VTR FINANCE B.V.

Condensed Consolidated Financial Statements
March 31, 2015

VTR Finance B.V.
Boeing Avenue 53
1119PE, Schiophol-Rijk
The Netherlands

VTR FINANCE B.V.

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VTR FINANCE B.V.

CONDENSED CONSOLIDATED BALANCE SHEETS

(unaudited)

	March 31, 2015	December 31, 2014
	CLP in billions	
ASSETS		
Current assets:		
Cash and cash equivalents	31.1	51.7
Trade receivables, net	66.5	68.8
Value-added taxes receivable	17.7	24.3
Deferred income taxes	12.4	10.4
Prepaid expenses	8.4	3.9
Other current assets (note 3)	13.7	11.1
Total current assets	149.8	170.2
Property and equipment, net (note 5)	336.0	334.8
Goodwill	267.1	267.1
Derivative instruments (note 3)	120.1	61.4
Deferred income taxes	34.5	37.1
Other assets, net (note 8)	72.2	73.3
Total assets	979.7	943.9

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

VTR FINANCE B.V.

CONDENSED CONSOLIDATED BALANCE SHEETS – (Continued)

(unaudited)

	March 31, 2015	December 31, 2014
	CLP in billions	
LIABILITIES AND OWNER'S DEFICIT		
Current liabilities:		
Accounts payable	43.1	40.5
Deferred revenue	22.7	21.7
Derivative instruments (note 3)	21.5	24.1
Accrued capital expenditures	19.7	8.6
Accrued programming	16.5	15.2
Accrued interest	12.7	26.9
Income taxes payable	12.1	4.0
Current portion of debt and capital lease obligations (note 6)	0.2	0.2
Other accrued and current liabilities (note 8)	58.0	76.2
Total current liabilities	206.5	217.4
Long-term debt and capital lease obligations (note 6)	875.4	849.8
Restructuring liability	19.0	20.1
Other long-term liabilities	3.4	0.8
Total liabilities	1,104.3	1,088.1
Commitments and contingencies (notes 3, 6 and 9)		
Owner's deficit:		
Accumulated net distributions	(285.4)	(286.6)
Accumulated earnings	144.1	125.6
Accumulated other comprehensive earnings, net of taxes	16.7	16.8
Total owner's deficit	(124.6)	(144.2)
Total liabilities and owner's deficit	979.7	943.9

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

VTR FINANCE B.V.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(unaudited)

	Three months ended March 31,	
	2015	**2014**
	CLP in billions	
Revenue	130.3	124.3
Operating costs and expenses:		
Operating (other than depreciation and amortization) (including share-based compensation) (note 8)	58.2	56.2
Selling, general and administrative (**SG&A**) (including share-based compensation)	24.8	23.3
Related-party fees and allocations (note 8)	1.2	1.9
Depreciation and amortization	23.0	20.9
Impairment, restructuring and other operating items, net	1.1	0.5
	108.3	102.8
Operating income	22.0	21.5
Non-operating income (expense):		
Interest expense	(16.9)	(11.0)
Interest income	0.1	0.6
Realized and unrealized gains (losses) on derivative instruments, net (note 3)	50.1	(71.6)
Foreign currency transaction gains (losses), net	(26.5)	14.7
Other expense, net	(0.1)	(1.6)
	6.7	(68.9)
Earnings (loss) before income taxes	28.7	(47.4)
Income tax benefit (expense) (note 7)	(10.2)	7.7
Net earnings (loss)	18.5	(39.7)
Net loss attributable to noncontrolling interests	—	2.5
Net earnings (loss) attributable to parent	18.5	(37.2)

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

VTR FINANCE B.V.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE EARNINGS (LOSS)

(unaudited)

	Three months ended March 31,	
	2015	2014
	CLP in billions	
Net earnings (loss)	18.5	(39.7)
Other comprehensive loss – foreign currency translation adjustments	(0.1)	(0.8)
Comprehensive earnings (loss)	18.4	(40.5)
Comprehensive loss attributable to noncontrolling interests	—	2.5
Comprehensive earnings (loss) attributable to parent	18.4	(38.0)

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

VTR FINANCE B.V.

CONDENSED CONSOLIDATED STATEMENT OF OWNER'S DEFICIT

(unaudited)

	Accumulated net distributions	Accumulated earnings	Accumulated other comprehensive earnings, net of taxes	Total owner's deficit
	CLP in billions			
Balance at January 1, 2015	(286.6)	125.6	16.8	(144.2)
Net earnings	—	18.5	—	18.5
Other comprehensive loss	—	—	(0.1)	(0.1)
Deemed contribution of services (note 8)	1.2	—	—	1.2
Balance at March 31, 2015	(285.4)	144.1	16.7	(124.6)

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

VTR FINANCE B.V.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited)

	Three months ended March 31,	
	2015	**2014**
	CLP in billions	
Cash flows from operating activities:		
Net earnings (loss)	18.5	(39.7)
Adjustments to reconcile net earnings (loss) to net cash provided by operating activities:		
Share-based compensation expense	0.1	0.9
Related-party fees and allocations	1.2	1.9
Depreciation and amortization	23.0	20.9
Impairment, restructuring and other operating items, net	1.1	0.5
Realized and unrealized losses (gains) on derivative instruments, net	(50.1)	71.6
Foreign currency transaction losses (gains), net	26.5	(14.7)
Loss on debt extinguishment	—	1.1
Deferred income tax expense (benefit)	0.6	(11.9)
Changes in operating assets and liabilities	(18.9)	11.0
Net cash provided by operating activities	2.0	41.6
Cash flows from investing activities:		
Capital expenditures	(23.8)	(15.8)
Other investing activities, net	0.9	(0.1)
Net cash used by investing activities	(22.9)	(15.9)

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

VTR FINANCE B.V.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS – (Continued)

(unaudited)

	Three months ended March 31,	
	2015	2014
	CLP in billions	
Cash flows from financing activities:		
Repayments received on advances to related parties	—	260.6
Purchase of Liberty Global shares in connection with the acquisition of noncontrolling ownership interests in VTR GlobalCom and VTR Wireless	—	(240.6)
Contributions from parent, net	—	235.6
Repurchase of related-party debt	—	(233.9)
Repayments of third-party debt and capital lease obligations	—	(60.3)
Borrowings of third-party debt	—	13.5
Net cash paid related to derivative instruments	—	(18.8)
Payment of financing costs	—	(14.6)
Other financing activities, net	—	2.4
Net cash used by financing activities	—	(56.1)
Effect of exchange rate changes on cash	0.3	1.6
Net decrease in cash and cash equivalents	(20.6)	(28.8)
Cash and cash equivalents:		
Beginning of period	51.7	86.9
End of period	31.1	58.1
Cash paid for interest	31.0	3.4
Net cash paid for taxes	3.8	4.2

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

(1) Basis of Presentation

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

Our unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (**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 2014 consolidated financial statements and notes thereto included in our 2014 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, the valuation of acquisition-related assets and liabilities, allowances for uncollectible accounts, programming and copyright costs, deferred income taxes and related valuation allowances, loss contingencies, fair value measurements, impairment assessments, capitalization of internal costs associated with construction and installation activities, useful lives of long-lived assets and share-based compensation. Actual results could differ from those estimates.

