



Empresa de Transporte de Pasajeros Metro S.A.

(incorporated in the Republic of Chile as a closely held stock corporation (sociedad anónima cerrada))

U.S.\$500,000,000 3.650% Notes due 2030
U.S.\$1,000,000,000 4.700% Notes due 2050

We are offering U.S.\$500,000,000 aggregate principal amount of our 3.650% notes due 2030, or the 2030 notes, and U.S.\$1,000,000,000 aggregate principal amount of our 4.700% notes due 2050, or the 2050 notes and, together with the 2030 notes, the notes and each, a series of notes.

Interest on the 2030 notes will accrue at a rate of 3.650% per year. Interest on the 2050 notes will accrue at a rate of 4.700% per year. The 2030 notes will mature on May 7, 2030. The 2050 notes will mature on May 7, 2050. Interest on each series of notes will accrue from May 7, 2020 and will be payable on May 7 and November 7 of each year, commencing on November 7, 2020.

Prior to February 7, 2030 (the date that is three months prior to the maturity date of the 2030 notes), or the 2030 notes par call date, we may at our option redeem the 2030 notes at any time in whole, or from time to time in part, by paying the greater of the outstanding principal amount of the 2030 notes to be redeemed and a “make-whole” amount, plus accrued and unpaid interest, if any, to, but excluding, the date of redemption. Prior to November 7, 2049 (the date that is six months prior to the maturity date of the 2050 notes), or the 2050 notes par call date, we may at our option redeem the 2050 notes at any time in whole, or from time to time in part, by paying the greater of the outstanding principal amount of the 2050 notes to be redeemed and a “make-whole” amount, plus accrued and unpaid interest, if any, to, but excluding, the date of redemption. On and after the 2030 notes par call date or the 2050 par call date, as applicable, we may also at our option redeem the 2030 notes or the 2050 notes, as applicable, at any time in whole, or from time to time in part, at a redemption price equal to 100% of the principal amount of the notes of the applicable series to be redeemed, plus accrued and unpaid interest, if any, on the principal amount of the notes of such series being redeemed, to the date of redemption. Furthermore, we may redeem the notes of any series in whole but not in part, at any time, if certain changes relating to Chilean tax laws occur, as set forth in this offering memorandum. In addition, if we experience a Change of Control Event (as defined in the indenture governing the notes), we must offer to repurchase each outstanding series of notes at a purchase price equal to 100% of the principal amount thereof, plus accrued and unpaid interest, if any, to, but excluding, the date of redemption. See “Description of the Notes.”

The notes will be our direct, unconditional, unsecured and unsubordinated obligations and will rank, at all times, equally in right of payment with all of our other existing and future unsecured and unsubordinated indebtedness (other than obligations preferred by statute or by operation of law). The notes will not be entitled to the benefit of any sinking fund and will be effectively subordinated to all of our existing and future secured indebtedness with respect to the value of our assets securing such secured indebtedness. Although we are 100% owned by the Republic of Chile, the Republic of Chile is not liable for our obligations under the notes.

Concurrently with the offering of the notes, we have launched a cash tender offer, or the Tender Offer, for any and all of our 4.750% senior notes due 2024, or the 2024 Notes, validly tendered and accepted by us on or before May 6, 2020.

We intend to use the net proceeds from this offering to (i) purchase all of the outstanding 2024 Notes, and pay the related consideration and accrued and unpaid interest thereon, pursuant to the terms of, and subject to the conditions set forth under, the Tender Offer Documents (as defined below); (ii) redeem in full the Series I Local Bonds (as defined below) and pay accrued and unpaid interest thereon pursuant to their terms; (iii) repay in full the principal of, interest on, and other amounts due under the Sumitomo Facility (as defined below); (iv) repay in full the principal of, interest on, and other amounts due under the BNP Facility (as defined below); (v) pay fees and expenses incurred in connection with this offering and the Tender Offer; and (vi) the remainder, if any, including in the event that the Tender Offer is not successful, for general corporate purposes. The Tender Offer is not being made pursuant to this offering memorandum. The closing of the Tender Offer is contingent upon the closing of this offering. See “Use of Proceeds.”

No public market currently exists for the notes. Holders of the notes will not be entitled to any registration rights. Application is expected to be made to admit the notes to listing on the Official List of the Luxembourg Stock Exchange and to trading on the Euro MTF Market of the Luxembourg Stock Exchange. This offering memorandum constitutes a prospectus for purposes of Part IV of the Luxembourg law on prospectus securities dated July 16, 2019. The notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended, or the Securities Act. The notes may not be offered and sold within the United States or to U.S. persons, except to qualified institutional buyers, or QIBs, pursuant to Rule 144A under the Securities Act and to certain non-U.S. persons in offshore transactions in reliance on Regulation S under the Securities Act. You are hereby notified that sellers of the notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. See “Plan of Distribution” and “Transfer Restrictions” for a description of the restrictions regarding the purchase and transfer of the notes. Neither the U.S. Securities and Exchange Commission, or SEC, nor any U.S. state securities commission has approved or disapproved of these securities or determined if this offering memorandum is accurate or complete. Any representation to the contrary is a criminal offense.

The notes may not be publicly offered or sold, directly or indirectly, in Chile or to any resident in Chile, except as permitted by applicable Chilean law. The notes will not be registered under Law No. 18,045, as amended (the Chilean Securities Market Law), with the Chilean Financial Markets Commission (*Comisión para el Mercado Financiero*), or CMF, and, accordingly, the notes may not and will not be offered or sold to persons in Chile except in circumstances which do not and will not result in a public offering under Chilean law, and in compliance with Rule (*Norma de Carácter General*) No. 336, dated June 27, 2012, issued by the CMF (CMF Rule 336). Pursuant to CMF Rule 336, the notes may be privately offered in Chile to certain “qualified investors,” identified as such therein (which in turn are further described in Rule No. 216, dated June 12, 2008, of the CMF). See “Notice to Chilean Investors.”

Investing in the notes involves risks. See “Risk Factors” beginning on page 20 for a discussion of certain information that you should consider before investing in the notes.

Price per 2030 note: 99.759% of principal amount plus accrued interest, if any, from May 7, 2020.

Delivery of the notes is expected to be made to investors on or about May 7, 2020, only in book-entry form through the facilities of The Depository Trust Company, or DTC, and its direct and indirect participants, including Euroclear Bank S.A./N.V., as operator of the Euroclear System, or Euroclear, and Clearstream Banking, *société anonyme*, or Clearstream, Luxembourg.

Joint Bookrunners

Morgan Stanley

Scotiabank

The date of these listing particulars is May 27, 2020.

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Unless otherwise indicated or the context otherwise requires:

- all references to “we,” “us,” “our,” “our company,” “ourselves,” “Metro,” and “Metro Santiago” are to Empresa de Transporte de Pasajeros Metro S.A.;
- all references to the “2012 Transantiago Ancillary Services Agreement” are to the Agreement for Ancillary Services of Issuance, Post-sale and Sales Channel of the Common Ticketing System of the Public Passenger Transportation System of Santiago (*Contrato de Prestación de los Servicios Complementarios Emisión y Post-venta del Medio de Acceso y Provisión de Red de Comercialización y Carga del Medio de Acceso al Sistema de Transporte Público de Pasajeros Santiago*) dated as of December 14, 2012, as amended as of June 14, 2013, between the Chilean Ministry of Transportation and Telecommunications (*Ministerio de Transporte y Telecomunicaciones*), or MTT, and Metro Santiago;
- all references to the “2012 Transantiago Transportation Services Agreement” are to the Public Transportation System of Santiago Service Agreement (*Convenio Para la Prestación de Servicios de Transporte al Sistema de Transporte Público de Santiago*) dated as of December 14, 2012, between the MTT and Metro Santiago;
- all references to the “2013 Transantiago Transportation Services Agreement” are to the Public Transportation System of Santiago Service Agreement (*Convenio Para la Prestación de Servicios de Transporte al Sistema de Transporte Público de Santiago*) dated as of June 26, 2013, as amended as of September 1, 2016, between the MTT and Metro Santiago;
- all references to the “2019 Transantiago Transportation Services Agreement” are to the Public Transportation System of Santiago Service Agreement (*Convenio Para la Prestación de Servicios de Transporte al Sistema de Transporte Público de Santiago*) dated as of February 5, 2019, between the MTT and Metro Santiago;
- all references to the “Transantiago Transportation Services Agreements” are to the 2012 Transantiago Transportation Services Agreement, the 2013 Transantiago Transportation Services Agreement and the 2019 Transantiago Transportation Services Agreement collectively;
- all references to “RED” are to the Metropolitan Mobility Network of Santiago (*Red Metropolitana de Movilidad*), formerly known as the Integrated Public Transportation System of Santiago (*Sistema Integrado de Transporte Público de Pasajeros de Santiago* or “Transantiago”);
- all references to “Chile” are to the Republic of Chile, and references to the “Chilean Government,” are to the government of the Republic of Chile; and
- all references to “CMF” are to the Chilean Financial Market Commission (*Comisión para el Mercado Financiero*).

This offering memorandum has been prepared by us solely for use in connection with the proposed offering of the securities described in this offering memorandum. Morgan Stanley & Co. LLC and Scotia Capital (USA) Inc. will act as initial purchasers with respect to the offering of the notes. This offering memorandum is personal to each offeree and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire securities. You are authorized to use this offering memorandum solely for the purpose of considering the purchase of our notes. Distribution of this offering memorandum to any other person other than the prospective investor and any person retained to advise such prospective investor with respect to its purchase is unauthorized. Each prospective investor, by accepting delivery of this offering memorandum, agrees to the foregoing and to make no photocopies of this offering memorandum or any documents referred to in this offering memorandum.

Neither we nor the initial purchasers have authorized anyone to provide any information other than that contained in this offering memorandum prepared by or on behalf of us or to which we have referred you. The initial purchasers and we take no responsibility for, and can provide no assurance as to the reliability of, any other information that others may give you. Neither we nor the initial purchasers are making an offer of the notes in any jurisdiction where the offer is not permitted. You should not assume that the information

contained in this offering memorandum is accurate at any date other than the date on the front cover of this offering memorandum.

We accept responsibility for the information contained in this offering memorandum. To the best of our knowledge and belief (and we have taken all reasonable care to ensure that), the information contained in this offering memorandum is in accordance with the facts and does not omit any material information likely to affect the import of such information.

