,147.1</u> |

**VTR FINANCE N.V.**  
**Notes to Condensed Consolidated Financial Statements – (Continued)**  
**September 30, 2021**  
**(unaudited)**

**(8) Leases**

The following table provides details of our operating lease expense:

|                                     | Three months ended<br>September 30, |            | Nine months ended<br>September 30, |            |
|-------------------------------------|-------------------------------------|------------|------------------------------------|------------|
|                                     | 2021                                | 2020       | 2021                               | 2020       |
|                                     | CLP in billions                     |            |                                    |            |
| Operating lease expense:            |                                     |            |                                    |            |
| Operating lease cost .....          | 1.6                                 | 1.6        | 4.8                                | 4.8        |
| Short-term lease cost .....         | 0.2                                 | 0.1        | 0.6                                | 0.4        |
| Total operating lease expense ..... | <u>1.8</u>                          | <u>1.7</u> | <u>5.4</u>                         | <u>5.2</u> |

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

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

|  | September 30,<br>2021 | December 31,<br>2020 |
|--|-----------------------|----------------------|
|  | CLP in billions       |                      |
| Operating lease right-of-use assets .....  | <u>13.1</u>           | <u>14.7</u>          |
| Operating lease liabilities:   |                       |                      |
| Current .....  | 5.0                   | 4.8                  |
| Noncurrent .....   | 7.8                   | 9.5                  |
| Total operating lease liabilities .....  | <u>12.8</u>           | <u>14.3</u>          |
| Weighted-average remaining lease term .....  | <u>2.9 years</u>      | <u>3.3 years</u>     |
| Weighted-average discount rate .....   | <u>4.0 %</u>          | <u>6.7 %</u>         |
|  | CLP in billions       |                      |
| Operating cash outflows related to operating leases .....                              | <u>4.7</u>            | <u>4.9</u>           |
| Right-of-use assets obtained in exchange for new operating lease liabilities (a) ..... | <u>2.8</u>            | <u>3.3</u>           |

(a) Represents non-cash transactions associated with operating leases entered into during the nine months ended September 30, 2021.

Our operating lease right-of-use assets are included in other assets, net, and our current and noncurrent operating lease liabilities are included in other accrued and current liabilities and other long-term liabilities, respectively, in our condensed consolidated balance sheets.

**VTR FINANCE N.V.**  
**Notes to Condensed Consolidated Financial Statements – (Continued)**  
**September 30, 2021**  
**(unaudited)**

***Maturities of Operating Leases***

Maturities of our operating lease liabilities as of September 30, 2021 are presented below. Amounts presented below represent CLP equivalents (in billions) based on September 30, 2021 exchange rates.

|  |             |
|--|-------------|
| Years ending December 31:  |             |
| 2021 (remainder of year) .....                                   | 1.5         |
| 2022 .....   | 5.0         |
| 2023 .....   | 3.7         |
| 2024 .....   | 3.1         |
| 2025 and thereafter .....  | 0.2         |
| Total operating lease liabilities on an undiscounted basis ..... | 13.5        |
| Present value discount .....                                     | (0.7)       |
| Present value of operating lease liabilities .....               | <u>12.8</u> |

**(9) Income Taxes**

We evaluate and update our estimated annual effective income tax rate on a quarterly basis based on current and forecasted operating results and tax laws. For interim tax reporting, we estimate an annual effective tax rate, which is applied to year-to-date ordinary income or loss. The tax effect of significant unusual or infrequently occurring items are excluded from the estimated annual effective tax rate calculation and recognized in the interim period in which they occur.

Our interim estimate of our annual effective tax rate and our interim tax provision are subject to volatility due to factors such as jurisdictions in which our deferred taxes and/or tax attributes are subject to a full valuation allowance, relative changes in unrecognized tax benefits, and changes in tax laws. Based upon the mix and timing of our actual annual earnings or loss compared to annual projections, as well as changes in the factors noted above, our effective tax rate may vary quarterly and may result in quarterly comparisons that are not meaningful.

Income tax benefit (expense) was (CLP 22 billion) and CLP 8 billion during the three months ended September 30, 2021 and 2020, respectively, and (CLP 33 billion) and CLP 14 billion during the nine months ended September 30, 2021 and 2020, respectively. This represents an effective income tax rate of 16.6% and 17.9% for the three months ended September 30, 2021 and 2020, respectively, and 18.6% and 24.9% for the nine months ended September 30, 2021 and 2020, respectively, including items treated discretely.

For the three and nine months ended September 30, 2021, the income tax expense attributable to our earnings before income taxes differs from the amount computed using the statutory tax rate, primarily due to the beneficial effects of net decreases in valuation allowances and permanent tax differences, such as non-taxable income (price level restatements). These beneficial impacts to our effective tax rate were partially offset by detrimental effects of international rate differences and permanent tax differences, such as non-deductible expenses.

For the three months ended September 30, 2020, the income tax benefit attributable to our loss before income taxes differs from the amount computed using the statutory tax rate, primarily due to the beneficial effects of net favorable changes in uncertain tax positions and international rate differences. These beneficial impacts to our effective tax rate were partially offset by the detrimental effects of increases in valuation allowances, changes in permanent items, such as non-taxable income (price level restatements) and inclusion of withholding taxes on cross-border payments.

For the nine months ended September 30, 2020, the income tax benefit attributable to our loss before income taxes differs from the amount computed using the statutory tax rate, primarily due to the beneficial effects of net favorable changes in uncertain tax positions, and permanent items, such as non-taxable income (price level restatements). These beneficial impacts to our effective tax rate were partially offset by the detrimental effects of international rate differences, increases in valuation allowances and inclusion of withholding taxes on cross-border payments.

For the three and nine months ended September 30, 2020, we satisfied requirements imposed under recent tax reforms and, as a result, reduced our uncertain tax positions by CLP 16 billion. Additionally, during the nine months ended September 30, 2020, we closed certain tax audits and, as a result, reduced our uncertain tax positions by CLP 14 billion. These amounts have been reflected as discrete tax benefits in our condensed consolidated statement of operations.

**VTR FINANCE N.V.**  
**Notes to Condensed Consolidated Financial Statements – (Continued)**  
**September 30, 2021**  
**(unaudited)**

**(10) Related-party Transactions**

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

Our related-party transactions are as follows:

|  | Three months ended<br>September 30, |      | Nine months ended<br>September 30, |      |
|--|-------------------------------------|------|------------------------------------|------|
|  | 2021                                | 2020 | 2021                               | 2020 |
|  | CLP in billions                     |      |                                    |      |
| Other operating costs and expenses ..... | (0.7)                               | —    | 0.7                                | 1.4  |
| Share-based compensation expense .....   | 3.3                                 | 1.7  | 6.1                                | 4.9  |
| Related-party fees and allocations:      |                                     |      |                                    |      |
| Other operating costs and expenses ..... | 2.0                                 | 1.5  | 3.2                                | 5.0  |
| Share-based compensation .....           | 2.1                                 | 2.3  | 3.3                                | 4.3  |
| Management fee .....                     | 0.2                                 | 0.2  | 0.4                                | 0.4  |
| Total fees and allocations .....         | 4.3                                 | 4.0  | 6.9                                | 9.7  |
| Interest income .....                    | 7.4                                 | 8.6  | 26.2                               | 25.8 |

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

*Share-based compensation expense.* These amounts represent share-based compensation expense that Liberty Latin America charged to our company with respect to share-based incentive awards held by certain of our employees. This charge is cash settled and is included in other accrued and current liabilities in our condensed consolidated balance sheets. The amounts also include estimated bonus-related expenses that will be paid in the form of Liberty Latin America equity.