Our functional currency is the Chilean peso (**CLP**). Unless otherwise indicated convenience translations into the Chilean peso are calculated as of March 31, 2015.

These condensed consolidated financial statements reflect our consideration of the accounting and disclosure implications of subsequent events through May 26, 2015, the date of issuance.

(2) Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (the **FASB**) issued Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers* (**ASU 2014-09**), which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. ASU 2014-09 will replace existing revenue recognition guidance in U.S. GAAP when it becomes effective, currently scheduled for January 1, 2017, although an extension to January 1, 2018 has been proposed by the FASB. Early application is not permitted. This new standard permits the use of either the retrospective or cumulative effect transition method. We are currently evaluating the effect that ASU 2014-09 will have on our consolidated financial statements and related disclosures. We have not yet selected a transition method nor have we determined the effect of the standard on our ongoing financial reporting.

(3) Derivative Instruments

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

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

	March 31, 2015			December 31, 2014		
	Current (a)	Long-term	Total	Current (a)	Long-term	Total
	CLP in billions					
Assets:						
Cross-currency derivative contracts (b)	—	120.1	120.1	—	61.4	61.4
Foreign currency forward contracts	0.9	—	0.9	0.7	—	0.7
Total	0.9	120.1	121.0	0.7	61.4	62.1
Liabilities:						
Cross-currency derivative contracts (b)	21.5	—	21.5	24.0	—	24.0
Foreign currency forward contracts	—	—	—	0.1	—	0.1
Total	21.5	—	21.5	24.1	—	24.1

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

(b) We consider credit risk in our fair value assessments. As of March 31, 2015 and December 31, 2014, the fair values of our cross-currency derivative contracts that represented assets have been reduced by credit risk valuation adjustments aggregating CLP 10.8 billion and CLP 8.8 billion, respectively. The adjustments to our derivative assets relate to the credit risk associated with counterparty nonperformance. The adjustments take into account offsetting liability or asset positions within a given contract. Our determination of credit risk valuation adjustments generally is based on our and our counterparties' credit risks, as observed in the credit default swap market. The changes in the credit risk valuation adjustments associated with our cross-currency derivative contracts resulted in net losses of CLP 2.0 billion and CLP 6.6 billion during the three months ended March 31, 2015 and 2014, respectively. These amounts are included 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 4.

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

	Three months ended March 31,	
	2015	2014
	CLP in billions	
Cross-currency derivative contracts	49.3	(72.1)
Foreign currency forward contracts	0.8	0.5
Total	50.1	(71.6)

The net cash received or paid related to our derivative instruments is classified as an operating, investing or financing activity in our condensed consolidated statements of cash flows based on the objective of the derivative instrument and the classification of the applicable underlying cash flows. For derivative contracts that are terminated prior to maturity, the cash paid or received upon termination that relates to future periods is classified as a financing activity. The classification of these cash inflows (outflows) is as follows:

	Three months ended March 31,	
	2015	2014
	CLP in billions	
Operating activities	(11.5)	0.4
Financing activities	—	(18.8)
Total	(11.5)	(18.4)

Counterparty Credit Risk

We are exposed to the risk that the counterparties to our derivative instruments will default on their obligations to us. We manage these credit risks through the evaluation and monitoring of the creditworthiness of, and concentration of risk with, the respective counterparties. In this regard, credit risk associated with our derivative instruments is spread across a relatively broad counterparty base of banks and financial institutions. Collateral is generally not posted by either party under our derivative instruments. At March 31, 2015, our exposure to counterparty credit risk included derivative assets with an aggregate fair value of CLP 99.6 billion.

Details of our Derivative Instruments

In the following tables, we present the details of the various categories of our derivative instruments. The notional amount of multiple derivative instruments that mature within the same calendar month are shown in the aggregate and interest rates are presented on a weighted average basis. In addition, for derivative instruments that were in effect as of March 31, 2015, we present a single date that represents the applicable final maturity date.

Cross-currency Swaps

The terms of our outstanding cross-currency swap contracts at March 31, 2015, which are held by our wholly-owned subsidiary, VTR GlobalCom SpA (**VTR GlobalCom**), are as follows:

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

Foreign Currency Forwards

The following table summarizes our outstanding foreign currency forward contracts at March 31, 2015:

Subsidiary	Currency purchased forward	Currency sold forward	Maturity dates
	in millions		
VTR GlobalCom	$ 62.7	CLP 38,702.9	April 2015 – December 2015

(4) Fair Value Measurements

We use the fair value method to account for our derivative instruments. The reported fair values of these derivative instruments as of March 31, 2015 likely will not represent the value that will be paid or received upon the ultimate settlement of these derivative instruments, as we expect that the values realized generally will be based on market conditions at the time of settlement, which may occur at the maturity of the derivative instrument or at the time of the repayment or refinancing of the underlying debt instrument.

U.S. GAAP provides for a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. Level 1 inputs are quoted market prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 2 inputs are inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability. We record transfers of assets or liabilities in or out of Levels 1, 2 or 3 at the beginning of the quarter during which the transfer occurred. During the three months ended March 31, 2015, no such transfers were made.

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

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

Fair value measurements are also used in connection with nonrecurring valuations performed in connection with impairment assessments and acquisition accounting. These nonrecurring valuations include the valuation of our company, property and equipment and the implied value of goodwill. The valuation of our company (our only reporting unit) is based at least in part on discounted cash flow analyses. With the exception of certain inputs for our weighted average cost of capital and discount rate calculations that are derived from pricing services, the inputs used in our discounted cash flow analyses, such as forecasts of future cash flows, are based on our assumptions. Tangible assets are typically valued using a replacement or reproduction cost approach, considering factors such as current prices of the same or similar equipment, the age of the equipment and economic obsolescence. The implied value of goodwill is determined by allocating the fair value of our company to all of the assets and liabilities of that unit as if the reporting unit had been acquired in a business combination, with the residual amount allocated to goodwill. All of our nonrecurring valuations use significant unobservable inputs and therefore fall under Level 3 of the fair value hierarchy. We did not perform significant nonrecurring fair value measurements during the three months ended March 31, 2015 or 2014.