No representation or warranty, express or implied, is made by the initial purchasers as to the accuracy or completeness of the information contained in this offering memorandum, and nothing contained herein is, or shall be relied upon as, a promise or representation by the initial purchasers. The initial purchasers assume no responsibility for its accuracy or completeness and accordingly disclaim, to the fullest extent permitted by applicable law, any and all liability whether arising in tort, contract or otherwise which they might otherwise be found to have in respect of this document or any such statement. In making an investment decision, you should rely on your own evaluation of our company, the notes and the terms of the offering, including the merits and risks involved.

No person has been authorized to give any information or to make any representations other than those contained in this offering memorandum, and, if given or made, such information or representations must not be relied upon as having been authorized. Neither the delivery of this offering memorandum nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in our affairs since the date hereof or that the information contained herein is correct as of any time subsequent to its date.

Neither this document nor any advertisement or any other offering material may be distributed or published in any jurisdiction except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this offering memorandum comes are required to inform themselves about and observe any such restrictions, including those set out in the preceding paragraphs. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. For further information on the manner of distribution of the notes, and the transfer restrictions to which they are subject, see “Plan of Distribution” and “Transfer Restrictions.”

We are relying upon an exemption from registration under the Securities Act for an offer and sale of securities that do not involve a public offering. By purchasing the notes, you will be deemed to have made the acknowledgments, representations and agreements described under “Transfer Restrictions” in this offering memorandum. Neither we nor the initial purchasers are making an offer to sell the notes in any jurisdiction except where such an offer or sale is permitted. You should understand that you may be required to bear the financial risks of your investment for an indefinite period of time.

We have submitted this offering memorandum solely to a limited number of institutional investors in the United States and to certain investors outside the United States so that they can consider a purchase of the notes. We have not authorized the use of this offering memorandum for any other purpose. We make no representation to any purchaser regarding the legality of an investment in the notes by such purchaser under any legal investment or similar laws or regulations. You should not consider any information in this offering memorandum to be legal, financial, business or tax advice. You should consult your own counsel, accountant, business advisor and tax advisor for legal, financial, business and tax advice regarding any investment in the notes.

We reserve the right to withdraw this offering of notes at any time and we and the initial purchasers reserve the right to reject any commitment to subscribe for the notes in whole or in part and to allot to any prospective investor less than the full amount of notes sought by that investor. The initial purchasers and certain related entities may acquire for their own account a portion of the notes.

The notes offered through this offering memorandum are subject to restrictions on transferability and resale, and may not be transferred or resold in the United States except as permitted under the terms of the Securities Act and applicable U.S. state securities laws pursuant to registration or exemption from them.

You must comply with all applicable laws and regulations in force in the jurisdiction to which you are subject and you must obtain any consent, approval or permission required by you for the purchase, offer or sale of the notes under the laws and regulations in force in the jurisdiction to which you are subject or in which you make such purchase, offer or sale, and neither us nor the initial purchasers will have responsibility therefrom.

Notwithstanding anything in this offering memorandum to the contrary, except as reasonably necessary to comply with applicable securities laws, you (and each of your employees, representatives or other agents) may disclose to any and all persons, without limitation of any kind, the U.S. federal income tax treatment and tax structure of the offering and all materials of any kind (including opinions or other tax analyses) that are provided to you relating to such tax treatment and tax structure. For this purpose, “tax structure” is limited to facts relevant to the U.S. federal income tax treatment of the offering.

This communication is directed only to persons who (1) are outside the United Kingdom or (2) are investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2001, or the Order, or (3) are persons falling within Article 49(2)(a) to (d) (high net worth companies, incorporated associations, etc.) of the Order (all such persons together are being referred to as “relevant persons”). This communication must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this communication relates is available only to relevant persons and will be engaged in only with relevant persons.

NOTICE TO CHILEAN INVESTORS

THE FOLLOWING INFORMATION IS PROVIDED TO PROSPECTIVE INVESTORS PURSUANT TO CMF RULE 336:

1. DATE OF COMMENCEMENT OF THE OFFER: APRIL 30, 2020. THE OFFER OF THE NOTES IS SUBJECT TO CMF RULE (*NORMA DE CARÁCTER GENERAL*) No. 336, DATED JUNE 27, 2012, ISSUED BY THE CMF.

2. THE SUBJECT MATTER OF THIS OFFER ARE SECURITIES NOT REGISTERED WITH THE SECURITIES REGISTRY (*REGISTRO DE VALORES*) OR THE FOREIGN SECURITIES REGISTRY (*REGISTRO DE VALORES EXTRANJEROS*) KEPT BY THE CMF. AS A CONSEQUENCE, THE NOTES ARE NOT SUBJECT TO THE OVERSIGHT OF THE CMF.

3. SINCE THE NOTES ARE NOT REGISTERED IN CHILE, THE ISSUER IS NOT OBLIGED TO PROVIDE PUBLICLY AVAILABLE INFORMATION ABOUT THE NOTES IN CHILE.

4. THE NOTES SHALL NOT BE SUBJECT TO PUBLIC OFFERING IN CHILE UNLESS REGISTERED WITH THE RELEVANT SECURITIES REGISTRY KEPT BY THE CMF.

LA SIGUIENTE INFORMACIÓN SE PROPORCIONA A POTENCIALES INVERSIONISTAS DE CONFORMIDAD CON LA NCG 336:

1. LA FECHA DE INICIO DE LA OFERTA ES EL 30 DE ABRIL DE 2020. LA OFERTA DE LOS BONOS SE ACOGE A LA NORMA DE CARÁCTER GENERAL No. 336, DE FECHA 27 DE JUNIO DE 2012, DE LA CMF.

2. LA OFERTA VERSA SOBRE VALORES NO INSCRITOS EN EL REGISTRO DE VALORES O EN EL REGISTRO DE VALORES EXTRANJEROS QUE LLEVA LA CMF. POR LO TANTO, TALES VALORES NO ESTÁN SUJETOS A LA FISCALIZACIÓN DE ESA COMISIÓN.

3. POR TRATARSE DE VALORES NO INSCRITOS EN CHILE, NO EXISTE LA OBLIGACIÓN POR PARTE DEL EMISOR DE ENTREGAR EN CHILE INFORMACIÓN PÚBLICA RESPECTO DE LOS MISMOS.

4. ESTOS VALORES NO PODRÁN SER OBJETO DE OFERTA PÚBLICA EN CHILE MIENTRAS NO SEAN INSCRITOS EN EL REGISTRO DE VALORES CORRESPONDIENTE.

ENFORCEMENT OF CIVIL LIABILITIES

We are a closely held stock corporation (*sociedad anónima cerrada*) organized under the laws of Chile. All of our directors and executive officers reside outside of the United States. All or a substantial portion of our assets and the assets of these persons are located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States on, or bring actions or enforce foreign judgments against us or such persons in U.S. courts.

We have been advised by our Chilean counsel, Ried Fabres SpA, that no treaty exists between the United States and Chile for the reciprocal enforcement of foreign judgments. Chilean courts, however, have enforced final judgments rendered in the United States, without reviewing the merits of the subject matter of the case, by virtue of the legal principles of reciprocity and comity, subject to the review in Chile of the United States judgment in order to ascertain whether certain basic principles of due process and public policy have been respected. If a U.S. court grants a final judgment, enforceability of this judgment in Chile will be subject to the obtainment of the relevant *exequatur* (i.e., recognition and enforcement of the foreign judgment) according to Chilean civil procedure law in force at that time and, consequently, subject to the satisfaction of certain factors. Currently, the most important of these factors are:

- (1) the existence of reciprocity absent which the foreign judgment may not be enforced in Chile;
- (2) the absence of any conflict between the foreign judgment and Chilean laws (excluding for this purpose the laws of civil procedure) and public policy;
- (3) the absence of a conflicting judgment by a Chilean court relating to the same parties and arising from the same facts and circumstances;
- (4) the observance of all applicable laws to serve process on the defendant and protect the defendant's right to defense; and
- (5) the absence of any further means for appeal or review of the judgement in the jurisdiction where judgement was rendered.

We have been advised by our Chilean counsel that there is doubt as to the enforceability, in original actions in Chilean courts, of liabilities predicated solely upon the federal securities laws of the United States and as to the enforceability in Chilean courts of judgments of U.S. courts obtained in actions predicated upon the civil liability provisions of the U.S. federal securities laws. In addition, it may be necessary for investors to comply with certain procedures, including payment of stamp tax or a statement that its rate is 0% of the face value of a debt security, if applicable, in order to file a lawsuit with respect to the notes in a Chilean court.

In addition, Article 445 No. 17 of the Chilean Civil Procedure Code sets forth that the assets that are used in the performance of a service that cannot be suspended without harming transit or public health may not be seized or attached. Accordingly, this provision affects our main assets, such as trains and subway stations. Nevertheless, the taxable income produced by these assets can be seized.

We have appointed the Consul General of Chile in New York, New York, as our authorized agent upon which all writs, process and summonses may be served in any suit, action or proceeding brought in connection with the Indenture or the notes against us in any such court and has agreed that such appointment shall be irrevocable so long as any of the notes remain outstanding or until the irrevocable appointment by the Company of a successor in The City of New York as its authorized agent for such purpose and the acceptance of such appointment by such successor. See "Description of the Notes."

PRESENTATION OF CERTAIN FINANCIAL AND OTHER INFORMATION

Financial Statements

This offering memorandum includes our annual audited consolidated financial statements as of December 31, 2019 and 2018, and for the years ended December 31, 2019 and 2018, together with the notes thereto, or our consolidated financial statements.

The consolidated financial information as of and for each of the years ended December 31, 2019 and 2018 presented in this offering memorandum has been derived from our consolidated financial statements appearing elsewhere in this offering memorandum, which have been audited by Deloitte Auditores y Consultores Limitada, independent auditors.

Accounting Principles and Application of International Public Sector Accounting Standards

We maintain our financial books and records in Chilean pesos. The consolidated financial statements comprise the statements of financial position as of December 31, 2019 and 2018, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years ended December 31, 2019 and 2018, which have been prepared in accordance with the specific instructions and standards issued by the CMF. These standards and instructions require us to comply with International Financial Reporting Standards, or IFRS, issued by the International Accounting Standards Board, or IASB, with the exception of certain international accounting standards issued under International Public Sector Accounting Standards which are used in place of an otherwise applicable International Financial Reporting Standards.