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

- *Other operating costs and expenses.* The amounts included in this category represent our estimated share of certain centralized technology, management, marketing, finance, legal and other operating costs of Liberty Latin America's operations whose activities benefit multiple operations, including operations within and outside of our company. The amounts allocated represent our estimated share of the actual costs incurred by the operations of Liberty Latin America, without a mark-up. Amounts in this category are generally deducted to arrive at our "EBITDA" metric specified by our debt agreement (**Covenant EBITDA**).
- *Share-based compensation.* The amounts included in this category represent share-based compensation associated with employees of Liberty Latin America whom are not employees of our company. The amounts allocated represent our estimated share of the actual costs incurred by the operations of Liberty Latin America, without a mark-up.
- *Management fee.* The amounts included in this category represent our estimated allocable share of the mark-up, if any, applicable to each category of the related-party fees and allocations charged to our company, as well as certain other charges allocated to us by related parties.

*Interest income.* The amounts relate to the CIHB Note Receivable and the LCRH Long-Term Note Receivable, as further described below.

**VTR FINANCE N.V.**  
**Notes to Condensed Consolidated Financial Statements – (Continued)**  
**September 30, 2021**  
**(unaudited)**

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

|  | September 30,<br>2021 | December 31,<br>2020 |
|--|-----------------------|----------------------|
| CLP in billions  |                       |                      |
| <b>Assets:</b>   |                       |                      |
| <b>Current assets:</b>                                 |                       |                      |
| LCH Note Receivable (a) .....                          | —                     | 75.1                 |
| Current interest income on notes receivables (b) ..... | 22.0                  | 25.8                 |
| Other current assets (c) .....                         | 2.5                   | 3.8                  |
| Total current assets .....                             | 24.5                  | 104.7                |
| <b>Long-term assets:</b>                               |                       |                      |
| <b>Long-term notes receivable:</b>                     |                       |                      |
| LCH Note Receivable (a) .....                          | 79.2                  | —                    |
| LCRH Long-Term Note Receivable (d) .....               | —                     | 79.3                 |
| CIHB Note Receivable .....                             | 397.9                 | 372.4                |
| Total long-term assets .....                           | 477.1                 | 451.7                |
| Total assets .....                                     | 501.6                 | 556.4                |
| <b>Liabilities:</b>                                    |                       |                      |
| Other accrued and current liabilities (e) .....        | 9.7                   | 5.9                  |

- (a) Subsequent to September 30, 2021, we loaned an additional \$21 million (CLP 17 billion) to Lila Chile Holding B.V. under the LCH Note Receivable. In addition, the terms of the related master loan agreement were amended, such that the note bears interest at 2.6% and matures on October 5, 2023. As a result of the amendment to the maturity date, the LCH Note Receivable is now classified in other assets, net, in our September 30, 2021 condensed consolidated balance sheet.
- (b) At September 30, 2021, amount represents accrued interest income on the CIHB Note Receivable and the LCH Note Receivable of CLP 20 billion and CLP 2 billion, respectively. At December 31, 2020, amount represents accrued interest income on the CIHB Note Receivable. On January 1, the accrued interest on the CIHB Note Receivable is generally transferred to the principal balance of the loan.
- (c) Represents certain other non-interest bearing receivables from Liberty Latin America subsidiaries.
- (d) The LCRH Long-Term Note Receivable was cash settled during the second quarter of 2021. This settlement is reflected as an investing activity in our condensed consolidated statement of cash flows.
- (e) Amounts primarily represent liabilities associated with related-party fees and allocations. These liabilities are non-interest bearing and will be cash settled.

**(11) Programming and Other Direct Costs of Services**

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

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

**VTR FINANCE N.V.**  
**Notes to Condensed Consolidated Financial Statements – (Continued)**  
**September 30, 2021**  
**(unaudited)**

|  | <u>Three months ended<br/>September 30,</u> |             | <u>Nine months ended<br/>September 30,</u> |              |
|--|---|-------------|--|--------------|
|  | <u>2021</u>                                 | <u>2020</u> | <u>2021</u>                                | <u>2020</u>  |
|  | <b>CLP in billions</b>                      |             |  |              |
| Programming and copyright .....                            | 35.6  | 31.2        | 106.8                                      | 94.3         |
| Interconnect .....   | 6.5   | 7.3         | 19.2                                       | 24.6         |
| Equipment and other .....                                  | 1.9   | 2.6         | 6.6  | 8.8          |
| Total programming and other direct costs of services ..... | <u>44.0</u>                                 | <u>41.1</u> | <u>132.6</u>                               | <u>127.7</u> |

**(12) Other Operating Costs and Expenses**

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

- **Personnel and contract labor related** costs, which primarily include salary-related and cash bonus expenses, net of capitalizable labor costs, and temporary contract labor costs;
- **Network-related** expenses, which primarily include costs related to network access, system power, core network, CPE repair, maintenance and test costs;
- **Service-related** costs, which primarily include professional services, information technology-related services, audit, legal and other services;
- **Commercial**, which primarily includes sales and marketing costs, such as advertising, commissions and other sales and marketing-related costs, and customer care costs related to outsourced call centers;
- **Facility, provision, franchise and other**, which primarily includes facility-related costs, provision for bad debt expense, franchise-related fees, bank fees, insurance, travel and entertainment and other operating-related costs; and
- **Share-based compensation** expense that relates to (i) equity awards issued to our employees and (ii) bonus-related expenses that will be paid in the form of equity.

Our other operating costs and expenses by major category are set forth below:

|  | <u>Three months ended<br/>September 30,</u> |             | <u>Nine months ended<br/>September 30,</u> |              |
|--|---|-------------|--|--------------|
|  | <u>2021</u>                                 | <u>2020</u> | <u>2021</u>                                | <u>2020</u>  |
|  | <b>CLP in billions</b>                      |             |  |              |
| Personnel and contract labor .....             | 10.8  | 11.9        | 34.5                                       | 37.0         |
| Network-related expenses .....                 | 14.9  | 14.1        | 43.9                                       | 38.9         |
| Service-related .....                          | 6.4   | 6.2         | 20.6                                       | 20.7         |
| Commercial .....                               | 15.7  | 14.2        | 48.0                                       | 45.5         |
| Facility, provision, franchise and other ..... | 7.0   | 8.4         | 21.1                                       | 26.2         |
| Share-based compensation expense .....         | 3.3   | 1.6         | 6.1  | 4.8          |
| Total other operating costs and expenses ..... | <u>58.1</u>                                 | <u>56.4</u> | <u>174.2</u>                               | <u>173.1</u> |