(5) Long-lived Assets

Property and Equipment, Net

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

	March 31, 2015	December 31, 2014
	CLP in billions	
Distribution systems	463.9	454.3
Customer premises equipment	406.0	396.0
Support equipment, buildings and land	190.2	187.0
	1,060.1	1,037.3
Accumulated depreciation	(724.1)	(702.5)
Total property and equipment, net	336.0	334.8

(6) Debt and Capital Lease Obligations

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

	March 31, 2015						
	Weighted average interest rate (a)	Unused borrowing capacity		Estimated fair value (b)		Carrying value	
		Borrowing currency	CLP equivalent	March 31, 2015	December 31, 2014	March 31, 2015	December 31, 2014
				CLP in billions			
VTR Finance Senior Secured Notes	6.875%	$ —	—	912.5	873.6	875.3	849.7
VTR Credit Facility	—	(c)	122.0	—	—	—	—
Total debt	6.875%		122.0	912.5	873.6	875.3	849.7
Capital lease obligations						0.3	0.3
Total debt and capital lease obligations						875.6	850.0
Current maturities						(0.2)	(0.2)
Long-term debt and capital lease obligations						875.4	849.8

(a) Represents the weighted average interest rate in effect at March 31, 2015 for all borrowings outstanding pursuant to each debt instrument including any applicable margin. The interest rate presented represents the stated rate and does not include the impact of our derivative instruments, deferred financing costs or commitment fees, all of which affect our overall cost of borrowing. Including the effects of derivative instruments and commitment fees, but excluding the impact of financing costs, our weighted average interest rate on our indebtedness was 11.1% at March 31, 2015. For information regarding our derivative instruments, see note 3.

(b) The estimated fair values of our debt instruments are determined using the average of applicable bid and ask prices (mostly Level 1 of the fair value hierarchy) or, when quoted market prices are unavailable or not considered indicative of fair value, discounted cash flow models (mostly Level 2 of the fair value hierarchy). The discount rates used in the cash flow models are based on market interest rates and estimated credit spreads, to the extent available, and other relevant factors. For additional information regarding fair value hierarchies, see note 4.

(c) Unused borrowing capacity represents the maximum availability at March 31, 2015 without regard to covenant compliance calculations or other conditions precedent to borrowing. At March 31, 2015, the unused borrowing capacity relates to a senior secured revolving credit facility, which includes a $160.0 million (CLP 100.0 billion) U.S. dollar facility (the **VTR Dollar Credit Facility**) and a CLP 22.0 billion Chilean peso facility (the **VTR CLP Credit Facility** and, together with the

VTR Dollar Credit Facility, the **VTR Credit Facility**), each of which were undrawn at March 31, 2015. The VTR Dollar Credit Facility and the VTR CLP Credit Facility have commitment fees on unused and uncancelled balances of 1.10% and 1.34% per year, respectively. Based on applicable leverage and other financial covenants, the full amount of unused borrowing capacity was available to be borrowed under the VTR Credit Facility at March 31, 2015. When the March 31, 2015 compliance reporting requirements have been completed and assuming no changes from March 31, 2015 borrowing levels, we anticipate the full amount of unused borrowing capacity of the VTR Credit Facility will continue to be available to be borrowed.

Maturities of Debt

As of March 31, 2015, all of our outstanding debt matures in January 2024.

(7) Income Taxes

VTR Finance is part of a Dutch tax fiscal unity (the **Dutch Fiscal Unity**), along with its ultimate Dutch parent and certain other Dutch subsidiaries of Liberty Global. The Dutch Fiscal Unity combines individual tax paying Dutch entities and their ultimate Dutch parent company as one taxpayer for Dutch tax purposes. Tax amounts allocated to VTR Finance are included in our condensed consolidated financial statements on a separate return basis. Intercompany tax allocations from the Dutch Fiscal Unity are not subject to tax sharing agreements and no cash payments are made between the companies related to the Dutch tax attributes. Accordingly, any intercompany tax allocations are reflected as an adjustment of accumulated net distributions in our condensed consolidated statement of owner's deficit. As VTR Finance generated tax losses during the three months ended March 31, 2015 and 2014, no intercompany tax allocations for these periods are reflected in our condensed consolidated financial statements. The income taxes for our subsidiaries that are not a part of the Dutch Fiscal Unity are presented in our condensed consolidated financial statements on a separate return basis for each tax-paying entity or group based on the local tax law.

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

	Three months ended March 31,	
	2015	2014
	CLP in billions	
Computed "expected" tax benefit (expense)	(7.2)	11.9
Change in valuation allowances	(2.5)	(1.1)
International rate difference (a)	1.1	(3.4)
Non-deductible or non-taxable interest and other expenses	(0.9)	(0.2)
Impact of price level adjustments for tax purposes	—	0.9
Other, net	(0.7)	(0.4)
Total income tax benefit (expense)	(10.2)	7.7

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

(8) Related-party Transactions

Our related-party transactions are as follows:

	Three months ended March 31,	
	2015	**2014**
	CLP in billions	
Operating expenses	0.2	0.4
Fees and allocations	1.2	1.9
Included in operating income	1.4	2.3

General. Certain other subsidiaries of Liberty Global charge fees and allocate costs and expenses to our company. Depending on the nature of these related-party transactions, the amount of the charges or allocations may be based on (i) our estimated share of the underlying costs, (ii) our estimated share of the underlying costs plus a mark-up or (iii) commercially-negotiated rates. Through June 30, 2014, our related-party operating expenses and our related-party fees and allocations generally were based on our company's estimated share of the applicable estimated costs (including personnel-related and other costs associated with the services provided) incurred by the applicable Liberty Global subsidiaries. The estimated amounts charged were reviewed and revised on an annual basis, with any differences between the revised and estimated amounts recorded in the period identified, generally the first quarter of the following year. During the third quarter of 2014, Liberty Global and its subsidiaries began basing the fees charged and amounts allocated on actual costs incurred. As a result, during the third quarter of 2014, we recorded a €3.2 million (CLP 2.4 billion) reduction to the fees and allocations charged to our company by a subsidiary of Liberty Global to reflect the impact of this change in methodology as of January 1, 2014. The impact of this change in methodology on our related-party operating expenses was not material. Although we believe that the related-party charges and allocations described below are reasonable, no assurance can be given that the related-party costs and expenses reflected in our condensed consolidated statements of operations are reflective of the costs that we would incur on a standalone basis.