We are a state-owned entity which business model is focused on providing a public service and is not primarily intended to generate profit. The International Public Sector Accounting Standards Board, or IPSASB, an independent organ of the International Federation of Accountants, or IFAC, has issued the International Public Sector Accounting Standards, or IPSAS. IPSAS reflect the efforts of the IPSASB to adapt certain international accounting standards under IFRS to a public sector context when appropriate to reflect that certain governmental entities carry out public services (not primarily intended to generate profit), such as the public transportation services that we provide.

We refer to the accounting framework used by us as “Applicable GAAP.”

In particular, through Ordinary Official Letter No. 6158 dated March 5, 2012, we were authorized by the CMF to exceptionally apply International Public Sector Accounting Standard 21, or IPSAS 21, in lieu of International Accounting Standard 36 — Impairment of Assets, or IAS 36. For additional information on our application of IPSAS 21, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Significant Financial Reporting Standards—Application of IPSAS 21” and note 2.8 to our consolidated financial statements.

Special Note Regarding Non-GAAP Financial Measures

The body of generally accepted accounting principles is commonly referred to as “GAAP.” For this purpose, a non-GAAP financial measure is generally defined by the SEC as one that purports to measure historical or future financial performance, financial position or cash flows but excludes or includes amounts that would not be so reflected in the most comparable GAAP measure. In this offering memorandum, we present Adjusted EBITDA and Adjusted Operating Profit (Loss), which are non-GAAP financial measures. We define (1) “Adjusted EBITDA” as gross profit *less* administrative expenses *plus* depreciation and amortization and (2) “Adjusted Operating Profit (Loss)” as gross profit *less* administrative expenses. We present Adjusted EBITDA and Adjusted Operating Profit (Loss) because we believe such measures provide investors with supplemental information on our financial performance that facilitates period-on-period comparisons on a consistent basis. Our management also uses Adjusted EBITDA and Adjusted Operating Profit (Loss), among other measures, for internal planning and performance measurement purposes. Adjusted EBITDA and Adjusted Operating Profit (Loss) should not be construed as an alternative to net income, as an indicator of operating performance, as an alternative to cash flow provided by operating activities or as measures of liquidity. Adjusted EBITDA and Adjusted Operating Profit (Loss), as we calculated them, may not be comparable to similarly titled measures reported by other companies.

These measures are not and should not be considered in isolation, or as substitutes for net income, cash flow provided by operations or other measures of financial performance or liquidity under GAAP. Due to the fact that these are not GAAP measures that have standardized meanings, their calculation may vary among different companies and may not be comparable to the measures or similarly titled figures reported by other companies.

These measures are presented in presentations to investors and in our earnings releases as available on our website (though the contents of our earnings releases, investors presentations, our website and any other website referred to herein, are not incorporated into, and do not form part of, this offering memorandum).

For a reconciliation of our non-IFRS measures and calculation of Adjusted EBITDA and Adjusted Operating Profit (Loss) and a reconciliation of Adjusted EBITDA and Adjusted Operating Profit (Loss) to our net income (loss), see “Selected Consolidated Financial and Other Information—Reconciliation of Non-GAAP Financial Measures.”

Currency and Other Information

Unless otherwise stated, the financial information appearing in this offering memorandum is presented in Chilean pesos. In this offering memorandum references to “Chilean pesos” or “Ch\$” are to Chilean pesos, the lawful currency of Chile, and references to “U.S. dollars,” “dollars” or “U.S.\$” are to United States dollars.

References to “UF” are to *Unidades de Fomento*, a daily indexed Chilean peso-denominated monetary unit which is linked to, and adjusted daily to reflect changes in, the official consumer price index, or CPI, of the Chilean National Institute of Statistics (Instituto Nacional de Estadísticas, or INE). The UF is revalued in monthly cycles. Each day in the period beginning on the tenth day of the current month through the ninth day of the succeeding month, the nominal peso value of the UF is indexed up (or down in the event of deflation) in order to reflect a proportionate amount of the change in the CPI during the prior calendar month. The UF is calculated by the Central Bank of Chile, which we refer to as the “Central Bank of Chile” or the “Chilean Central Bank”, and published monthly in the *Diario Oficial of Chile* (Official Gazette) and appears on Bloomberg page “CHUF.” As of December 31, 2019, the value of the UF was Ch\$28,309.94.

This offering memorandum contains translations of certain Chilean peso amounts into U.S. dollars at a specified rate solely for the convenience of the reader. The exchange rate translations contained in this offering memorandum should not be construed as representations that the peso amounts actually represent the U.S. dollar amounts presented or could be converted into U.S. dollars at the rate indicated as of the dates mentioned herein or at any other rate. The rate reported by the Central Bank of Chile (*Banco Central de Chile*), or Central Bank, for December 30, 2019 is based upon the observed exchange rate published by the Central Bank on the first business day following the respective period. Accordingly, we have converted original Chilean peso amounts into U.S. dollars at a rate of Ch\$748.74 per U.S.\$1.00, which was both the observed exchange rate as published by the Central Bank on January 2, 2020 and the exchange rate reported by the Central Bank on December 30, 2019. The observed exchange rate for any given day equals the average exchange rate of the transactions conducted in the formal exchange market on the immediately preceding banking day, as certified by the Central Bank. The Central Bank did not report any exchange rate on December 31, 2019. The Federal Reserve Bank of New York does not report a noon buying rate for Chilean pesos.

In addition, UF amounts that have been translated from Chilean pesos have been so translated at a conversion rate of Ch\$28,309.03 per UF, which is the value of the UF as of December 30, 2019, as published on December 7, 2020 by the Central Bank.

See “Exchange Rates” for information regarding rates of exchange between the peso and the U.S. dollar and the conversion rates between the peso and UF for the periods specified therein.

Industry and Market Data

Market data and other statistical information (other than with respect to our financial results and performance) used throughout this offering memorandum are based on independent industry publications, government publications, reports by market research firms or other published independent sources. The information included on the offering memorandum from these sources has been accurately reproduced and as far as we are aware and are

able to ascertain from information published by these sources, no facts have been omitted which would render such reproduced information inaccurate or misleading.

Some data are also based on our estimates, which are derived from our review of internal surveys and analyses, as well as independent sources, including the Central Bank, the INE, and the Community of Metros, or CoMet, a system of international railway benchmarking of which we are a member. Although we believe these sources are reliable, we have not independently verified the information and cannot guarantee its accuracy or completeness. In addition, these sources may use different definitions of the relevant markets and other categories than those we present. Data regarding our industry are intended to provide general guidance but are inherently imprecise. Though we believe these estimates were reasonably derived, you should not place undue reliance on estimates, as they are inherently uncertain.

Rounding

Certain figures included in this offering memorandum have been rounded for ease of presentation to the nearest percent, one-tenth of one percent or one-hundredth of one percent, as the case may be. Percentages and other figures included in this offering memorandum have not in all cases been calculated on the basis of such rounded figures but on the basis of such amounts prior to rounding. Furthermore, where information is presented in this offering memorandum in millions or billions of Chilean pesos or thousands, millions or billions of U.S. dollars, amounts of less than one thousand, one million, or one billion, as the case may be, have been truncated unless otherwise specified. Therefore, amounts and percentages presented in tables in this offering memorandum may not add up due to such rounding adjustments or truncating and may vary from those obtained by performing the same calculations using the figures in our consolidated financial statements.

Other Information Presented

The standard measure of length and distance in Chile is the kilometer, while in the United States the standard measure is the mile. Unless otherwise specified, all units of length and distance shown in this offering memorandum are expressed in terms of kilometer (km). One kilometer is equal to 0.6214 of a mile.

We measure service offering as traffic flow in vehicle x kilometer (car x kilometer), which is determined by multiplying the number of cars on our network of tracks by the average length of their trips measured in kilometers.

When we refer to “passengers” in this offering memorandum, we are referring to passenger trips on the Santiago subway. Accordingly, during the course of any period measured, an individual passenger can account for multiple passenger trips, and is counted as a “passenger” each time such person makes a trip.

FORWARD-LOOKING STATEMENTS

All statements other than statements of historical facts contained in this offering memorandum, including statements regarding our future financial position and results of operations, business strategy, budgets, projected costs and plans and objectives of management for future operations, are forward-looking statements. In addition, forward looking statements generally can be identified by the use of forward-looking terminology such as “may,” “will,” “expect,” “intend,” “estimate,” “anticipate,” “believe” or “continue” or the negative thereof or variations thereon or similar terminology. Although we believe that the expectations reflected in such forward-looking statements are reasonable as of the date of this offering memorandum, we do not provide any assurance with respect to such statements. Our ability to achieve our projected results is dependent on many factors that are outside management’s control. Actual results may differ materially from and be more negative than those projected or implied in the forward-looking statements. Such forward-looking information involves risks and uncertainties that could significantly affect expected results and is based on certain key assumptions. Factors that could cause actual results to differ materially and adversely include, but are not limited to:

- changes in the general economic, business, political or other conditions in Chile, including actions taken by the Chilean Government and the impact thereof;
- possible disruptions to commercial activities due to natural and human-induced disasters, such as weather conditions, earthquakes, terrorist activities, social unrest and violence, armed conflicts and health epidemics or pandemics, including the current COVID-19 virus, or coronavirus, outbreak;
- changes in tariffs and decreases in passenger traffic volumes;
- changes in capital market conditions in general that may affect policies or attitudes towards lending to Chile or Chilean companies;
- the economic performance of Chile and changes in general economic conditions in Chile, including, for example inflation, interests rates, exchange rates and population growth;
- our ability to implement our capital expenditures program (including those capital expenditures required by the Chilean Government for the expansion of our transportation network and unscheduled and unexpected expenditures for the repair and maintenance of our fixed or capital assets) and our ability to obtain financing to implement such program;
- expansion and other projects and the cost of, or return to us from, any such expansion or projects;
- changes in our costs and expenses, including costs of services and operational costs;
- interruptions or failures of our technology systems, including interruptions caused by external factors such as violence, riots or social unrest, and internal factors such as maintenance, updates to or changes in our technology systems;
- our inability to meet efficiency or cost reduction objectives;
- regulatory developments and changes in applicable Chilean law;
- our ability to carry out our strategic plan;
- our level of indebtedness, financing conditions and our ability to meet our financial obligations;
- currency and interest rate fluctuations;
- deterioration of labor relations with our associates, labor disruptions, increases in labor costs or changes in labor laws; and
- the risk factors discussed under “Risk Factors.”