**(13) Commitments and Contingencies**

***Guarantees and Other Credit Enhancements***

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

**VTR FINANCE N.V.**  
**Notes to Condensed Consolidated Financial Statements – (Continued)**  
**September 30, 2021**  
**(unaudited)**

***Legal and Regulatory Proceedings and Other Contingencies***

*VTR Class Action.* On August 25, 2020, VTR Finance was notified that SERNAC had filed a class action complaint against VTR Finance in the 14th Civil Court of Santiago. The complaint relates to consumer complaints regarding VTR Finance's broadband service and capacity during the pandemic and raises claims regarding, among other things, VTR Finance's disclosure of its broadband speeds and aggregate capacity availability and VTR Finance's response to address the causes of service instability during the pandemic. VTR Finance was also notified in August about two additional class action complaints filed by consumer associations (ODECU and AGRECU) making similar claims and allegations. The class action complaint of ODECU was filed in the 21st Civil Court of Santiago, and the class action complaint of AGRECU was filed in the 26th Civil Court of Santiago. The complaint of SERNAC and ODECU seeks (i) the Court declare that VTR Finance has infringed the rules of the Consumer Protection Law; (ii) the responsibility of VTR Finance for such infractions and, if so, establish the corresponding fines; and (iii) compensatory and punitive damages. In the case of AGRECU, the complaint only seeks compensatory damages. On October 22, 2020, VTR Finance was notified of a fourth class action complaint filed by CONADECUS in the 16th Civil Court of Santiago alleging that VTR Finance did not adhere to certain call center, technical visit and service level requirements under applicable law. On April 21, 2021, the Court of Appeals of Santiago issued a ruling joining the four class action complaints into one legal procedure. We believe that the allegations contained in the complaints are without merit, in particular as it relates to VTR Finance's service and response during the pandemic and intend to defend the complaints vigorously. We cannot predict at this point the length of time that these actions will be ongoing. Additionally, a liability, if any, or a reasonable range of loss is not currently determinable based upon the current facts and circumstances of these claims.

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

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

**VTR FINANCE N.V.**  
**Notes to Condensed Consolidated Financial Statements – (Continued)**  
**September 30, 2021**  
**(unaudited)**

**(14) Revenue by Product**

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

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

|   | Three months ended September 30, |       | Nine months ended September 30, |       |
|---|----------------------------------|-------|---------------------------------|-------|
|   | 2021                             | 2020  | 2021                            | 2020  |
| CLP in billions                                   |                                  |       |                                 |       |
| Residential revenue:                              |                                  |       |                                 |       |
| Residential fixed revenue:                        |                                  |       |                                 |       |
| Subscription revenue:                             |                                  |       |                                 |       |
| Video .....                                       | 56.1                             | 56.2  | 168.2                           | 172.1 |
| Broadband internet .....                          | 58.6                             | 65.9  | 180.6                           | 198.1 |
| Fixed-line telephony .....                        | 15.1                             | 14.1  | 43.8                            | 44.3  |
| Total subscription revenue .....                  | 129.8                            | 136.2 | 392.6                           | 414.5 |
| Non-subscription revenue .....                    | 2.9                              | 3.2   | 8.3                             | 10.9  |
| Total residential fixed revenue .....             | 132.7                            | 139.4 | 400.9                           | 425.4 |
| Residential mobile revenue:                       |                                  |       |                                 |       |
| Service revenue .....                             | 8.9                              | 10.8  | 27.8                            | 33.9  |
| Interconnect, equipment sales and other (a) ..... | 1.3                              | 1.6   | 4.3                             | 4.5   |
| Total residential mobile revenue .....            | 10.2                             | 12.4  | 32.1                            | 38.4  |
| Total residential revenue .....                   | 142.9                            | 151.8 | 433.0                           | 463.8 |
| B2B service revenue .....                         | 6.2                              | 5.8   | 18.3                            | 18.2  |
| Total .....                                       | 149.1                            | 157.6 | 451.3                           | 482.0 |

- (a) These amounts include revenue from the sale of mobile handsets and other devices of CLP 1 billion during each of the three months ended September 30, 2021 and 2020 and CLP 3 billion during each of the nine months ended September 30, 2021 and 2020.

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

See the Glossary of defined terms at the beginning of this quarterly report.

The following discussion and analysis, which should be read in conjunction with our 2020 Annual Report and the condensed consolidated financial statements and the accompanying notes included herein, is intended to assist in providing an understanding of our financial condition, changes in financial condition and results of operations and is organized as follows:

- *Forward-looking Statements.* This section provides a description of certain factors that could cause actual results or events to differ materially from anticipated results or events.
- *Overview.* This section provides a general description of our business and recent events.
- *Material Changes in Results of Operations.* This section provides an analysis of our results of operations for the three and nine months ended September 30, 2021 and 2020.
- *Material Changes in Financial Condition.* This section provides an analysis of our liquidity, condensed consolidated statements of cash flows and contractual commitments.

Unless otherwise indicated, operational data (including subscriber statistics) is presented as of September 30, 2021.

### Forward-looking Statements

Certain statements in this quarterly report constitute forward-looking statements. To the extent that statements in this quarterly 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 *Management's Discussion and Analysis of Financial Condition and Results of Operations* may contain forward-looking statements, including statements regarding: our business, products, foreign currency and finance strategies; subscriber growth and retention rates; changes in competitive, regulatory and economic factors, anticipated changes in our revenue, expenses, or growth rates; debt levels; our liquidity and our ability to access the liquidity of our subsidiaries; credit risks; internal control over financial reporting; foreign currency risks; interest rate risks; compliance with debt, financial and other covenants; our future projected contractual commitments and cash flows; the pending formation of the Chile JV; the effects and potential impacts of COVID-19 on our business and results of operations; reductions in operating and capital costs; the remediation of material weaknesses; the outcome and impact of pending litigation; and other information and statements that are not historical fact. Where, in any forward-looking statement, we express an expectation or belief as to future results or events, such expectation or belief is expressed in good faith and believed to have a reasonable basis, but there can be no assurance that the expectation or belief will result or be achieved or accomplished. In evaluating these statements, you should consider the following list of some but not all of the factors that could cause actual results or events to differ materially from anticipated results or events:

- economic and business conditions and industry trends in Chile;
- the competitive environment in the industries in which we operate in Chile, including competitor responses to our products and services;
- fluctuations in currency exchange rates, inflation rates and interest rates;
- our relationships with third-party programming providers and broadcasters and the ability to acquire programming;
- our relationships with suppliers and licensors and the ability to maintain equipment, software and certain services;
- instability in global financial markets, including sovereign debt issues and related fiscal reforms;
- our ability to obtain additional financing and generate sufficient cash to meet our debt obligations;
- the impact of restrictions contained in certain of our and our subsidiaries' debt instruments;
- consumer disposable income and spending levels, including the availability and amount of individual consumer debt;