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

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

Intercompany tax allocations. During periods in which VTR Finance generates taxable earnings, we may receive intercompany tax allocations from entities within the Dutch Fiscal Unity. For additional information, see note 7.

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

	March 31, 2015	**December 31, 2014**
	CLP in billions	
Assets – noncurrent assets (a)	5.1	5.7
Liabilities – other accrued and current liabilities (b)	1.0	1.9

(a) Represents an $8.1 million (CLP 5.1 billion) loan (the **Lila Chile Note**) between VTR Finance and Lila Chile Holding B.V., another subsidiary of Liberty Global. The Lila Chile Note bears interest at 5.9% per annum and has a repayment date of July 11, 2022. Accrued and unpaid interest on the Lila Chile Note, which is generally transferred to the loan balance on January 1 of each year, is included in other assets, net, in our condensed consolidated balance sheet. The net decrease in the Lila Chile Note during 2015 includes (i) cash repayments received of $1.6 million (CLP 1.0 billion at the applicable

rate), (ii) the transfer of $0.3 million (CLP 0.2 billion at the applicable rate) in non-cash accrued interest to the principal balance and (iii) a CLP 0.2 billion increase due to the impact of foreign currency translation effects.

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

(9) Commitments and Contingencies

Commitments

In the normal course of business, we have entered into agreements that commit our company to make cash payments in future periods with respect to programming contracts, network and connectivity commitments, non-cancelable operating leases and purchases of customer premises and other equipment. The Chilean peso equivalents of our consolidated commitments as of March 31, 2015 are presented below:

	Payments due during:							
	Remainder of 2015	2016	2017	2018	2019	2020	Thereafter	Total
	CLP in billions							
Programming commitments	32.3	43.5	28.2	28.2	—	—	—	132.2
Network and connectivity commitments	14.8	17.8	16.2	17.5	14.4	—	—	80.7
Operating leases	7.2	9.6	9.6	9.6	8.6	2.2	8.6	55.4
Purchase commitments	3.9	2.9	—	—	—	—	—	6.8
Total (a)	58.2	73.8	54.0	55.3	23.0	2.2	8.6	275.1

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(a) The commitments reflected in this table do not reflect any liabilities that are included in our March 31, 2015 condensed consolidated balance sheet.

Programming commitments consist of obligations associated with certain of our programming contracts that are enforceable and legally binding on us in that we have agreed to pay minimum fees without regard to (i) the actual number of subscribers to the programming services or (ii) whether we terminate service to a portion of our subscribers or dispose of a portion of our distribution systems. In addition, programming commitments do not include increases in future periods associated with contractual inflation or other price adjustments that are not fixed. Accordingly, the amounts reflected in the above table with respect to these contracts are significantly less than the amounts we expect to pay in these periods under these contracts. Payments to programming vendors have in the past represented, and are expected to continue to represent in the future, a significant portion of our operating costs. In this regard, during the three months ended March 31, 2015 and 2014, the third-party programming and copyright costs incurred by our broadband communications operations aggregated CLP 23.5 billion and CLP 21.2 billion, respectively.

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

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

In addition to the commitments set forth in the table above, we have significant commitments under derivative instruments, pursuant to which we expect to make payments in future periods. For information regarding our derivative instruments, including the net cash paid or received in connection with these instruments during the three months ended March 31, 2015 and 2014, see note 3.

Guarantees and Other Credit Enhancements

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

Legal and Regulatory Proceedings and Other Contingencies

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

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

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

Other Regulatory Issues. Video distribution, broadband internet, fixed-line telephony and mobile businesses are regulated in Chile. Adverse regulatory developments could subject our businesses to a number of risks. Regulation, including conditions imposed on us by competition or other authorities as a requirement to close acquisitions or dispositions, could limit growth, revenue and the number and types of services offered and could lead to increased operating costs and property and equipment additions. In addition, regulation may restrict our operations and subject them to further competitive pressure, including pricing restrictions, interconnect and other access obligations, and restrictions or controls on content, including content provided by third parties. Failure to comply with current or future regulation could expose our businesses to various penalties. In this regard, during September 2014, we received a tariff proposal from the Chilean regulatory authority that would have retroactive effect to June 2012. The tariff proposal represented a significant reduction in the fixed-line termination rates currently charged by us and we continued to recognize fixed-line interconnect revenue at the currently enacted rates. In February 2015, the Chilean regulatory authority revised its tariff proposal and, as this revised proposal was more in line with market rates, we recorded a CLP 2.2 billion reduction to our revenue during the first quarter of 2015, representing the impact of the revised tariff proposal from June 2012 through January 2015. Final resolution of the tariff-setting process in Chile is expected to occur during the first half of 2015. We believe that any difference between the revised tariff proposal and the final resolution will not be material.

Other. In addition to the foregoing items, we have contingent liabilities related to matters arising in the ordinary course of business, including (i) legal proceedings, (ii) issues involving value-added taxes (**VAT**) and wage, property and other tax issues and (iii) disputes over interconnection, programming, copyright and carriage fees. While we generally expect that the amounts

required to satisfy these contingencies will not materially differ from any estimated amounts we have accrued, no assurance can be given that the resolution of one or more of these contingencies will not result in a material impact on our results of operations, cash flows or financial position in any given period. Due, in general, to the complexity of the issues involved and, in certain cases, the lack of a clear basis for predicting outcomes, we cannot provide a meaningful range of potential losses or cash outflows that might result from any unfavorable outcomes.

(10) Segment Reporting

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

Our revenue by major category is set forth below:

	Three months ended March 31,	
	2015	2014
	CLP in billions	
Subscription revenue (a):		
Video	55.9	53.2
Broadband internet	41.8	38.5
Fixed-line telephony	21.3	22.8
Cable subscription revenue	119.0	114.5
Mobile subscription revenue (b)	5.0	2.6
Total subscription revenue	124.0	117.1
Other revenue (b) (c)	6.3	7.2
Total revenue	130.3	124.3

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

(b) Mobile subscription revenue excludes mobile interconnect revenue of CLP 0.5 billion and CLP 0.4 billion during the three months ended March 31, 2015 and 2014, respectively. Mobile interconnect revenue and revenue from mobile handset sales are included in other revenue.

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

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

The following discussion and analysis, which should be read in conjunction with our condensed consolidated financial statements and the discussion and analysis included in our 2014 annual report, 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 months ended March 31, 2015 and 2014.
- *Material Changes in Financial Condition.* This section provides an analysis of our liquidity, condensed consolidated statements of cash flows and contractual commitments.

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

Unless otherwise indicated, convenience translations into the Chilean peso are calculated as of March 31, 2015.