Should one or more of these factors or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described herein as anticipated, believed, estimated, expected, forecast or intended.

Prospective investors should read the sections of this offering memorandum entitled “Risk Factors,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Business” for a more complete discussion of the factors that could affect our future performance.

In light of these risks, uncertainties and assumptions, the forward-looking events described in this offering memorandum may not occur. Additional factors affecting our business emerge from time to time and it is not possible for us to predict all of these factors, nor can we assess the impact of all such factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statement. Although we believe the plans, intentions and expectations reflected in or suggested by such forward-looking statements are reasonable, we cannot assure you that those plans, intentions or expectations will be achieved. In addition, you should not interpret statements regarding past trends or activities as assurances that those trends or activities will continue in the future. All written, oral and electronic forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by this cautionary statement.

In any event, these statements speak only as of their dates, and we do not undertake any obligation to update or revise any of them as a result of new information, future events or otherwise.

SUMMARY

Below we present a summary of our business, financial and operational information, competitive advantages and strategies. This summary highlights selected information described in greater detail elsewhere in this offering memorandum. It does not contain all of the information that may be important to you. This offering memorandum describes the terms of the offering, as well as information regarding our business and detailed financial information. Before investing in the notes, you should read the entire offering memorandum carefully, including our consolidated financial statements and the accompanying notes thereto included elsewhere in this offering memorandum, and the sections entitled “Risk Factors,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Business.”

Overview

We are the owner and sole operator of the subway system in the metropolitan region of Santiago, Chile, which we refer to herein as the Santiago subway, the backbone for the connectivity and mobility of the inhabitants of such region. We were incorporated as a closely held stock corporation (*sociedad anónima cerrada*) in 1990 by the Chilean State, or *Fisco* (represented by the Ministry of Finance) and the Chilean Government’s Corporation of Promotion and Production (*Corporación de Fomento de la Producción*, or CORFO), having become the assignee of all rights and obligations of the Department of the Metro (*Dirección General de Metro*). As of December 31, 2019, CORFO held 66.94% of our outstanding shares and the Chilean State (*Fisco*) held the remaining 33.06% of our outstanding shares.

We operate one of the largest subway systems in Latin America in terms of passenger trips and network extension, according to data from CoMet. We believe that quality public transportation opens up employment opportunities for millions of area residents of the Santiago metropolitan region, linking them to jobs helping the city of Santiago to create and distribute wealth and enable more equality. It revives and integrates neighborhoods and gives rise to new business corridors. We aim to provide reliable, safe, clean and efficient public transportation for the metropolitan region of Santiago, by connecting millions of passengers to their homes, working places and cultural, educational, retail, and civic centers across the region. As of December 31, 2019, we operated seven subway lines in the metropolitan region of Santiago, the largest center of economic activity in Chile with 7,915,199 inhabitants, representing 41.4% of the country’s total population as of December 31, 2019, according to the INE. We transport an average of 2.4 million passengers per business day (which represents more than 60% of the trips of the RED transportation system), and in the year ended December 31, 2019, we transported approximately 703.7 million passengers. In 2019, we recorded a gross profit of Ch\$37.2 billion (U.S.\$49.7 million) and our Adjusted EBITDA was Ch\$109.7 billion (U.S.\$146.5 million).

The Santiago subway plays a critical role within the RED transportation system, the integrated public transportation system that provides seamless ground transportation by bus and underground transportation by subway in the metropolitan region of Santiago. The RED transportation system was created by the Chilean Government in 2007 and is administered by the Department of Metropolitan Public Transportation (*Directorio de Transporte Público Metropolitano*). As of December 31, 2018, RED’s ground transportation services included 380 bus routes operated by six private companies covering 34 neighborhoods and 2,946 km of roads, with over 3 million daily trips.

RED uses a common ticketing service that allows for the use of a single touchless smart card, or *Tarjeta Bip!* for payment on city buses and the Santiago subway. In addition to providing the subway services of RED, we are the primary sales channel for the RED *Tarjeta Bip!* through our underground and ground points of sale and collect 100% of the fares paid by RED passengers. As of December 31, 2019, more than 60% of the total daily passenger trips of RED included a trip on Metro.

We are the main land transportation service provider in Chile. We have implemented dynamic operational strategies to expand our network, and increase the availability and quality of our transportation service, such as:

- expanding our network with (i) the opening of the new lines 6 and 3 in 2017 and 2019, respectively, (ii) the extension project for lines 2 and 3 which is currently under construction, (iii) the projects for the new lines 7, 8 and 9 and the extension project for line 4, which have been announced by the

Government of Chile and which we are analyzing and structuring, and (iv) the addition of new intermodal stations;

- reformulating our service strategy to a more customer-focused approach in order to service more effectively the needs of our passengers;
- developing a short-term and long-term maintenance plan to optimize preventative and corrective maintenance of our fleet, reduce the rate of high-impact failures and minimize the response time in case of operational problems;
- upgrading the fleet and our facilities by incorporating new trains and remodeling some of our existing trains as well as improving our facilities to grant universal access to our stations (for example, we recently completed the introduction of air conditioned cars and automatic steering for lines 1 and 5 and installing elevators); and
- strengthening our network of sales channel services for RED *Tarjeta Bip!*, by expanding our points of sales to high-traffic areas and through technological renovations of our systems.

We are registered as issuer of publicly traded securities with the Securities Registry (*Registro de Valores*) kept by the CMF and subject to the disclosure obligations of publicly traded stock corporations (*sociedades anónimas abiertas*).

Our Operations

As of December 31, 2019, we operated seven subway lines in the metropolitan region of Santiago, reaching 26 neighborhoods, and we had 136 stations, 232 trains with 1,349 cars, covering a total distance of 140 km of track. In addition to our transportation services, we offer approximately 430 commercial and retail spaces for rent in our stations and over 968 advertising spaces for rent in our trains and stations.

For the year ended December 31, 2019 and for the year ended December 31, 2018, 83% and 81%, respectively, of our revenues were derived from fare revenues, and the remaining 17% and 19%, respectively, from non-fare revenues. Our fare revenues consist exclusively of the technical fees (*tarifa técnica*) we receive from RED, while our non-fare revenues mainly include (i) sales channel and collection services for RED *Tarjeta Bip!* sales and recharges; (ii) sale of advertising space in our stations and trains; and (iii) leasing of space to stores in our stations.

Our Network and Subway Lines

The map below shows the distribution of our operational subway lines (including our expansion projects):



Line 1. This line, known as the red line, connects four neighborhoods of Santiago (with a population of 1.1 million people as of April 2017 according to the INE) running from west to east on 20.7 km of tracks through downtown Santiago and the financial district, with 27 stations, including stations at the University of Chile, the

Catholic University of Chile and the University of Santiago, three of the main universities in Chile, among other locations. It is the core route of our transportation network. Passengers on line 1 have access to green spaces, cultural centers, theatres and commercial points of interest, as well as access to various services including a bicycle storage service, or *BiciMetro*, and a public library service for passengers, or *BiblioMetro*.

Line 2. This line, known as the yellow line, connects four neighborhoods of Santiago (with a population of 0.9 million people as of April 2017 according to the INE) running from north to south on 20.5 km of tracks, with 22 stations, including intermodal stations at the Lo Ovalle and Vespucio Norte, among other locations. Passengers on line 2 have access to an intermodal station offering connecting bus service outside of the RED system via six bus operators to other areas of the city, as well as access to *BiciMetro* services at the terminal stations.

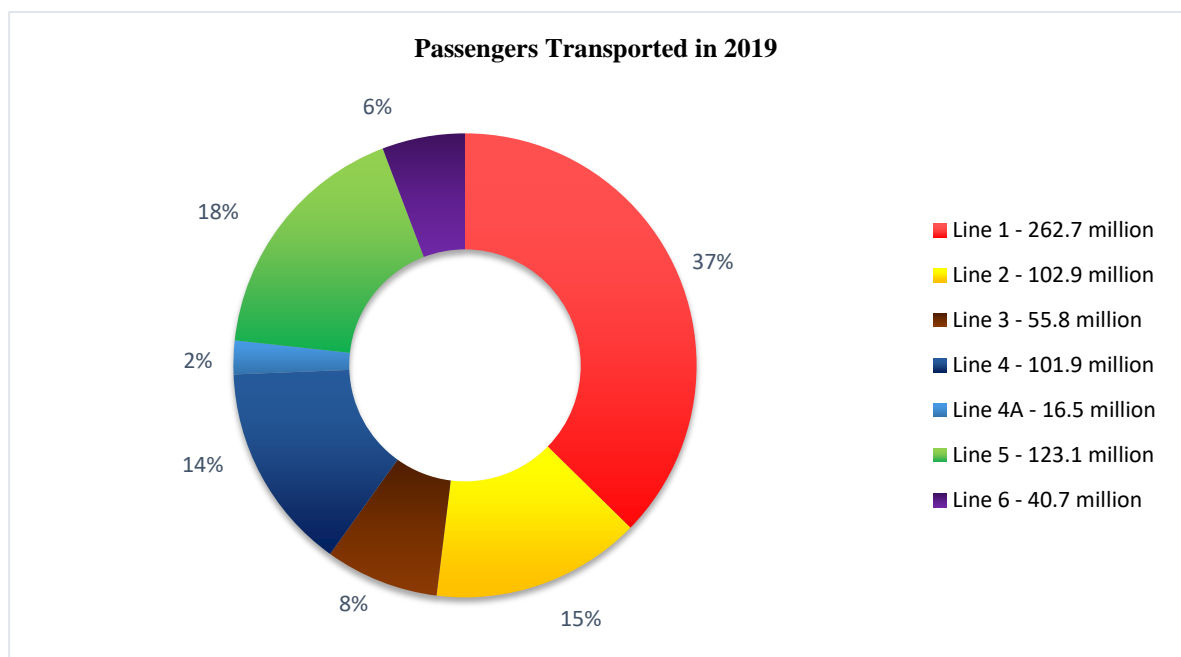
Line 3. This line, known as the brown line, connects six communities of Santiago (with a population of 1.1 million people as of April 2017 according to the INE) running from northwest to east on 22 km of tracks, with 18 stations, including one intermodal station at the Los Libertadores location. Line 3 commenced operations in January 2019. During the first year of operations it served 55.8 million passengers.