- changes in consumer viewing preferences and habits, including on mobile devices that function on various operating systems and specifications, limited bandwidth, and different processing power and screen sizes;
- customer acceptance of our existing service offerings, including our video, broadband internet, fixed-line telephony, mobile and business service offerings, and of new technology, programming alternatives and other products and services that we may offer in the future;
- our ability to manage rapid technological changes;
- the impact of 5G and wireless technologies on broadband internet;
- our ability to maintain or increase the number of subscriptions to our video, broadband internet, fixed-line telephony and mobile service offerings and our average revenue per household and mobile subscriber
- our ability to provide satisfactory customer service, including support for new and evolving products and services;
- our ability to maintain or increase rates to our subscribers or to pass through increased costs to our subscribers;
- the impact of our future financial performance, or market conditions generally, on the availability, terms and deployment of capital;
- changes in, or failure or inability to comply with, government regulations in Chile and adverse outcomes from regulatory proceedings;
- government intervention that requires opening our broadband distribution networks to competitors;
- our ability to renew necessary regulatory licenses, concessions or other operating agreements and to otherwise acquire spectrum or other licenses that we need to offer mobile data or other technologies or services;
- our ability to obtain regulatory approval and satisfy other conditions necessary to close acquisitions and dispositions and the impact of conditions imposed by competition and other regulatory authorities in connection with acquisitions; such as with respect to the pending formation of the Chile JV;
- our ability to successfully acquire new businesses and, if acquired, to integrate, realize anticipated efficiencies from, and implement our business plan with respect to, the businesses we have acquired or that we expect to acquire; such as with respect to the Chile JV;
- changes in laws or treaties relating to taxation, or the interpretation thereof, in Chile and the Netherlands and the results of any tax audits or tax disputes;
- changes in laws and government regulations that may impact the availability and cost of capital and the derivative instruments that hedge certain of our financial risks;
- the ability of suppliers and vendors, including third-party channel providers and broadcasters (including our third-party wireless network provider under our MVNO arrangement), to timely deliver quality products, equipment, software, services and access;
- the availability of attractive programming for our video services and the costs associated with such programming, including retransmission and copyright fees payable to public and private broadcasters;
- uncertainties inherent in the development and integration of new business lines and business strategies;
- our ability to adequately forecast and plan future network requirements, including the costs and benefits associated with our network extension and upgrade programs;
- the availability of capital for the acquisition and/or development of telecommunications networks and services, including property and equipment additions;
- problems we may discover post-closing with the operations, including the internal controls and financial reporting process, of businesses we acquire;
- the effects of any of the identified material weaknesses in our internal control over financial reporting;

- piracy, vandalism against our networks, and cybersecurity and ransomware threats or other security breaches, including the leakage of sensitive customer data, which could harm our business or reputation;
- the outcome of any pending or threatened litigation;
- the loss of key employees and the availability of qualified personnel;
- the effects of any strikes, work stoppages or other industrial actions that could affect our operations;
- changes in the nature of key strategic relationships with partners and joint ventures;
- our ability to realize the full value of our intangible assets;
- changes in and compliance with applicable data privacy laws, rules, and regulations;
- our ability to recoup insurance reimbursements and settlements from third-party providers;
- our ability to comply with economic and trade sanctions laws, such as the U.S. Treasury Department's Office of Foreign Assets Control; and
- events that are outside of our control, such as political conditions and unrest in international markets, terrorist attacks, malicious human acts, natural disasters, pandemics, including the COVID-19 pandemic, and other similar events.

The broadband distribution and mobile service industries are changing rapidly and, therefore, the forward-looking statements of expectations, plans and intent in this quarterly 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 quarterly 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.

## **Overview**

### ***General***

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

### ***Internal Controls and Procedures***

As disclosed in our 2020 Annual Report, we identified material weaknesses in our internal control over financial reporting. The material weaknesses will not be considered remediated until the applicable new or enhanced controls operate for a sufficient period of time and management has concluded, through testing, that these controls are designed and operating effectively. As remediation has not yet been completed, these material weaknesses continue to exist in our internal control over financial reporting as of September 30, 2021.

### ***Management's Remediation Plans***

Management is continuing to implement the remediation plans as disclosed in our 2020 Annual Report. We believe that these actions and the improvements we expect to achieve, when fully implemented, will strengthen our internal control over financial reporting and remediate the material weaknesses identified.

### ***Operations***

At September 30, 2021, we (i) owned and operated fixed networks that passed 4,127,000 homes and served 2,856,900 RGUs, comprising 1,249,600 broadband internet subscribers, 1,070,500 video subscribers and 536,800 fixed-line telephony subscribers and (ii) served 260,700 mobile subscribers.

## ***Chile JV***

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

## ***COVID-19***

In December 2019, COVID-19 was reported in Wuhan, China. On March 11, 2020, the World Health Organization declared the outbreak a "pandemic," pointing to the sustained risk of further global spread. COVID-19 negatively impacted our operations relative to periods prior to the pandemic.

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

## **Material Changes in Results of Operations**

### ***General***

The comparability of our operating results during the three and nine months ended September 30, 2021 to the corresponding periods in 2020 is affected by the impacts of COVID-19.

Changes in foreign currency exchange rates may have a significant impact on our operating results, as we have contracts denominated in U.S. dollars. For example, the average FX rate (used to translate our condensed consolidated statements of operations) for the U.S. dollar per one Chilean peso depreciated by 1% and 8% for the three and nine months ended September 30, 2021, as compared to the corresponding periods in 2020. This impacted our programming costs, as discussed below.

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

### ***Revenue***

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

While not specifically discussed in the below explanations of the changes in our revenue, we are experiencing significant competition in our market. This competition has an adverse impact on our ability to increase or maintain our RGUs and/or ARPU.

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

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

Our revenue by major category is set forth below:

|   | Three months ended September 30, |       | Increase (decrease) |        |
|---|----------------------------------|-------|---------------------|--------|
|   | 2021                             | 2020  | CLP                 | %      |
| CLP in billions                               |                                  |       |                     |        |
| Residential revenue:                          |                                  |       |                     |        |
| Residential fixed revenue:                    |                                  |       |                     |        |
| Subscription revenue:                         |                                  |       |                     |        |
| Video .....                                   | 56.1                             | 56.2  | (0.1)               | (0.2)  |
| Broadband internet .....                      | 58.6                             | 65.9  | (7.3)               | (11.1) |
| Fixed-line telephony .....                    | 15.1                             | 14.1  | 1.0                 | 7.1    |
| Total subscription revenue .....              | 129.8                            | 136.2 | (6.4)               | (4.7)  |
| Non-subscription revenue .....                | 2.9                              | 3.2   | (0.3)               | (9.4)  |
| Total residential fixed revenue .....         | 132.7                            | 139.4 | (6.7)               | (4.8)  |
| Residential mobile revenue:                   |                                  |       |                     |        |
| Service revenue .....                         | 8.9                              | 10.8  | (1.9)               | (17.6) |
| Interconnect, equipment sales and other ..... | 1.3                              | 1.6   | (0.3)               | (18.8) |
| Total residential mobile revenue .....        | 10.2                             | 12.4  | (2.2)               | (17.7) |
| Total residential revenue .....               | 142.9                            | 151.8 | (8.9)               | (5.9)  |
| B2B service revenue .....                     | 6.2                              | 5.8   | 0.4                 | 6.9    |
| Total .....                                   | 149.1                            | 157.6 | (8.5)               | (5.4)  |