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, product, foreign currency and finance strategies, our property and equipment additions, subscriber growth and retention rates, competitive, regulatory and economic factors, the maturity of our markets, the anticipated impacts of new legislation (or changes to existing rules and regulations), anticipated revenue decreases or cost increases, liquidity, credit risks, foreign currency risks, our capital structure, our future projected contractual commitments and cash flows 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 cable television, broadband and telecommunications industries in Chile, including competitor responses to our products and services;
- fluctuations in currency exchange rates and interest rates;
- instability in global financial markets, including sovereign debt issues and related fiscal reforms;
- consumer disposable income and spending levels, including the availability and amount of individual consumer debt;
- changes in consumer television viewing preferences and habits;
- consumer acceptance of our existing service offerings, including our enhanced video, broadband internet, fixed-line telephony, mobile and business service offerings, and of new technology, programming alternatives and other products and services that we may offer in the future;
- our ability to manage rapid technological changes;
- our ability to maintain or increase the number of subscriptions to our enhanced video, broadband internet, fixed-line telephony and mobile service offerings and our average revenue per household;

- our ability to provide satisfactory customer service, including support for new and evolving products and services;
- our ability to maintain or increase rates to our subscribers or to pass through increased costs to our subscribers;
- the impact of our future financial performance, or market conditions generally, on the availability, terms and deployment of capital;
- changes in, or failure or inability to comply with, government regulations in Chile and adverse outcomes from regulatory proceedings;
- government intervention that opens our broadband distribution networks to competitors;
- our ability to obtain regulatory approval and satisfy other conditions necessary to close acquisitions and dispositions and the impact of conditions imposed by competition and other regulatory authorities in connection with acquisitions;
- changes in laws or treaties relating to taxation, or the interpretation thereof, in Chile and the Netherlands;
- changes in laws and government regulations that may impact the availability and cost of credit and the derivative instruments that hedge certain of our financial risks;
- the ability of suppliers and vendors (including our third-party wireless network provider under our MVNO arrangement) to timely deliver quality products, equipment, software, services and access;
- the availability of attractive programming for our enhanced video services and the costs associated with such programming, including retransmission and copyright fees payable to public and private broadcasters;
- uncertainties inherent in the development and integration of new business lines and business strategies;
- our ability to adequately forecast and plan future network requirements;
- the availability of capital for the acquisition and/or development of telecommunications networks and services;
- the leakage of sensitive customer data;
- the outcome of any pending or threatened litigation;
- the loss of key employees and the availability of qualified personnel;
- changes in the nature of key strategic relationships with partners and joint venturers; and
- events that are outside of our control, such as political unrest in international markets, terrorist attacks, malicious human acts, natural disasters, pandemics and other similar events.

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

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

Our revenue includes revenue earned from (i) subscribers to our broadband communications and mobile services and (ii) advertising, interconnect fees and installation fees. Consistent with the presentation of our revenue categories in note 10 to our condensed consolidated financial statements, we use the term "subscription revenue" in the following discussion to refer to amounts received from subscribers for ongoing services, excluding installation fees. In the following tables, mobile subscription revenue excludes the related interconnect revenue.

At March 31, 2015, we owned and operated networks that passed 2,985,800 homes and served 2,664,900 revenue generating units (**RGU**s), consisting of 1,008,400 video subscribers, 954,900 broadband internet subscribers and 701,600 fixed-line telephony subscribers. In addition, at March 31, 2015, we served 117,500 mobile subscribers.

During the first quarter of 2015, we modified certain video subscriber definitions to better align these definitions with the underlying services received by our subscribers and have replaced our "digital cable" and "analog cable" subscriber definitions with "enhanced video" and "basic video," respectively. A basic video subscriber receives our video service via an analog video signal or a digital video signal without subscribing to any recurring monthly service that requires the use of encryption-enabling technology. An enhanced video subscriber receives our video service via a digital video signal while subscribing to any recurring monthly service that requires the use of encryption-enabling technology.

We added a total of 25,600 RGUs on an organic basis during the three months ended March 31, 2015, as compared to 31,800 RGUs that we added on an organic basis during the corresponding period in 2014. The organic RGU growth during the three months ended March 31, 2015 is attributable to the net effect of (i) an increase of 22,900 broadband internet RGUs, (ii) an increase of 7,800 fixed-line telephony RGUs, (iii) a decrease of 5,500 basic video RGUs and (iv) an increase of 400 enhanced video RGUs.

We are experiencing significant competition from incumbent telecommunications operators, direct-to-home satellite operators and/or other providers. This significant competition may have an adverse impact on our ability to increase or maintain our revenue, RGUs and/or average monthly subscription revenue per average RGU (**ARPU**).

Our revenue is derived from a jurisdiction that administers VAT or similar revenue-based taxes. Any increases in these taxes could have an adverse impact on our ability to maintain or increase our revenue to the extent that we are unable to pass such tax increases on to our customers.

We pay interconnection fees to other telephony providers when calls or text messages from our subscribers terminate on another network, and we receive similar fees from such providers when calls or text messages from their customers terminate on our network or networks that we access through MVNO or other arrangements. The amounts we charge and incur with respect to fixed-line telephony and mobile interconnection fees are subject to regulatory oversight. To the extent that regulatory authorities introduce fixed-line or mobile termination rate changes, we would experience prospective changes and, in cases such as the one described in note 9 to our condensed consolidated financial statements, we could experience retroactive changes in our interconnect revenue and/or costs. The ultimate impact of any such changes in termination rates on our segment operating cash flow would be dependent on the call or text messaging patterns that are subject to the changed termination rates. As we use the term, segment operating cash flow is defined as revenue less operating and SG&A expenses (excluding share-based compensation, related-party fees and allocations, depreciation and amortization, provisions and provision releases related to significant litigation and impairment, restructuring and other operating items). Other operating items include (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.

Material Changes in Results of Operations

Revenue

Our revenue by major category is set forth below:

	Three months ended March 31,		Increase (decrease)	
	2015	2014	CLP	%
	CLP in billions			
Subscription revenue (a):				
Video	55.9	53.2	2.7	5.1
Broadband internet	41.8	38.5	3.3	8.6
Fixed-line telephony	21.3	22.8	(1.5)	(6.6)
Cable subscription revenue	119.0	114.5	4.5	3.9
Mobile subscription revenue (b)	5.0	2.6	2.4	92.3
Total subscription revenue	124.0	117.1	6.9	5.9
Other revenue (b) (c)	6.3	7.2	(0.9)	(12.5)
Total revenue	130.3	124.3	6.0	4.8

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

(b) Mobile subscription revenue excludes mobile interconnect revenue of CLP 0.5 billion and CLP 0.4 billion during the three months ended March 31, 2015 and 2014, respectively. Mobile interconnect revenue and revenue from mobile handset sales are included in other revenue.