Lines 4/4A. Our line 4, known as the blue line, and our line 4A, known as the light blue line, offer service to some of the fastest-growing and more densely populated neighborhoods (with a population of 2.3 million people as of April 2017 according to the INE), including the two most populous neighborhoods in Santiago - Puente Alto and La Florida, among others. Line 4 has 23 stations and 25.7 km of tracks, and line 4A has six stations and 8.5 km of tracks. Line 4A connects with line 2 at the La Cisterna station. Passengers on lines 4 and 4A have access to educational institutions and commercial points of interest, as well as access to various services including *BiciMetro* and *BiblioMetro*.

Line 5. Our line 5, known as the green line, stretches across Santiago (serving 2.3 million people as of April 2017 according to the INE) from south to west on 29.9 km of tracks, running parallel to our line 1 through downtown Santiago, with 30 stations including the terminal station of Vicente Valdés, which connects lines 4 and 5, and the terminal station of Plaza de Maipú, among others. Line 5 shares two stations (Baquedano and San Pablo) with line 1, one station (Santa Ana) with line 2 and one station (Vicente Valdés) with line 4. Passengers on line 5 have access to 51 tourist sites, including the National Museum of Fine Arts, among others, as well as access to *BiciMetro* and *BiblioMetro* services.

Line 6. This line, known as the purple line, connects seven communities of Santiago (with a population of 1.1 million people as of April 2017 according to the INE) running from west to east on 15.3 km of tracks, with 10 stations, including four regular pass-through stations, four combination stations, one special station, the Estadio Nacional station, which is an atrium-style station designed to serve high volumes of passengers, especially large crowds generated by shows or sporting events, and one terminal station. Line 6 commenced operations in November 2017. During 2018 and 2019, it served 39.1 million and 40.7 million passengers, respectively.

The graph below shows the number of passengers transported in each of our lines for the year ended December 31, 2019.



Technical Fee and Commercial Fare

Beginning on February 10, 2007, we became part of RED. Through RED, the Chilean Government has established an integrated fare system in the metropolitan region of Santiago, which allows passengers to travel and transfer freely between the subway system and city buses.

Pursuant to the terms of the 2019 Transantiago Transportation Services Agreement, in exchange for providing subway transportation services to RED passengers, we receive from RED a technical fee for each confirmed passenger that is updated on a monthly basis in accordance with a formula that takes into account our long-term costs structure, and which considers, among other variables, inflation, currency fluctuations and the price of electric power. The compensation structure based on the technical fee was first introduced by the 2013 Transantiago Transportation Services Agreement which expired on February 10, 2019. Ahead of such expiration, on February 5, 2019, we and the MTT entered into the 2019 Transantiago Transportation Services Agreement. The 2019 Transantiago Transportation Services Agreement became effective on February 11, 2019, for a one-year term, which will automatically continue unless notice to the contrary by any of the parties thereto. On February 5, 2020 we and MTT entered into an amendment to the 2019 Transantiago Transportation Services Agreement to, among other things, extend the original term for twelve additional months and reduce the technical fee from Ch\$480.18 to Ch\$478.67 to compensate for the fixed monthly payments we receive from RED as a result of our intermodal operations. Through such fixed monthly payments we are no longer exposed to changes in volumes of passengers transported to cover the costs of our intermodal operations, since those payments cover 100% of such costs. Such amendment is currently pending approval (*trámite de toma de razón*) by the General Comptroller of Chile (*Contraloría General de la República de Chile*). Our current technical fee per passenger is Ch\$523.85 (which is equal to the technical fee of Ch\$480.18 established in the 2019 Transantiago Transportation Services Agreement as adjusted by the formula therein for the month of April 2020).

The fare paid by the public to RED, or the commercial fare, is different from the technical fee we receive per confirmed passenger under the Transantiago Transportation Services Agreements. For example, in December 2019, passengers paid a commercial fare to RED of Ch\$800 during rush hour, Ch\$720 during off-peak times and Ch\$640 during low-traffic times, as opposed to an average technical fee of Ch\$506.62 per confirmed passenger collected by us during the same period.

The commercial fare is determined by an expert panel (*Panel de Expertos*, or Expert Panel), pursuant to Law No. 20,378. As a result of the social protests that began in October 2019, the Chilean Congress enacted Law No. 21,184, which authorizes the President of Chile to freeze and control the increase of the Commercial Fare. In any

event, actions by the President of Chile to determine the fare shall take into account the economic equilibrium of our transportation system. Pursuant to the authorization provided by Law No. 21,184, on October 21, 2019, the MTT issued Supreme Decree (*Decreto Supremo*) No. 96, which ceased the effectiveness of the commercial fare that started to apply on October 6, 2019. Pursuant to Law No. 21,184, the expenses produced by this revocation of the fare increase will be financed through the MTT's budget, and to the extent needed, through the Public Treasury's budget. The technical fee we collect has not changed as a result of the actions taken by the Chilean Government pursuant to Law No. 21,184.

For a more detailed description of our technical fee and the fee increase, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Factors Affecting Our Results of Operations—Our Technical Fees" and "Business—Our Business—Integrated Payment System—Commercial Fares / Technical Fees."

RED Sales Channel

The *Tarjeta Bip!*, a smartcard that operates on a touchless system, is the official form of payment for access to and for the use of the RED system. We are the primary sales channel for the RED *Tarjeta Bip!* through our underground and ground points of sale and collect 100% of the sales and recharges of these cards. Passengers may purchase and recharge *Tarjetas Bip!* at our underground subway stations, as well as over 2,934 points of sale (which include charge locations known as *Centros Bip!* and *Puntos Bip!*, vending machines and stores of certain retailers such as Walmart and Unired) located throughout the city of Santiago. The use of the *Tarjeta Bip!* for both ground and subway transportation allows for seamless tracking of passengers and monitoring of transfers between buses and the Santiago subway, allowing passengers up to two transfers in a two-hour time period for the price of one trip. We receive a monthly fee from RED for our sales channel services, which is calculated as a percentage of the total amounts collected by us for sales and recharges of *Tarjeta Bip!* and single-ride tickets. Additionally, we are able to setoff amounts due to us from RED for technical fees for each confirmed passenger of the Santiago subway directly against the total amount that we collect from the sales channel for the *Tarjeta Bip!*. The funds collected for sales of the *Tarjetas Bip!* and the sale of single-ride tickets is settled daily by validating the number of confirmed passengers based on turnstile counts. We transfer any remaining amounts to the Transantiago Financial Manager (*Administrador Financiero de Transantiago*, or AFT). For the year ended December 31, 2019 and for the year ended December 31, 2018, our sales channel fee revenue represented 63% and 65%, respectively, of our non-fare revenues, and 11% and 12%, respectively, of our total revenues.

Capital Expenditures Program

We allocate significant resources to studies and investment projects aimed at expanding our network, restoration-resiliency projects and projects to improve our infrastructure. Investments in network expansion seek to consolidate our position as the leading player in Santiago's public transportation system, restoration-resiliency projects are aimed at restoring the level of service we had immediately prior to the social protests that commenced in the fourth quarter of 2019, whereas our investments on maintenance and infrastructure improvements are earmarked for the following areas: improving the quality of our services; bolstering operational safety and stability; preserving and maintaining our facilities and grounds; and updating, renewing and modernizing technology used by our equipment and systems, all with a view to better serve our customers.

We expect to finance our capital expenditures with capital contributions from our shareholders, our income from operations, certain lines of credit with various financial institutions and local securities offerings.

As part of our expansion projects, we are working on the extension of our line 2 and the extension of our line 3, or the Extension Project. The extension of line 2 will add 5.1 km to the network and four new stations (Riquelme, Observatorio, Lo Martínez and Hospital El Pino) that will service two additional neighborhoods of Santiago, El Bosque and San Bernardo. The contemplated design is 100% underground and includes four new stations. The extension to the new line 3 will add 3.8 km and three new stations (EFE Quilicura, Lo Cruzat and Plaza de Quilicura) to the current network. We estimate that the Extension Project will benefit 700,000 people by reducing their travel times. We expect to invest Ch\$461 billion (U.S.\$617 million) during the next three years in the Extension Project, of which Ch\$274 billion (U.S.\$366 million) correspond to line 2 and Ch\$188 billion (U.S.\$251 million) to line 3. We estimate that we will complete these extensions in the second half of 2023. As of December 31, 2019, physical progress was at 17.7% for line 2 and 24.1% for line 3.

Further, we are working on the construction of new line 7, which will add 19 stations and service the growing and populated neighborhoods of Renca, Cerro Navia, Quinta Normal, Santiago, Providencia, Las Condes and Vitacura, benefiting approximately 1.35 million people, with a total trip time of approximately 35 minutes. During 2019 we started the expropriations proceedings, we submitted the environmental impact study (*Estudio de Impacto Ambiental*) to the relevant authorities, obtained the health and feasibility permit, we finished the basic engineering and we obtained the resolution for the stage of design of the project and beginning of the advanced engineering for tunnels. At the end of December 2019, physical progress on the line 7 project was at 1.3%, which primarily consisted of basic engineering for civil works, preliminary studies on soil mechanics and aero photogrammetry of the land to determine where to draw the route in its entirety. We expect to invest over U.S.\$2.5 billion on this project, which is scheduled to commence operations in 2027.

In 2018, the President of Chile announced the Investment Plan on Infrastructure for Public Transportation involving certain investment initiatives to be developed by us, including, among others, the construction of new lines 8 and 9 and the extension of line 4. We are currently analyzing and structuring these projects. We expect to invest over U.S.\$4,000 million on these projects. During 2019, we obtained the resolution for the feasibility stage of the project of new lines 8 and 9 by the Ministry of Social Development and Family (*Ministerio de Desarrollo Social y Familia*). Line 8 will add 19 km and 14 stations to the network, and will connect the Providencia, Ñuñoa, Macul, La Florida, and Puente Alto neighborhoods among them. Line 9 will add 17 km and 12 stations to the network, and will service the Santiago, San Joaquín, San Miguel, La Granja, San Ramón and La Pintana neighborhoods. The extension of line 4 will service the Bajos de Mena neighborhood, adding three new stations and 4 km to the network.