|   | Nine months ended September 30, |       | Increase (decrease) |        |
|---|---------------------------------|-------|---------------------|--------|
|   | 2021                            | 2020  | CLP                 | %      |
| CLP in billions                               |                                 |       |                     |        |
| Residential revenue:                          |                                 |       |                     |        |
| Residential fixed revenue:                    |                                 |       |                     |        |
| Subscription revenue:                         |                                 |       |                     |        |
| Video .....                                   | 168.2                           | 172.1 | (3.9)               | (2.3)  |
| Broadband internet .....                      | 180.6                           | 198.1 | (17.5)              | (8.8)  |
| Fixed-line telephony .....                    | 43.8                            | 44.3  | (0.5)               | (1.1)  |
| Total subscription revenue .....              | 392.6                           | 414.5 | (21.9)              | (5.3)  |
| Non-subscription revenue .....                | 8.3                             | 10.9  | (2.6)               | (23.9) |
| Total residential fixed revenue .....         | 400.9                           | 425.4 | (24.5)              | (5.8)  |
| Residential mobile revenue:                   |                                 |       |                     |        |
| Service revenue .....                         | 27.8                            | 33.9  | (6.1)               | (18.0) |
| Interconnect, equipment sales and other ..... | 4.3                             | 4.5   | (0.2)               | (4.4)  |
| Total residential mobile revenue .....        | 32.1                            | 38.4  | (6.3)               | (16.4) |
| Total residential revenue .....               | 433.0                           | 463.8 | (30.8)              | (6.6)  |
| B2B service revenue .....                     | 18.3                            | 18.2  | 0.1                 | 0.5    |
| Total .....                                   | 451.3                           | 482.0 | (30.7)              | (6.4)  |

The details of the changes in our revenue during the three and nine months ended September 30, 2021, as compared to the corresponding periods in 2020, are set forth below (CLP in billions):

|   | Three-month<br>comparison | Nine-month<br>comparison |
|---|---------------------------|--------------------------|
| Decrease in residential fixed subscription revenue due to change in:        |                           |                          |
| Average number of RGUs (a).....   | (3.9)                     | (14.3)                   |
| ARPU (b).....   | (2.5)                     | (7.6)                    |
| Decrease in residential fixed non-subscription revenue (c).....             | (0.3)                     | (2.6)                    |
| Total decrease in residential fixed revenue.....                            | (6.7)                     | (24.5)                   |
| Decrease in residential mobile service revenue (d).....                     | (1.9)                     | (6.1)                    |
| Increase in residential mobile interconnect, equipment sales and other..... | (0.3)                     | (0.2)                    |
| Decrease in B2B service revenue.....  | 0.4                       | 0.1                      |
| Total.....  | <u>(8.5)</u>              | <u>(30.7)</u>            |

- (a) The decreases are primarily attributable to lower average broadband internet and video RGUs.
- (b) The decreases are primarily due to (i) lower ARPU from broadband internet services, partially the result of continued high levels of competition, (ii) higher ARPU from telephony services, and (iii) higher ARPU from video services, which is due in part to live soccer matches being broadcast on our premium programming that were cancelled during 2020.
- (c) The decreases are primarily due to lower volumes of interconnect revenue. In addition, during the nine-month comparison, the decrease is attributable to lower installations.
- (d) The decreases are due to lower ARPU from mobile services and lower average numbers of mobile subscribers.

#### ***Programming and other direct costs of services***

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

The following tables set forth the changes in programming and other direct costs of services for the periods indicated.

|   | Three months ended<br>September 30, |             | Increase<br>(decrease) |
|---|-------------------------------------|-------------|------------------------|
|   | 2021                                | 2020        |                        |
|   | CLP in billions                     |             |                        |
| Programming and copyright.....                            | 35.6                                | 31.2        | 4.4                    |
| Interconnect.....   | 6.5                                 | 7.3         | (0.8)                  |
| Equipment and other.....                                  | 1.9                                 | 2.6         | (0.7)                  |
| Total programming and other direct costs of services..... | <u>44.0</u>                         | <u>41.1</u> | <u>2.9</u>             |

|  | Nine months ended<br>September 30, |              | Increase<br>(decrease) |
|--|------------------------------------|--------------|------------------------|
|  | 2021                               | 2020         |                        |
|  | CLP in billions                    |              |                        |
| Programming and copyright .....                            | 106.8                              | 94.3         | 12.5                   |
| Interconnect .....   | 19.2                               | 24.6         | (5.4)                  |
| Equipment and other .....                                  | 6.6                                | 8.8          | (2.2)                  |
| Total programming and other direct costs of services ..... | <u>132.6</u>                       | <u>127.7</u> | <u>4.9</u>             |

- **Programming and copyright:** The organic increases are primarily due to higher premium and basic content costs. During 2020, programming costs were lower due to the renegotiation of a programming contract governing rates for live soccer matches, which were cancelled as a result of COVID-19. In addition, the three and nine-month comparisons each include a decrease of CLP 1 billion related to the foreign currency impact of programming contracts denominated in U.S. dollars.
- **Interconnect:** The organic decreases are primarily due to (i) lower interconnect rates and volumes, and (ii) for the nine-month comparison, a decrease in MVNO charges of CLP 1 billion, as we renegotiated our contract during the second quarter of 2021.
- **Equipment and other:** The organic decreases are due to lower volumes of handset sales, and for the nine-month comparison, the net effect of (i) higher handset prices and (ii) decreases associated with the foreign currency impact of handset contracts denominated in U.S. dollars.

#### ***Other operating costs and expenses***

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

- **Personnel and contract labor related** costs, which primarily include salary-related and cash bonus expenses, net of capitalizable labor costs, and temporary contract labor costs;
- **Network-related** expenses, which primarily include costs related to network access, system power, core network, and CPE repair, maintenance and test costs;
- **Service-related** costs, which primarily include professional services, information technology-related services, audit, legal and other services;
- **Commercial**, which primarily includes sales and marketing costs, such as advertising, commissions and other sales and marketing-related costs, and customer care costs related to outsourced call centers;
- **Facility, provision, franchise and other**, which primarily includes facility-related costs, provision for bad debt expense, franchise-related fees, bank fees, insurance, travel and entertainment and other operating-related costs; and
- **Share-based compensation** expense that relates to equity awards issued to our employees and (ii) bonus-related expenses that will be paid in the form of equity.