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

Our consolidated revenue increased CLP 6.0 billion or 4.8% during the three months ended March 31, 2015, as compared to the corresponding period in 2014, as set forth below:

	Subscription revenue	Non-subscription revenue	Total
		CLP in billions	
Increase in cable subscription revenue due to change in:			
Average number of RGUs (a)	3.2	—	3.2
ARPU (b)	1.3	—	1.3
Total increase in cable subscription revenue	4.5	—	4.5
Increase in mobile subscription revenue (c)	2.4	—	2.4
Total increase in subscription revenue	6.9	—	6.9
Decrease in non-subscription revenue (d)	—	(0.9)	(0.9)
Total	6.9	(0.9)	6.0

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

(b) The increase in cable subscription revenue related to a change in ARPU is due to (i) a net increase resulting from the following factors: (a) higher ARPU due to semi-annual inflation and other price adjustments for video, broadband internet

and fixed-line telephony services, (b) lower ARPU due to the impact of higher promotional and bundling discounts, (c) higher ARPU due to the inclusion of higher-priced tiers of broadband internet and fixed-line telephony services in our bundles, (d) lower fixed-line telephony ARPU resulting from a CLP 1.4 billion adjustment recorded during the first quarter of 2015 to reflect the retroactive application of a proposed tariff on ancillary services provided directly to customers from July 2013 through February 2014 and (e) higher ARPU from incremental enhanced video services and (ii) an improvement in RGU mix.

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

(d) The decrease in non-subscription revenue is primarily due to the net effect of (i) a decrease in interconnect revenue, partially associated with an adjustment recorded during the first quarter of 2015 to reflect a proposed tariff on fixed-line termination rates, including the CLP 0.8 billion impact of the retroactive application from June 2012 through December 2014, and (ii) an increase in installation revenue.

For information regarding the proposed tariff discussed in (b) and (d) above, see note 9 to our condensed consolidated financial statements.

Operating expenses

General. Operating expenses include programming and copyright, network operations, mobile access and interconnect, customer operations, customer care, share-based compensation and other costs related to our operations. Programming and copyright costs, which represent a significant portion of our operating costs, are expected to rise in future periods as a result of (i) growth in the number of our enhanced video subscribers, (ii) higher costs associated with the expansion of our digital video content, including rights associated with ancillary product offerings and rights that provide for the broadcast of live sporting events, and (iii) rate increases. In addition, we are subject to inflationary pressures with respect to our labor and other costs and foreign currency exchange risk with respect to costs and expenses that are denominated in U.S. dollars (**non-functional currency expenses**). Any cost increases that we are not able to pass on to our subscribers through rate increases would result in increased pressure on our operating margins.

Our operating expenses increased CLP 2.0 billion or 3.6% during the three months ended March 31, 2015, as compared to the corresponding period in 2014. Our operating expenses include share-based compensation expense, which decreased CLP 0.3 billion. For additional information, see the discussion under *Share-based compensation expense* below. Excluding the effects of share-based compensation expense, our operating expenses increased CLP 2.3 billion or 4.0%. This increase includes the following factors:

- An increase in programming and copyright costs of CLP 2.3 billion or 10.6%, primarily associated with (i) growth in enhanced video services and (ii) a CLP 0.7 billion increase arising from foreign currency exchange rate fluctuations with respect to our U.S. dollar denominated programming contracts. During the three months ended March 31, 2015, $9.6 million (CLP 6.0 billion) or 26.9% of our programming costs were denominated in U.S. dollars;

- A decrease in personnel costs of CLP 0.9 billion or 13.8%, due to individually insignificant changes in various personnel cost categories;

- An increase in outsourced labor and professional fees of CLP 0.8 billion or 18.4%, primarily due to higher call center costs; and

- A decrease in mobile access and interconnect costs of CLP 0.1 billion or 0.8%, primarily attributable to the net effect of (i) a CLP 1.3 billion decrease in mobile access charges due to a February 2015 tariff decline that was retroactive to May 2014, including a CLP 1.0 billion decrease related to 2014 access charges, (ii) higher roaming costs due to the impact of increased volume and (iii) an increase in interconnect costs resulting from higher call volume and higher rates.

SG&A expenses

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

Our SG&A expenses increased CLP 1.5 billion or 6.4% during the three months ended March 31, 2015, as compared to the corresponding period in 2014. Our SG&A expenses include share-based compensation expense, which decreased CLP 0.5 billion. For additional information, see the discussion under *Share-based compensation expense* below. Excluding the effects of share-based compensation expense, our SG&A expenses increased CLP 2.0 billion or 9.1%. This increase includes the following factors:

- An increase in sales and marketing costs of CLP 2.0 billion or 24.3%, primarily due to higher advertising costs and third-party sales commissions;
- A decrease in personnel costs of CLP 1.1 billion or 15.4%, primarily due to lower severance and incentive compensation costs; and
- An increase in outsourced labor and professional fees of CLP 0.8 billion, primarily due to higher consulting costs.

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

We recognized share-based compensation expense of CLP 0.1 billion and CLP 0.9 billion during the three months ended March 31, 2015 and 2014, respectively, related to performance share unit awards granted pursuant to a liability-based plan of VTR GlobalCom.

Depreciation and amortization expense

Our depreciation and amortization expense increased CLP 2.1 billion during the three months ended March 31, 2015, as compared to the corresponding period in 2014. This increase is primarily due to the net effect of (i) an increase associated with property and equipment additions related to the installation of customer premises equipment, the expansion and upgrade of our networks and other capital initiatives and (ii) a decrease associated with certain assets becoming fully depreciated.

Related-party fees and allocations

We recorded related-party fees and allocations, net, of CLP 1.2 billion and CLP 1.9 billion during the three months ended March 31, 2015 and 2014, respectively. These amounts represent allocated costs for services provided by other Liberty Global subsidiaries on our behalf, including management, finance, legal, technology and other services that support our company's operations.

For additional information regarding our related-party fees and allocations, see note 8 to our condensed consolidated financial statements.

Impairment, restructuring and other operating items, net

We recognized impairment, restructuring and other operating items, net, of CLP 1.1 billion and CLP 0.5 billion during the three months ended March 31, 2015 and 2014, respectively, primarily related to restructuring charges that we recorded in connection with contract termination costs.

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

Interest expense

Our interest expense increased CLP 5.9 billion during the three months ended March 31, 2015, as compared to the corresponding period in 2014. This increase is primarily attributable to a higher average outstanding debt balance, primarily due to the issuance of the VTR Finance Senior Secured Notes in January 2014.