We have also developed a maintenance plan for high-impact failures to address certain operational problems experienced in 2014 and to improve the current maintenance standards and the travel experience of our passengers. Further, we have developed a reconstruction project to repair the damages suffered by our network due to the protests that started in Chile in October 2019, and to maintain our operations standards. We expect to invest Ch\$224 billion (U.S.\$298.9 million) in the reconstruction project.

With the aim of strengthening our infrastructure, we are also working on the Los Libertadores intermodal project, the finalization of the universal access program, the integration of our fleet, a safety project, the improvement of our payment system and certain environmental mitigation activities.

For more detailed information on our capital expenditures programs, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Capital Expenditures” and “Business—Our Business—Investment Plans and Expansion.”

Our Strengths

We believe we have built a reputation for safety, reliability, cleanliness, efficiency and environmental and social responsibility as a result of our focus on service to our customers and the communities where we operate. We believe the following strengths will allow us to successfully fulfill our strategy for our long-term sustained growth.

Support of our owner.

We are wholly owned (directly and indirectly) by the Chilean State and have been granted the exclusive right to develop, construct and operate the underground subway system in the city of Santiago. The Chilean State is known for having one of the most stable and transparent governments in Latin America, and this reputation benefits us and enhances our credibility among the population we serve and the investment community. We currently have the same credit rating than the Chilean State.

While we are self-sufficient and do not require direct subsidies or government loans, we benefit from the Chilean State’s support, from time to time, in the form of capital contributions by our shareholders, the State of Chile and CORFO. In particular, the Chilean Government has approved the financing of up to 70% of several of our projects, including the Extension Project, the Los Libertadores Intermodal project, environmental mitigation activities, maintenance plan for high-impact failures and Line 7, with capital contributions by our shareholders and the remaining 30% from additional indebtedness incurred directly by us and to be repaid through an adjustment in our technical fee. Our shareholders have approved and subscribed for capital increases of Ch\$373,172.5 million

(U.S.\$498.4 million) and Ch\$256,632.0 million (U.S.\$342.8 million) in 2018 and 2019, respectively, for our network strengthening program and the improvement of safety measures in our overall network.

We expect to use these funds to finance the Extension Project, improvements to our network, the safety project and our maintenance plan for high-impact failures.

The Santiago subway has a leading role within RED and is poised to benefit from growth in commercial and residential areas of the metropolitan region.

The Santiago subway plays a key role in the inclusion and sustainable growth of the region through which its network expands. It provides efficient urban mobility to connect many of the major business, retail and residential communities of Santiago, making it a popular means of transportation for residents and tourists alike. We believe that the broad reach of our network provides our customers with the widest range of destination options within the Santiago metropolitan area. We evaluate our routes and establish the frequency of our service based on the extent and type of demand in the areas we serve. The Santiago subway serves, among other areas, Providencia, Las Condes, Estación Central, La Cisterna, Recoleta, La Florida, Maipú, Lo Prado and San Joaquín neighborhoods; the financial and business district, comprised of over 50 high-rise office towers and located in surrounding areas of the Las Condes, Providencia and Vitacura neighborhoods; and the largest commercial centers including the Costanera Center, Apumanque, Santiago Centro and Mall Plaza Vespucio. The central location of the Santiago subway and its connections to many destinations in the heart of Santiago enable us to have a leading role within RED, connecting to other modes of transportation such as bus service. The Santiago subway's intermodal stations increase revenue from fares, as these linkages increase ridership due to the added convenience of having bus routes feed into the subway system.

Moreover, a substantial number of growing commercial and residential areas are within close proximity to the Santiago subway. Compared to other ground transportation solutions, including automobiles and buses, the Santiago subway offers a safe, reliable, clean, efficient and sustainable transportation service that is not subject to traffic congestion, a problem that tends to worsen as a result of urban growth and development. As a result, we believe that the Santiago subway is well-positioned to continue to grow as the sole massive transportation system in Santiago and the preferred transportation option for passengers because of its coverage of key destinations within the Santiago metropolitan area.

Strong revenue base with a proven record of increasing revenue growth.

Historically, we have been focused on growing our core operations through the expansion of our network and service offering. We have been committed to growth through expansion projects, such as the extension of existing subway lines or the construction of additional lines, which has allowed us to increase our passenger base and technical fee base. We have financed these investments in a prudent manner, including the support of the Chilean State through capital contributions to partially fund our capital expenditures program. This has resulted in a solid financial position and a growing passenger base that has enabled us to take advantage of opportunities to expand while producing steady revenue increases. During the past 20 years, we have generated adjusted operating profit without the need for government subsidies. Our Adjusted EBITDA has grown by 3.2% between the year ended December 31, 2019 and the year ended December 31, 2018, and our revenues have grown by 7.1% between the year ended December 31, 2019 and the year ended December 31, 2018.

Our technical fee is adjusted to respond to changes in our long-term costs.

Through RED, the Chilean Government has established an integrated fare system in the metropolitan region of Santiago, which allows passengers to travel and transfer freely between the subway system and city buses. Pursuant to the terms of the agreements executed with MTT in connection with our integration to RED, in exchange for subway transportation services to RED, we receive a technical fee from RED for each confirmed passenger. Since January 1, 2013, we have a flat-fee structure based on a base technical fee that is updated on a monthly basis in accordance with a formula that takes into account our long-term cost structure, and which considers, among other variables, inflation, currency fluctuations and the price of electric power. This allows a natural adjustment to changes in our long-term costs resulting from an increase in any of the variables that make up the adjustment formula. In addition, our flat-fee structure works as an incentive for us to attract new passengers because it provides a constant marginal contribution per additional passenger. According to the April 2020 update, our current technical

fee per passenger is Ch\$523.85 (which is equal to the technical fee of Ch\$480.18 established in the 2019 Transantiago Transportation Services Agreement as adjusted by the formula therein for the month of April 2020).

Management team and commitment of our associates.

Our management team has been significantly focused on expanding and improving operational efficiency and quality of service, responding to the demands of the Metropolitan region of Santiago to better serve our customers and seamlessly integrate with RED and other transportation means. Our management team is committed to maintaining transparency and accountability with respect to our shareholders and the Chilean people. We believe that a management team requires depth, leadership, expertise and motivation to execute our growth strategy. We are conscious that our associates contribute to the quality and competitiveness of Metro and are one of our core competitive advantages.

With respect to our associates and personnel, their well-being and safety are one of our top priorities. In 2019 we provided more than 32,577 training man-hours to our associates. In addition, we provide an in-house multiplatform training and development system covering an extensive range of courses on leadership and technical skills. We have a safety culture with measurable outcomes and accountability. Initiatives in this field in 2019 included the development of safety standards in our workplaces, the identification of risks in machinery, the reduction of unsafe conditions and the strengthening of our fire drill procedures. In 2019, we had a decrease in our incidents rate compared to 2018. We plan to continue investing in our associates as part of our overall business strategy.

Our Strategy

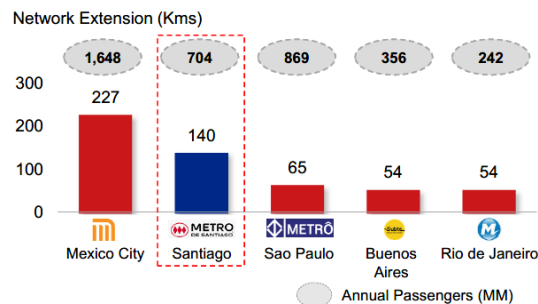
We are constantly seeking to add value to our customers by offering transportation services in a safe, reliable, efficient and environmentally responsible manner while playing an essential role in the growth of the regions where we operate and the social and cultural life of Santiago. To achieve these objectives, we plan on executing the following key strategies:

Customer-centric culture.

We believe we play a key role in the sustainable growth of the metropolitan region of Santiago by managing density, reducing reliance on cars, mitigating sprawl, and providing residents with access to affordable transportation to fostering mobility and social inclusion. We strive to ensure that all citizens can move as smoothly as possible across the region where we operate. As a public services provider, we are oriented to provide our users with a better quality of life, in our case, by reducing commuting time as well as connecting communities. We expect to continue improving our facilities to blend strategic mobility and accessibility with culture in a comfortable, functional and safe environment.

Continue to expand our coverage network with additional routes and cost-efficient trains.

We operate one of the largest subway systems in Latin America in terms of passenger trips and network extension, according to data from CoMet. We intend to continue delivering connectivity and increasing our passenger base by expanding our reach into high-demand and underserved areas through the extension of line 2 and extension of the original plan for line 3, which we expect to complete by 2023. We expect the extension of lines 2 and 3 will add approximately 8.9 km of track and seven new stations. Further, we are working on the construction of new line 7, which will add 19 stations and 26 km of track and is scheduled to commence operations in 2027. The graph below shows how our network compares against the subway networks of other countries in Latin America.



Source: CoMet and public filings.

In addition, we continue to expand and modernize our fleet as part of our integration project, with the addition of 35 state of the art new trains, for our lines 2 and 5, consisting of 245 cars, fitted with air conditioning and security anti-collision devices and a more efficient energy consumption for operation. Further, we expect to focus on the recovery of useful parts from older trains and use them to extend the lifespan of our existing NS-74 fleet. We expect to complete all these plans by 2026.

To enhance the connection among different means of transportation, we are developing the Los Libertadores Intermodal project, which will be located in the neighborhood of Quilicura and will directly link line 3's Los Libertadores terminal station to the main highways that connect the city of Santiago to areas located north of the city. During 2019, we completed the administrative building, the building ticket counters and the engineering for the tensile structure that will cover the intermodal station.

Continue to grow our non-fare revenue opportunities.