The following tables set forth the change in other operating costs and expenses for the periods indicated.

|   | <b>Three months ended September 30,</b> |             | <b>Increase<br/>(decrease)</b> |
|---|---|-------------|--------------------------------|
|   | <b>2021</b>                             | <b>2020</b> |                                |
|   | <b>CLP in billions</b>                  |             |                                |
| Personnel and contract labor .....                    | 10.8                                    | 11.9        | (1.1)                          |
| Network-related .....                                 | 14.9                                    | 14.1        | 0.8                            |
| Service-related .....                                 | 6.4                                     | 6.2         | 0.2                            |
| Commercial .....                                      | 15.7                                    | 14.2        | 1.5                            |
| Facility, provision, franchise and other .....        | 7.0                                     | 8.4         | (1.4)                          |
| Share-based compensation expense .....                | 3.3                                     | 1.6         | 1.7                            |
| <b>Total other operating costs and expenses .....</b> | <b>58.1</b>                             | <b>56.4</b> | <b>1.7</b>                     |

|   | <b>Nine months ended September 30,</b> |              | <b>Increase<br/>(decrease)</b> |
|---|--|--------------|--------------------------------|
|   | <b>2021</b>                            | <b>2020</b>  |                                |
|   | <b>CLP in billions</b>                 |              |                                |
| Personnel and contract labor .....                    | 34.5                                   | 37.0         | (2.5)                          |
| Network-related .....                                 | 43.9                                   | 38.9         | 5.0                            |
| Service-related .....                                 | 20.6                                   | 20.7         | (0.1)                          |
| Commercial .....                                      | 48.0                                   | 45.5         | 2.5                            |
| Facility, provision, franchise and other .....        | 21.1                                   | 26.2         | (5.1)                          |
| Share-based compensation expense .....                | 6.1                                    | 4.8          | 1.3                            |
| <b>Total other operating costs and expenses .....</b> | <b>174.2</b>                           | <b>173.1</b> | <b>1.1</b>                     |

- **Personnel and Contract Labor:** The organic decreases are primarily due to lower salary expense as a result of a restructuring program implemented during the first half of 2021.
- **Network-related:** The organic increases are primarily due to higher rates associated with network access-related contract labor.
- **Commercial:** The organic increase during the three-month comparison is primarily due to the net effect of (i) higher sales commissions, (ii) a decrease in call center rates and volumes, and (iii) an increase in marketing and advertising expenses. The organic increase during the nine-month comparison is primarily due to the net effect of (i) higher sales commissions, (ii) a decrease in marketing and advertising expenses, and (iii) higher call center volumes.
- **Facility, provision, franchise and other costs:** The organic decreases are primarily due to lower bad debt provisions.

#### *Related-party fees and allocations*

We recorded related-party fees and allocations of CLP 4 billion during each of the three months ended September 30, 2021 and 2020, respectively, and CLP 7 billion and CLP 10 billion during the nine months ended September 30, 2021 and 2020, respectively. These amounts include charges for services provided to our company by Liberty Latin America or subsidiaries of Liberty Latin America.

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

#### *Depreciation*

Our depreciation expense increased (decreased) (CLP 5 billion) or (13.7%) and CLP 6 billion or 6.0% during the three and nine months ended September 30, 2021, respectively, as compared to the corresponding periods in 2020, primarily due to an increase of CLP 8 billion of accelerated depreciation recognized in the second quarter of 2021 associated with assets no longer in service.

*Impairment, restructuring and other operating items, net*

The details of our impairment, restructuring and other operating items, net, are as follows:

|                                  | Three months ended<br>September 30, |       | Nine months ended<br>September 30, |       |
|----------------------------------|-------------------------------------|-------|------------------------------------|-------|
|                                  | 2021                                | 2020  | 2021                               | 2020  |
|                                  | CLP in billions                     |       |                                    |       |
| Impairment charges .....         | —                                   | —     | 0.2                                | 0.5   |
| Restructuring charges (a) .....  | 3.9                                 | 1.0   | 10.2                               | 3.3   |
| Other operating items, net ..... | 0.1                                 | (0.5) | (0.5)                              | (0.3) |
| Total .....                      | 4.0                                 | 0.5   | 9.9                                | 3.5   |

- (a) Amounts primarily relate to restructuring charges that we recorded in connection with contract termination costs and, during the 2021 periods, employee severance and termination costs.

*Interest expense*

Our third-party interest expense decreased CLP 1 billion and CLP 14 billion during the three and nine months ended September 30, 2021, respectively, as compared to the corresponding periods in 2020. The decreases are primarily associated with (i) lower weighted-average interest rates and (ii) lower average outstanding debt balances during the 2021 periods relative to the corresponding periods during 2020, primarily due to (a) the July 2020 and March 2021 debt refinancings and (b) partial redemptions of the 2028 VTR Senior Secured Notes in March and July 2021.

For information regarding our indebtedness, see note 7 to our condensed consolidated financial statements.

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

*Interest income - related party*

We recognized related-party interest income of CLP 7 billion and CLP 9 billion during the three months ended September 30, 2021 and 2020, respectively, and CLP 26 billion during each of the nine months ended September 30, 2021 and 2020. Our related-party interest income relates to the CIHB Note Receivable and the LCRH Long-Term Note Receivable. For additional information regarding our related-party transactions, see note 10 to our condensed consolidated financial statements.

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

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

|   | Three months ended<br>September 30, |        | Nine months ended<br>September 30, |        |
|---|-------------------------------------|--------|------------------------------------|--------|
|   | 2021                                | 2020   | 2021                               | 2020   |
|   | CLP in billions                     |        |                                    |        |
| Cross-currency and interest rate derivative contracts (a) (b) ..... | 220.2                               | (51.3) | 293.2                              | (18.4) |
| Foreign currency forward contracts .....                            | 12.3                                | (1.7)  | 15.9                               | 5.2    |
| Total .....   | 232.5                               | (53.0) | 309.1                              | (13.2) |

- (a) The gains during the three and nine months ended September 30, 2021 are primarily attributable to (i) decreases in the value of the Chilean peso relative to the U.S. dollar and (ii) changes in interest rates. In addition, the gains during the

2021 periods include net losses of CLP 9 billion and CLP 21 billion, respectively, resulting from changes in our credit risk valuation adjustments.

- (b) The losses during the three months ended September 30, 2020 are primarily due to increases in the value of the Chilean peso relative to the U.S. dollar. The loss for the nine months ended September 30, 2020 includes a realized gain of CLP 58 billion associated with the settlement of certain cross-currency interest rate swaps in June 2020 that were unwound in connection with the July 2020 refinancing of certain debt. Excluding this gain, during the nine months ended September 30, 2020, we recognized a loss that is primarily attributable to (i) an increase in the value of the Chilean peso relative to the U.S. dollar and (ii) changes in interest rates. In addition, the losses during the 2020 periods include net gains of CLP 10 billion and CLP 9 billion, respectively, resulting from changes in our credit risk valuation adjustments.

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

#### *Foreign currency transaction gains (losses), net*

We recognized foreign currency transaction gains (losses), net, of (CLP 98 billion) and CLP 33 billion during the three months ended September 30, 2021 and 2020, respectively, and (CLP 128 billion) and (CLP 43 billion) during the nine months ended September 30, 2021 and 2020, respectively. Our foreign currency transaction gains (losses) primarily result from the remeasurement of debt that is denominated in U.S. dollars. Unrealized foreign currency transaction gains or losses are computed based on period-end exchange rates and are non-cash in nature until such time as the amounts are settled.