For additional information regarding our indebtedness, see note 6 to our condensed consolidated financial statements.

It is possible that (i) the interest rates on any new borrowings could be higher than the current interest rates on our existing indebtedness and (ii) the interest rates on our variable-rate indebtedness could increase in future periods. As further discussed in note 3 to our condensed consolidated financial statements, we use derivative instruments to manage our interest rate risks.

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

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

	Three months ended March 31,	
	2015	**2014**
	CLP in billions	
Cross-currency derivative contracts (a)	49.3	(72.1)
Foreign currency forward contracts	0.8	0.5
Total	50.1	(71.6)

(a) The gain during the 2015 period is primarily attributable to (i) gains associated with a decrease in the value of the Chilean peso relative to the U.S. dollar, (ii) gains associated with decreases in market interest rates in the U.S. dollar market and (iii) gains associated with increases in market interest rates in the Chilean peso market. In addition, the gain during the 2015 period includes a net loss of CLP 2.0 billion resulting from changes in our credit risk valuation adjustments. The loss during the 2014 period is primarily attributable to (a) losses associated with decreases in market interest rates in the Chilean peso market and (b) losses associated with an increase in the value of the Chilean peso relative to the U.S. dollar. In addition, the loss during the 2014 period includes a net loss of CLP 6.6 billion resulting from changes in our credit risk valuation adjustments.

For additional information regarding our derivative instruments, see note 3 to our condensed consolidated financial statements.

Foreign currency transaction gains (losses), net

We recognized foreign currency transaction gains (losses), net, of (CLP 26.5 billion) and CLP 14.7 billion during the three months ended March 31, 2015 and 2014, respectively.

Our foreign currency transaction gains or losses primarily result from the remeasurement of the VTR Finance Senior Secured Notes, which are 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.

Income tax benefit (expense)

We recognized income tax expense of CLP 10.2 billion and income tax benefit of CLP 7.7 billion during the three months ended March 31, 2015 and 2014, respectively.

The income tax expense during the three months ended March 31, 2015 differs from the expected income tax expense of CLP 7.2 billion (based on the Dutch statutory income tax rate of 25.0%) primarily due to the negative impacts of (i) an increase in valuation allowances and (ii) certain permanent differences between the financial and tax accounting treatment of interest and other items. The negative impacts of these items were partially offset by the positive impact of a lower statutory tax rate in Chile, as compared to the Netherlands.

The income tax benefit during the three months ended March 31, 2014 differs from the expected income tax benefit of CLP 11.9 billion (based on the Dutch statutory income tax rate of 25.0%) primarily due to the negative impacts of (i) a lower statutory tax rate in Chile, as compared to the Netherlands, and (ii) an increase in valuation allowances. The negative impacts of these items were partially offset by the positive impact of certain permanent differences between the financial and tax accounting treatment of price level adjustments.

For additional information regarding our income taxes, see note 7 to our condensed consolidated financial statements.

Net earnings (loss)

During the three months ended March 31, 2015 and 2014, we reported net earnings (loss) of CLP 18.5 billion and (CLP 39.7 billion), respectively, including (i) operating income of CLP 22.0 billion and CLP 21.5 billion, respectively, (ii) non-operating

income (expense) of CLP 6.7 billion and (CLP 68.9 billion), respectively, and (iii) income tax benefit (expense) of (CLP 10.2 billion) and CLP 7.7 billion, respectively.

Gains or losses associated with (i) changes in the fair values of derivative instruments, (ii) movements in foreign currency exchange rates and (iii) the disposition of assets are subject to a high degree of volatility and, as such, any gains from these sources do not represent a reliable source of income. In the absence of significant gains in the future from these sources or from other non-operating items, our ability to achieve earnings is largely dependent on our ability to increase our aggregate segment operating cash flow to a level that more than offsets the aggregate amount of our (a) share-based compensation expense, (b) depreciation and amortization, (c) impairment, restructuring and other operating items, net, (d) interest expense, (e) other net non-operating expenses and (f) income tax expenses.

Subject to the limitations included in our various debt instruments, we expect that Liberty Global will cause our company to maintain our debt at current levels relative to our "EBITDA" metric specified by our debt agreements (**Covenant EBITDA**) for the foreseeable future. As a result, we expect that we will continue to report significant levels of interest expense for the foreseeable future.

Net loss attributable to noncontrolling interests

Net loss attributable to noncontrolling interests of CLP 2.5 billion during the three months ended March 31, 2014 includes Inversiones Corp Comm 2 SpA's (the NCI Owner) share of the results of our operations. In March 2014, VTR Chile Holdings SpA acquired each of the 20.0% noncontrolling ownership interests in VTR GlobalCom and VTR Wireless SpA (**VTR Wireless**) from the NCI Owner.

Material Changes in Financial Condition

Sources and Uses of Cash

At March 31, 2015, we had cash and cash equivalents of CLP 31.1 billion, substantially all of which was held by our subsidiaries. VTR Finance's ability to access the liquidity of its subsidiaries may be limited by tax considerations and other factors.

Liquidity of VTR Finance

Our sources of liquidity at the parent level include (i) amounts due under the Lila Chile Note and (ii) subject to certain restrictions as noted above, proceeds in the form of distributions or loans from VTR GlobalCom or other subsidiaries. From time to time, subsidiaries of Liberty Global may also agree to provide funding to VTR Finance in the form of subordinated loans or equity contributions.

The ongoing cash needs of VTR Finance include (i) corporate general and administrative expenses and (ii) interest payments on outstanding debt. From time to time, VTR Finance may also require cash in connection with (a) the repayment of outstanding debt, (b) the satisfaction of contingent liabilities or (c) acquisitions and other investment opportunities. No assurance can be given that funding from Liberty Global or other Liberty Global subsidiaries, our subsidiaries or external sources would be available on favorable terms, or at all.

Liquidity of Subsidiaries

In addition to our existing cash and cash equivalents, the primary source of our liquidity is cash provided by operations and availability under the VTR Credit Facility, as further described in note 6 to our condensed consolidated financial statements. The liquidity of VTR GlobalCom and our other subsidiaries generally is used to fund property and equipment additions, debt service requirements of VTR Finance and payments required by VTR GlobalCom's derivative instruments. From time to time, our subsidiaries may also require cash in connection with (i) distributions or loans to VTR Finance, (ii) the satisfaction of contingencies, (iii) the repayment of any outstanding debt, or (iv) acquisitions and other investment opportunities.