We believe that, while our fare revenues cover our operating expenses, our non-fare revenues have allowed us, and will continue to allow us, to generate increasingly higher adjusted operating profit. In an effort to diversify our revenue from sources other than the technical fee and increase our profitability, we have sought to increase our sales and leases of marketing and commercial spaces (including for retail, telecommunications, land and intermodal connection and other services) throughout our tunnels, stations and trains by increasing our use of digital advertising media throughout our trains and stations, as well as improving and modernizing the infrastructure of our retail spaces, including the installation of updated electrical and plumbing access and remodeling storefronts, to encourage our retail partners to continue to lease our commercial spaces. Revenues from the lease of commercial and advertising spaces accounted for 17.1% and 5.1%, respectively, of our total non-fare revenue for the year ended December 31, 2019, compared to 15.9% and 5.9%, respectively, for the year ended December 31, 2018 and accounted for 3.0% and 0.9%, respectively, of our consolidated total revenue during the year ended December 31, 2019 compared to 3.0% and 1.1%, respectively, for the year ended December 31, 2018. We believe that the expansion of our stations, the construction of new stations and the modernization of our trains will provide us with ample opportunities to increase the availability of commercial and advertising space. In addition, as the primary sales channel of RED's *Tarjeta Bip!*, both through our underground stations as well as at above ground locations, we are well positioned to continue to generate additional non-fare revenues.

Maintain our focus on improving operational metrics and performance.

We believe that our success is largely attributable to our dedication to providing our passengers with high quality service. In 2019, we operated our trains at 88% of capacity during peak times, until the social unrest that started on October 18, 2019 when the social protests began. In addition to this high utilization rate, the average rate of delays attributable to issues in rolling stock decreased by 12.1% compared to 2018 to 33.8 delays per million kilometers traveled by our trains, while breakdowns related to power, tracks and systems decreased to 5.7 delays per million kilometers traveled by our trains, a 8.5% decrease compared to 2018. Furthermore, in 2019 we experienced 19.0 train delays in excess of 30 minutes (averaging one major delay every 19.2 days). Although in the last quarter of 2019 we experienced a number of service interruptions due to violent acts against our facilities, including high-impact failures related to fire, destruction, power outages and other infrastructure damage, which affected service across our lines, we have worked to restore our operations and recover and improve our service standards and performance metrics. As of the date of this offering memorandum, we have completed the first of the three stages of our reconstruction program and restored full operations in 82% of our stations.

We continue to strive to improve our operating performance to provide our passengers with a predictable, safe and efficient transportation service, while continuing to meet increases in demand. For instance, in order to further improve the customer experience and improve reliability, we launched MetroMobile, a free smartphone application that passengers can download which provides up-to-the-minute information about our network and the services we offer to our passengers at particular locations.

Replace power supply with long-term renewables.

In accordance with the United Nations Framework Convention on Climate Change, then President Bachelet announced in May 2016 a new renewables initiative pursuant to which 60% of our power supply for train traction and lighting of stations as well as offices in our network will be supplied by non-conventional renewables. Pursuant to this initiative, we have entered into two long-term power purchase agreements with Total and SunPower Corp. (El Pelicano), for 42% of the required power, and with Latin America Power (San Juan), for the remaining 18% of the required power. El Pelicano is a solar power central and San Juan is a wind farm. Our power purchase agreements have terms of 15 years. Our replacement of conventional power with non-conventional renewable energy is expected to reduce carbon emissions of Chile by 130,000 tons per year, thus furthering the voluntary agreement of Chile to the United Nations Framework Convention on Climate Change. In January 2018, we started operating 60% of our power matrix through non-conventional renewable energy.

Continue to reduce our operating costs.

We continue to seek ways to reduce our costs, including by maintaining various relevant systems ourselves rather than using third-party service providers. For example, we have taken over control and operation of the automated fare collection system for RED, which uses the *Tarjeta Bip!* smart card system for fare sales in the entire intermodal transportation system that serves the metropolitan region. In addition, we plan to continue to reduce our capital costs per available kilometer by increasing the distance between the new stations, while incurring lower maintenance and electric power costs.

Improve the efficiency of our operational processes.

We continue to seek ways to improve the quality and efficiency of our various operational processes by redefining our management and operational guidelines in line with a “lean” operational model that focuses on maximizing value added to our customers while minimizing redundancies and inefficiencies. On December 16, 2015, we engaged McKinsey & Company, or McKinsey, to identify key areas for improvement and to develop a model to improve inefficiencies and synergies. We expect all key areas will benefit from the “lean” model which will include maintenance of stations and repair shops, programming and operations, and training of and payment to our train operators, among others. In March 2016, we received from McKinsey a final report with the design, implementation and additional recommendations. Based on this report, we have managed to improve maintenance process for our trains and introducing more efficient fee collection processes.

Recent Developments

Impact of Coronavirus Outbreak on our Business

In recent months, the coronavirus has spread globally, disrupting various markets and causing deep uncertainty regarding the economies exposed to the outbreak. We have been affected and will continue to be affected by the coronavirus outbreak both directly and indirectly, through an impact on our customers, counterparties, employees and other stakeholders, as a result of, among others, public health measures, such as business closings and restrictions on travel and gatherings. The exact ramifications of the coronavirus outbreak are highly uncertain and, as of the date of this offering memorandum, it is difficult to predict the spread or duration of the pandemic or its full effect on our company and on the global and Chilean economy.

While governments around the world have introduced various measures and stimulus to support the economies of their countries, the outbreak has had and will continue having a significant adverse effect on both supply and demand, making it challenging to effectively address the challenges with economic policies. Chile, similarly, has been, and is expected to continue to be, exposed to the coronavirus outbreak, and its economy has been adversely affected by the outbreak. Reflecting the concerns about the effect of the pandemic on the Chilean economy, the

Central Bank on April 1, 2020 revised its forecast of the development of the Chilean economy, and announced that it was expecting the Chilean economy to contract between 1.5% and 2.5% in 2020, a significant change from a previous estimate for economic growth. It is also expected that unemployment will rise sharply from its current level of 7.8% in Chile, which may severely affect the demand for our service.

The Chilean government has adopted sanitary, economic and other measures to confront the coronavirus. The President of Chile declared a state of emergency for an initial period of 90 days starting on March 19, 2020, which allows the Chilean government to, inter alia, impose restrictions on transportation and meetings, as well as curfews and property requisition. Under the state of emergency, the Chilean armed forces may enforce restrictive measures and assist with the maintenance of public order. Measures implemented by the Chilean Government to control the spread of coronavirus include quarantines, travel and transportation restrictions, closures of office spaces and several businesses (such as shopping centers, cinemas, restaurants and gyms), and suspension of classes and all mass events, such as music festivals, sport events, among others. Total quarantine for several neighborhoods and cities of Chile has also been imposed. Except in the limited circumstances described above, people may leave their homes only if they have a temporary permit granted by the Chilean Police (*Carabineros de Chile*) which is granted only for specific purposes, such as attending the funeral of a family member, going to hospitals due to health emergencies, buying food at supermarkets. In addition, the Government of Chile may take measures to reactivate the economy or fund the combat against coronavirus, including redistributing the annual budget for 2020 or requiring certain agencies of the government or state-owned companies such as us, to make contributions to fund such measures.

Tax relief laws have been issued, such as a 0% stamp tax paid out of credit transactions from April 1 to September 30, 2020. To maintain liquidity in the financial sector, the Central Bank has reduced its benchmark rate to 0.5% and offered support to banks and other financial institutions by granting them access to a large line of credit and the possibility for the banks to grant a vast array of financial instruments as collateral in connection thereof. It has also launched a program for the sale of U.S. dollars to the market, to counteract the depreciation of the Chilean peso.

The coronavirus outbreak and the measures implemented in Chile to contain its spread and the economic damage suffered as a result of the coronavirus have had and will continue having a direct and indirect material adverse effect on our business, financial condition, results of operations and liquidity. In particular, the foregoing has contributed to a general slowdown in the Chilean economy and a significant reduction in the number of passengers we transported in the first quarter of 2020 compared to the same period in 2019. We have also established a safety program (*Programa de Vigilancia de la Salud*), that applies to our employees and contractors. This program intends to early identify individuals that present symptoms of coronavirus to prevent spreading. Measures administered under this program include mandatory quarantines for individuals that present such symptoms and the persons in close contact, providing updated information about the coronavirus and its effects, prevention and self-care measures, and other information according to the protocols established by the Ministry of Health of Chile. Other measures we have implemented in accordance with the applicable governmental orders include modifying certain of our business activities, including changes in cleaning procedures, reducing staff temporarily, implementing remote work capabilities and reducing staff for essential activities which include traffic control, maintenance and operations.

This complex scenario may require us to delay our projects, reduce costs and may affect our ability to comply with financial covenants under the instruments governing our indebtedness, or otherwise satisfy our obligations in general. There can also be no assurance that the adverse impact of the coronavirus outbreak will not lead to a tightening of liquidity conditions or funding uncertainty. Any of the foregoing, and any future adverse conditions related to the coronavirus outbreak not yet known, could have a material adverse effect on our business, financial condition and results of operations and adversely affect our ability to access capital and liquidity on financial terms acceptable to us or our owner. Due to the speed with which the coronavirus outbreak is developing and the uncertainty of its duration, its ultimate impact is unclear. The negative impact on our financial and operating results cannot be reasonably estimated at this time, but the impact could be material. Any prolonged outbreak of coronavirus or the imposition of more restrictive sanitary measures or other economic measures in Chile could further adversely affect our business, financial condition and results of operations.

See “Risk Factors Related to Chile—Public health threats could have an adverse effect on the Chilean economy and on our business, financial condition or results of operations.”

Preliminary Results for First Quarter 2020

We expect to report results for the first quarter of 2020 by late May showing a significant decrease in net income and revenues from that reported during the comparable period in 2019 as a result of a significant decrease in passengers due to the coronavirus outbreak. While the impact of the coronavirus pandemic during this period has been significant in general, we believe that the first quarter 2020 results will not yet reflect the full impact of the coronavirus pandemic given that the measures implemented by the Chilean Government began in March 2020.

The extent to which coronavirus may impact our results for the remainder of 2020 and our business, liquidity, financial condition, and results of operations cannot be fully predicted and will depend on future developments, including, but not limited to, the duration and spread of the pandemic, the actions to contain the disease or treat its impact, and the severity of its effects on the economy overall, including any recession resulting from the pandemic, all of which are highly uncertain and cannot be predicted.

Concurrent Tender Offer of the 2024 Notes

Concurrently with the offering of the notes hereby we launched a tender offer to purchase for cash any and all of the aggregate principal amount of our outstanding 2024 Notes issued under the indenture dated January 25, 2017, between us and Deutsche Bank Trust Company Americas, as trustee, registrar, principal paying agent and transfer agent pursuant to the terms of, and subject to the conditions set forth under, an offer to purchase, dated as of April 30, 2020, and related documents, or the Tender Offer Documents. As of December 31, 2019, the aggregate principal outstanding amount of the 2024 Notes was U.S.\$500 million.