#### *Losses on debt extinguishment*

We recognized losses on debt extinguishment of CLP 2 billion and CLP 8 billion during the three and nine months ended September 30, 2021, respectively. The losses during 2021 are associated with (i) the payment of breakage fees and the write-off of unamortized deferred financing costs related to the repayments of the VTR TLB-1 Facility and VTR TLB-2 Facility, and (ii) the payment of redemption premiums and the write-off of unamortized deferred financing costs related to the partial redemptions of the 2028 VTR Senior Secured Notes.

We recognized a loss on debt extinguishment of CLP 34 billion during each the three and nine months ended September 30, 2020. The loss is associated with the payment of call premiums and the write-off of unamortized deferred financing costs related to the repayment of the 2024 VTR Finance Senior Notes during the third quarter.

For additional information concerning our losses on debt extinguishment, see note 7 to our condensed consolidated financial statements.

#### *Other income (expense), net*

During the three and nine months ended September 30, 2021 and 2020, other income, net, was not material to our condensed consolidated financial statements.

#### *Income tax benefit (expense)*

Income tax benefit (expense) was (CLP 22 billion) and CLP 8 billion during the three months ended September 30, 2021 and 2020, respectively, and (CLP 33 billion) and CLP 14 billion during the nine months ended September 30, 2021 and 2020, respectively. This represents an effective income tax rate of 16.6% and 17.9% for the three months ended September 30, 2021 and 2020, respectively, and 18.6% and 24.9% for the nine months ended September 30, 2021 and 2020, respectively, including items treated discretely.

For the three and nine months ended September 30, 2021, the income tax expense attributable to our earnings before income taxes differs from the amount computed using the statutory tax rate, primarily due to the beneficial effects of net decreases in valuation allowances and permanent tax differences, such as non-taxable income (price level restatements). These beneficial impacts to our effective tax rate were partially offset by detrimental effects of international rate differences and permanent tax differences, such as non-deductible expenses.

For the three months ended September 30, 2020, the income tax benefit attributable to our loss before income taxes differs from the amount computed using the statutory tax rate, primarily due to the beneficial effects of net favorable changes in uncertain tax positions and international rate differences. These beneficial impacts to our effective tax rate were partially offset by the detrimental effects of increases in valuation allowances, changes in permanent items, such as non-taxable income (price level restatements) and inclusion of withholding taxes on cross-border payments.

For the nine months ended September 30, 2020, the income tax benefit attributable to our loss before income taxes differs from the amount computed using the statutory tax rate, primarily due to the beneficial effects of net favorable changes in uncertain tax positions, and permanent items, such as non-taxable income (price level restatements). These beneficial impacts to our effective tax rate were partially offset by the detrimental effects of international rate differences, increases in valuation allowances and inclusion of withholding taxes on cross-border payments.

For the three and nine months ended September 30, 2020, we satisfied requirements imposed under recent tax reforms and, as a result, reduced our uncertain tax positions by CLP 16 billion. Additionally, during the nine months ended September 30, 2020, we closed certain tax audits and, as a result, reduced our uncertain tax positions by CLP 14 billion. These amounts have been reflected as discrete tax benefits in our condensed consolidated statement of operations.

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

### *Net earnings (loss)*

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

|   | Three months ended<br>September 30, |        | Nine months ended<br>September 30, |         |
|---|-------------------------------------|--------|------------------------------------|---------|
|   | 2021                                | 2020   | 2021                               | 2020    |
|   | CLP in billions                     |        |                                    |         |
| Operating income .....                    | 7.1                                 | 19.0   | 25.8                               | 71.9    |
| Net non-operating income (expenses) ..... | 122.5                               | (64.3) | 150.3                              | (127.4) |
| Income tax benefit (expense) .....        | (21.5)                              | 8.1    | (32.8)                             | 13.8    |
| Net earnings (loss) .....                 | 108.1                               | (37.2) | 143.3                              | (41.7)  |

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

Subject to the limitations included in our various debt instruments, we expect to maintain our debt at current levels. As a result, we expect that we will continue to report significant levels of interest expense for the foreseeable future.

## **Material Changes in Financial Condition**

### *Sources and Uses of Cash*

#### *Cash and cash equivalents*

At September 30, 2021, approximately 45% of our cash and cash equivalents was held by our subsidiaries. A portion of the remaining 55%, held at VTR Finance, was used in connection with the redemption of the 2028 VTR Senior Secured Notes in July 2021, as further described in note 7 to our condensed consolidated financial statements. Subsequent to September 30, 2021, we loaned Lila Chile Holding B.V. an additional \$21 million (CLP 17 billion) under the LCH Note Receivable. Our remaining cash will be contributed to the Chile JV upon closing of the transaction during the second half of 2022. For additional information regarding our related-party transactions, see note 10 to our condensed consolidated financial statements.

#### *Liquidity of VTR Finance*

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

The ongoing cash needs of VTR Finance include (i) interest payments on outstanding debt and (ii) other liquidity needs that may arise from time to time. In addition, VTR Finance may also require cash in connection with (i) the funding of loans or

distributions to our parent (and ultimately to Liberty Latin America or other Liberty Latin America subsidiaries), (ii) corporate general and administrative expenses, (iii) the satisfaction of contingent liabilities, (iv) acquisitions and other investment opportunities, (v) the repurchase of debt securities or, (vi) funding requirements of our consolidated subsidiaries. No assurance can be given that funding from Liberty Latin America or other Liberty Latin America subsidiaries, our subsidiaries or external sources would be available on favorable terms, or at all.

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

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

#### *Liquidity of our subsidiaries*

In addition to cash and cash equivalents, the primary sources of liquidity of our subsidiaries are cash provided by operations and borrowing availability under the VTR Revolving Credit Facilities, as further described in note 7 to our condensed consolidated financial statements. The aforementioned sources of liquidity may be supplemented in certain cases by contributions and/or loans from Liberty Latin America and its unrestricted subsidiaries. The liquidity of our subsidiaries generally is used to fund capital expenditures, debt service requirements, payments required by our derivative instruments and income tax payments. From time to time, our subsidiaries may also require liquidity in connection with (i) acquisitions and other investment opportunities, (ii) loans to VTR Finance and/or Liberty Latin America or other Liberty Latin America subsidiaries, (iii) capital distributions to VTR Finance (and ultimately to Liberty Latin America) and other equity owners or (iv) the satisfaction of contingent liabilities. No assurance can be given that any external funding would be available to our subsidiaries on favorable terms, or at all. For information regarding our subsidiaries' commitments and contingencies, see note 13 to our condensed consolidated financial statements.

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

#### **Capitalization**

For the quarter ended September 30, 2021, our consolidated net leverage ratio was 5.1x, as specified in, and calculated in accordance with the indenture associated with the 2028 VTR Finance Senior Notes.