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

Capitalization

Our ability to service or refinance our debt and to maintain compliance with the leverage covenants in the credit agreement of the VTR Credit Facility and the indenture for the VTR Finance Senior Secured Notes is dependent primarily on our ability to maintain or increase our 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 the leverage covenants contained in the

agreements underlying the VTR Credit Facility and the VTR Finance Senior Secured 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 Facility or any then existing debt in order to maintain compliance with applicable covenants. No assurance can be given that we would have sufficient sources of liquidity, or that any funding would be available on favorable terms, or at all, to fund any such required repayment. At March 31, 2015, we were in compliance with our debt covenants. In addition, we do not anticipate any instances of non-compliance with respect to our debt covenants that would have a material adverse impact on our liquidity during the next 12 months.

At March 31, 2015, our outstanding consolidated debt and capital lease obligations aggregated CLP 875.6 billion, substantially all of which is due in 2024.

Notwithstanding our negative working capital position at March 31, 2015, we believe that we have sufficient resources to fund our foreseeable liquidity requirements during the next 12 months. However, as our maturing debt grows in later years, we anticipate that we will seek to refinance or otherwise extend our debt maturities. No assurance can be given that we will be able to complete these refinancing transactions or otherwise extend our debt maturities. In this regard, it is not possible to predict how political and economic conditions, sovereign debt concerns or any adverse regulatory developments could impact the credit and equity markets we access and, accordingly, our future liquidity and financial position. However, (i) the financial failure of any of our counterparties could (a) reduce amounts available under our committed credit facility and (b) adversely impact our ability to access cash deposited with any failed financial institution and (ii) tightening of the credit markets could adversely impact our ability to access debt financing on favorable terms, or at all. In addition, sustained or increased competition, particularly in combination with adverse economic or regulatory developments, could have an unfavorable impact on our cash flows and liquidity.

Condensed Consolidated Statements of Cash Flows

Summary. Our condensed consolidated statements of cash flows for the three months ended March 31, 2015 and 2014 are summarized as follows:

	Three months ended March 31,		
	2015	**2014**	**Change**
		CLP in billions	
Net cash provided by operating activities	2.0	41.6	(39.6)
Net cash used by investing activities	(22.9)	(15.9)	(7.0)
Net cash used by financing activities	—	(56.1)	56.1
Effect of exchange rate changes on cash	0.3	1.6	(1.3)
Net decrease in cash and cash equivalents	(20.6)	(28.8)	8.2

Operating Activities. The decrease in net cash provided by our operating activities is primarily attributable to decreases in cash provided due to (i) higher cash payments for interest and (ii) higher cash payments related to derivative instruments.

Investing Activities. The increase in net cash used by our investing activities is primarily attributable to an increase in cash used of CLP 8.0 billion related to higher capital expenditures.

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

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

	Three months ended March 31,	
	2015	2014
	CLP in billions	
Property and equipment additions	25.3	25.0
Changes in current liabilities related to capital expenditures	(1.5)	(9.2)
Capital expenditures	23.8	15.8

The increase in our consolidated property and equipment additions during the three months ended March 31, 2015, as compared to the corresponding period in 2014, is primarily due to the net effect of (i) an increase in expenditures for the purchase and installation of customer premises equipment and (ii) a decrease in expenditures for new build and upgrade projects.

Financing Activities. The decrease in net cash used by our financing activities is primarily attributable to the net effect of (i) an increase in cash used of CLP 260.6 billion related to lower repayments of advances to related parties, (ii) a decrease in cash used of CLP 240.6 billion related to the acquisition of Liberty Global shares that were used to complete the acquisition of the noncontrolling ownership interests in VTR GlobalCom and VTR Wireless from the NCI Owner in the first quarter of 2014, (iii) an increase in cash used of CLP 235.6 billion due to lower net amounts contributed from our parent, (iv) a decrease in cash used of CLP 233.9 billion related to lower repurchases of related-party debt, (v) a decrease in cash used of CLP 46.8 billion related to lower net repayments of third-party debt and capital lease obligations, (vi) a decrease in cash used of CLP 18.8 billion due to lower cash settlements of derivative instruments and (vii) a decrease in cash used of CLP 14.6 billion due to lower payments of financing costs.

Guarantees and Other Credit Enhancements

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

Contractual Commitments

The Chilean peso equivalents of our contractual commitments as of March 31, 2015 are presented below:

	Payments due during:							
	Remainder of 2015	2016	2017	2018	2019	2020	Thereafter	Total
	CLP in billions							
Debt (excluding interest)	—	—	—	—	—	—	875.3	875.3
Capital leases (excluding interest)	0.2	0.1	—	—	—	—	—	0.3
Programming commitments	32.3	43.5	28.2	28.2	—	—	—	132.2
Network and connectivity commitments	14.8	17.8	16.2	17.5	14.4	—	—	80.7
Operating leases	7.2	9.6	9.6	9.6	8.6	2.2	8.6	55.4
Purchase commitments	3.9	2.9	—	—	—	—	—	6.8
Total (a)	58.4	73.9	54.0	55.3	23.0	2.2	883.9	1,150.7
Projected cash interest payments on debt and capital lease obligations (b)	30.1	60.2	60.2	60.2	60.2	60.2	210.5	541.6

(a) The commitments reflected in this table do not reflect any liabilities that are included in our March 31, 2015 condensed consolidated balance sheet other than debt and capital lease obligations.

(b) Amounts are based on interest rates, interest payment dates and contractual maturities in effect as of March 31, 2015. The amounts presented do not include the impact of our derivative instruments, deferred financing costs and commitment fees, all of which affect our overall cost of borrowing.

Programming commitments consist of obligations associated with certain of our programming contracts that are enforceable and legally binding on us in that we have agreed to pay minimum fees without regard to (i) the actual number of subscribers to the programming services or (ii) whether we terminate service to a portion of our subscribers or dispose of a portion of our distribution systems. In addition, programming commitments do not include increases in future periods associated with contractual inflation or other price adjustments that are not fixed. Accordingly, the amounts reflected in the above table with respect to these contracts are significantly less than the amounts we expect to pay in these periods under these contracts. Payments to programming vendors have in the past represented, and are expected to continue to represent in the future, a significant portion of our operating costs. In this regard, during the three months ended March 31, 2015 and 2014, the third-party programming and copyright costs incurred by our broadband communications operations aggregated CLP 23.5 billion and CLP 21.2 billion, respectively.

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

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

In addition to the commitments set forth in the table above, we have significant commitments under derivative instruments, pursuant to which we expect to make payments in future periods. For information regarding our derivative instruments, including the net cash paid or received in connection with these instruments during the three months ended March 31, 2015 and 2014, see note 3 to our condensed consolidated financial statements.