Our ability to service or refinance our debt and to maintain compliance with the leverage covenants in the credit agreements of the VTR Credit Facilities is dependent primarily on our ability to maintain Covenant EBITDA and to achieve adequate returns on our property and equipment additions and acquisitions. In addition, our ability to obtain additional debt financing is limited by incurrence-based and/or springing maintenance leverage covenants contained in the agreements underlying the VTR Credit Facilities, the 2028 VTR Senior Secured Notes, the 2029 VTR Senior Secured Notes and the 2028 VTR Finance Senior Notes. In this regard, if our Covenant EBITDA were to decline, we could be required to partially repay or limit our borrowings under the VTR Credit Facilities or any then existing debt in order to maintain compliance with applicable covenants. In such circumstances, our ability to support or obtain additional debt could be limited. No assurance can be given that we would have sufficient sources of liquidity, or that any external funding would be available on favorable terms, or at all, to fund any such required repayment. At September 30, 2021, we were in compliance with our debt covenants. We do not anticipate any instances of non-compliance with respect to our debt covenants that would have a material adverse impact on our liquidity during the next 12 months.

At September 30, 2021, the outstanding principal amount of our debt aggregated CLP 1,237 billion, including CLP 70 billion that is classified as current in our condensed consolidated balance sheet and CLP 1,167 billion that is not due until 2028 or thereafter. Included in the outstanding principal amount of our debt at September 30, 2021 is CLP 70 billion of vendor financing, which we use to finance certain of our operating expenses and property and equipment additions. These obligations are generally due within one year. For additional information concerning our debt, including our debt maturities, see note 7 to our condensed consolidated financial statements.

The weighted average interest rate in effect at September 30, 2021 for all borrowings outstanding pursuant to each debt instrument, including any applicable margin, was 5.2%. The interest rate is based on stated rates and does not include the

impact of derivative instruments, deferred financing costs, and commitment fees, all of which affect our overall cost of borrowing. The weighted average impact of the derivative instruments on our borrowing costs at September 30, 2021 was an increase of 153 basis points.

Including the effects of derivative instruments and commitment fees, but excluding the impact of financing costs, the weighted average interest rate on our indebtedness was 7.0% at September 30, 2021.

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

### ***Condensed Consolidated Statements of Cash Flows***

*Summary.* Our condensed consolidated statements of cash flows for the nine months ended September 30, 2021 and 2020 are summarized as follows:

|   | <b>Nine months ended<br/>September 30,</b> |             | <b>Change</b> |
|---|--|-------------|---------------|
|   | <b>2021</b>                                | <b>2020</b> |               |
| <b>CLP in billions</b>                          |  |             |               |
| Net cash provided by operating activities ..... | 99.8                                       | 128.2       | (28.4)        |
| Net cash used by investing activities .....     | (16.8)                                     | (89.3)      | 72.5          |
| Net cash used by financing activities .....     | (1.0)                                      | (2.6)       | 1.6           |
| Effect of exchange rate changes on cash .....   | 7.3  | (1.4)       | 8.7           |
| Net increase in cash and cash equivalents ..... | <u>89.3</u>                                | <u>34.9</u> | <u>54.4</u>   |

*Operating Activities.* The decrease in net cash provided by our operating activities is primarily attributable to a decrease in Adjusted OIBDA.

*Investing Activities.* During the nine months ended September 30, 2021, we used CLP 17 billion in net cash from investing activities due to the net effect of (i) CLP 100 billion in capital expenditures and (ii) the repayment of the LCRH Long-Term Note Receivable, as further discussed below. During the nine months ended September 30, 2020, we used CLP 89 billion in net cash from investing activities, which almost entirely comprises capital expenditures, as further discussed below.

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

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

|   | <b>Nine months ended<br/>September 30,</b> |             |
|---|--|-------------|
|   | <b>2021</b>                                | <b>2020</b> |
|   | <b>CLP in billions</b>                     |             |
| Property and equipment additions .....                                    | 116.7                                      | 101.7       |
| Assets acquired under capital-related vendor financing arrangements ..... | (17.1)                                     | (20.1)      |
| Changes in current liabilities related to capital expenditures .....      | 0.8  | 9.2         |
| Capital expenditures .....  | <u>100.4</u>                               | <u>90.8</u> |

The increase in our property and equipment additions during the nine months ended September 30, 2021, as compared to the corresponding period in 2020, is primarily due to the net effect of (i) an increase in CPE-related and new build and upgrade-related additions, and (ii) a decrease in product and enabler and capacity-related additions. During the nine months ended September 30, 2021 and 2020, a significant portion of our purchases of property and equipment was denominated in U.S. dollars. Our property and equipment additions represented 25.9% and 21.1% of our revenue, respectively.

*Financing Activities.* During the nine months ended September 30, 2021, we used CLP 1 billion in net cash from financing activities, primarily due to the net effect of (i) CLP 19 billion of net borrowings of debt, primarily associated with the refinancing activities that occurred during the first quarter of 2021, and (ii) CLP 12 billion of cash paid associated with financing costs and debt redemption premiums. During the nine months ended September 30, 2020, we used CLP 3 billion in net cash from financing activities, primarily due to (i) CLP 147 billion of net cash received related to derivative instruments, (ii) CLP 110 billion of net borrowings of debt and (iii) CLP 40 billion of cash paid associated with financing costs and debt redemption premiums. See note 7 to our condensed consolidated financial statements for additional information related to our refinancing activities.

#### ***Contractual Commitments***

For information concerning our debt and operating lease obligations, see notes 7 and 8, respectively, to our condensed consolidated financial statements. In addition, we have commitments under derivative instruments pursuant to which we expect to make payments in future periods. For information regarding projected cash flows associated with our derivative instruments, see *Projected Cash Flows Associated with Derivative Instruments* below. For information regarding our derivative instruments, including the net cash paid or received in connection with these instruments during the nine months ended September 30, 2021 and 2020, see note 4 to our condensed 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 September 30, 2021. These amounts are presented for illustrative purposes only and will likely differ from the actual cash payments required in future periods. For additional information regarding our derivative instruments, including our counterparty credit risk, see note 4 to our condensed consolidated financial statements.

|   | <b>Payments (receipts) due during:</b> |             |             |             |             |             |                   | <b>Total</b> |
|---|--|-------------|-------------|-------------|-------------|-------------|-------------------|--------------|
|   | <b>Remainder<br/>of 2021</b>           | <b>2022</b> | <b>2023</b> | <b>2024</b> | <b>2025</b> | <b>2026</b> | <b>Thereafter</b> |              |
| <b>CLP in billions</b>                          |  |             |             |             |             |             |                   |              |
| <b>Projected derivative cash payments, net:</b> |  |             |             |             |             |             |                   |              |
| Interest-related (a).....                       | 2.0                                    | 18.4        | 18.4        | 18.4        | 18.4        | 18.4        | 2.2               | 96.2         |
| Principal-related (b).....                      | —                                      | —           | —           | —           | —           | 1.8         | (23.2)            | (21.4)       |
| Other (c).....                                  | (2.0)                                  | (12.8)      | —           | —           | —           | —           | —                 | (14.8)       |
| <b>Total.....</b>                               | <b>—</b>                               | <b>5.6</b>  | <b>18.4</b> | <b>18.4</b> | <b>18.4</b> | <b>20.2</b> | <b>(21.0)</b>     | <b>60.0</b>  |

- (a) Includes the interest-related cash flows of our cross-currency derivative contracts.
- (b) Includes the principal-related cash flows of our cross-currency derivative contracts.
- (c) Includes amounts related to our foreign currency forward contracts.