The Tender Offer will expire at 5:00 p.m., New York City time, on May 6, 2020, unless extended or earlier terminated by us in our sole discretion, subject to applicable law. The Tender Offer is conditioned on the satisfaction, or waiver by us, of certain conditions, including, but not limited to the consummation of this offering.

Ownership Structure

We are a closely held stock corporation (*sociedad anónima cerrada*) that is wholly owned by the Chilean Government. As of December 31, 2019, CORFO, a 100% state-owned entity, held 66.94% of our outstanding shares, and the Chilean State held the remaining 33.06% of our outstanding shares. We have three subsidiaries:

- Empresa de Transporte Suburbano de Pasajeros S.A., or Transub S.A., a company of unlimited duration. Transub S.A. was created with the objective of providing suburban passenger transport services. As of the date of this offering memorandum, Transub S.A. is inactive and has no operations, assets or liabilities.
- Metro Emisora de Medios de Pago S.A., or MetroPago S.A., a company of unlimited duration. The company's exclusive corporate purpose is the issuance of its own payments cards with provision of funds. As of the date of this offering memorandum, MetroPago S.A. is in its organization stage, as it requires for its operation an authorization from the CMF for its registration in the *Registro Único de Emisores de Tarjetas de Pago*.
- Metro SpA, a company of unlimited duration, which was created with the objective of supporting the corporate purpose of Metro. Metro SpA is inactive and has no operations, assets or liabilities.

Corporate Information

We were created as a closely held stock corporation (*sociedad anónima cerrada*) by public deed of incorporation dated January 24, 1990 granted by the Chilean State and CORFO under the name "Empresa de Transporte de Pasajeros Metro S.A." Pursuant to Law No. 18,772 enacted on January 28, 1989, the Chilean Congress authorized the conversion of the Department of Metro into a government-owned stock corporation. Pursuant to this law, we are the assignee of all rights and obligations of the Department of Metro. The Department of Metro, our predecessor, was created by the Chilean Government by Decree Law No. 257 published in the Official Gazette on January 22, 1974, to provide metropolitan subway passenger transportation services in Santiago.

Our corporate headquarters are at Av. Libertador Bernardo O'Higgins 1414, Santiago, Chile. Our corporate purpose includes all activities related to passenger transport by metropolitan rail and ground transportation by buses and vehicles using electric fueling technology, such as electric buses, and any act or operation related to our corporate purpose.

We are registered in the Securities Registry of the CMF as a securities issuer under number 421, and we are subject to the disclosure obligations of publicly traded stock corporations and to the oversight of the CMF. Our telephone number is +56 (2) 2937 2000 and our website address is www.metro.cl. None of the information contained in our website or connected thereto shall be deemed to be incorporated by reference or otherwise into this offering memorandum.

THE OFFERING

The summary below describes the principal terms of the notes. Certain terms and conditions described below are subject to important limitations and exceptions. For a more complete description of the notes, see "Description of the Notes."

| | |
|------------------------------|---|
| Issuer | Empresa de Transporte de Pasajeros Metro S.A. |
| Notes Offered..... | U.S.\$500,000,000 million in an aggregate principal amount of 3.650% notes due 2030. U.S.\$1,000,000,000 million in an aggregate principal amount of 4.700% notes due 2050. |
| Maturity..... | The 2030 notes will mature on May 7, 2030. The 2050 notes will mature on May 7, 2050. |
| Interest Rate | The 2030 notes will bear interest at a rate of 3.650% The 2050 notes will bear interest at a rate of 4.700% |
| Issue Date | May 7, 2020. |
| Issue Price..... | 99.759% of principal amount plus accrued interest, if any, from May 7, 2020, for the 2030 notes. 98.716% of principal amount plus accrued interest, if any, from May 7, 2020, for the 2050 notes. |
| Interest Payment Dates | Interest on each series of notes will be payable on May 7 and November 7 of each year, commencing on November 7, 2020. |
| Ranking | The notes will be our direct, unconditional and unsecured general obligations and will, other than in the case of certain obligations granted preferential treatment pursuant to Chilean law, at all times rank <i>pari passu</i> in right of payment with all of our other unsecured obligations that are not, by their terms, expressly subordinated in right of payment to the notes. The notes will be effectively subordinated to all of our existing and future secured indebtedness with respect to the value of our assets securing that indebtedness and to all of the existing and future liabilities, including trade payables, of our subsidiaries. Although we are wholly owned by the Republic of Chile, the Republic of Chile is not liable for our obligations under the notes, nor do such obligations form any part of the public debt of the Republic of Chile. As of December 31, 2019 our total financial debt (defined as the sum of our other current and non-current financial liabilities, including our bank loans, debt securities and derivative transactions) was Ch\$2,226,185.3 million (U.S.\$2,973.2 million). Such debt ranked <i>pari passu</i> with the notes and did not constitute secured indebtedness. From our total financial debt as of December 31, 2019, Ch\$495,806.2 million (U.S.\$662.188 million) corresponding to indebtedness incurred under certain local bonds was guaranteed by the State of Chile. |
| Additional Amounts | Under Chilean laws and regulations, payments of interest or premium |

made by us to a holder that is not a resident of Chile for purposes of Chilean taxation in respect of the notes will generally be subject to Chilean withholding tax currently at the rate of 4.0%. Subject to certain exceptions, we will pay such additional amounts as may be necessary to ensure that the net amounts received by such foreign holder, including additional amounts, after such Chilean withholding or deduction will equal the amount that would have been receivable in respect of the notes in the absence of such withholding or deduction. For a discussion of the tax consequences of, and limitations on, the payment of additional amounts with respect to any withholding taxes, see “Description of the Notes—Payment of Additional Amounts” and “Taxation—Chilean Taxation Considerations.”

Optional Redemption..... *Par Redemption.* On and after the 2030 notes par call date or the 2050 par call date, as applicable, we may also at our option redeem the 2030 notes or the 2050 notes, as applicable, at any time in whole, or from time to time in part, at a redemption price equal to 100% of the principal amount of the notes of the applicable series to be redeemed, plus accrued and unpaid interest, if any, on the principal amount of the notes of such series being redeemed, to the date of redemption.

Make-Whole Redemption. Prior to the 2030 par call date with respect to the 2030 notes or the 2050 par call date with respect to the 2050 notes, we may at our option redeem notes of the applicable series at any time in whole, or from time to time in part, at a redemption price equal to the greater of (1) 100% of the then outstanding principal amount of notes of such series to be redeemed, and (2) the sum of the present values of the remaining payments of principal and interest thereon as if redeemed on the 2030 par call date or the 2050 par call date, as applicable, discounted to the date of redemption on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at the applicable Treasury Rate plus 50 basis points with respect to each series of notes, in each case plus accrued and unpaid interest to the date of redemption.

See “Description of the Notes— Optional Redemption.”

Tax Redemption..... We may redeem the notes of any series at our option in whole, but not in part, at any time, at 100% of their principal amount outstanding, together with interest accrued to the date of redemption, if the laws or regulations affecting taxes in Chile change in certain respects. See “Description of the Notes— Redemption for Taxation Reasons” and “Taxation—Chilean Taxation Considerations.”

Change of Control..... Upon the occurrence of a change of control event as described in “Description of the Notes,” you will have the right to require that we purchase all or a portion of each outstanding series of notes at a purchase price equal to 100% of the principal amount thereof plus accrued and unpaid interest, if any, to the date of purchase. See “Description of the Notes—Change of Control.”

Certain Covenants..... The indenture contains certain covenants, including limitations on consolidation, merger, sale or conveyance, liens and sale and lease-back transactions, and certain periodic reporting obligations. These covenants are subject to important exceptions and qualifications that are described under the heading “Description of the

Notes—Covenants.”

| | |
|-------------------------------|---|
| Events of Default..... | The indenture provides for a right of acceleration of the notes and exercise of other remedies upon certain events of default, subject to certain limitations and cure rights. See “Description of the Notes—Events of Default.” |
| Form and Denomination..... | The notes of each series will be issued in fully registered book-entry form, without coupons, with a minimum denomination of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof. |
| Governing Law..... | Our contractual rights and obligations and the rights of the holders of the notes arising out of, or in connection with, the indenture and the notes are governed by, and will be construed in accordance with, the laws of the State of New York. |
| Transfer Restrictions..... | The notes have not been and will not be registered under the Securities Act and are subject to restrictions on transfer. See “Transfer Restrictions.” |
| Use of Proceeds..... | We estimate that the gross proceeds to us from the sale of the notes will be approximately U.S.\$1,485.9 million (Ch\$1,112,593.9 million). We intend to use the net proceeds from the offering as described under the heading “Use of Proceeds.” |
| Clearance and Settlement..... | The notes will be represented by one or more global securities registered in the name of a nominee of DTC. You will hold beneficial interests in the notes through DTC and its direct and indirect participants, including Euroclear and Clearstream, Luxembourg, and DTC and its direct and indirect participants will record your beneficial interest on their books. |
| Trustee..... | The Bank of New York Mellon. |

Risk Factors

Investing in the notes involves substantial risks. You should carefully consider all the information in this offering memorandum prior to investing in the notes. In particular, we urge you to consider carefully the factors set forth under the heading “Risk Factors.”

SUMMARY CONSOLIDATED FINANCIAL AND OTHER INFORMATION

The following tables present certain summary consolidated financial and operating information as of the dates and for each of the periods indicated. This information is qualified in its entirety by reference to, and should be read together with, “Presentation of Certain Financial and Other Information,” “Selected Financial and Other Information,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our consolidated financial statements and the related notes included elsewhere in this offering memorandum. The summary consolidated financial information as of December 31, 2019 and 2018 and for the years ended December 31, 2019 and 2018 presented in this offering memorandum has been derived from our consolidated financial statements appearing elsewhere in this offering memorandum, which have been prepared in accordance with Applicable GAAP. See “Presentation of Certain Financial and Other Information.”

| | For the year ended December 31, | | |
|---|---|--------------------|------------------------------|
| | 2019 | 2019 | 2018 |
| | <i>(in millions of U.S.\$) ⁽¹⁾</i> | | <i>(in millions of Ch\$)</i> |
| Income Statement Information: | | | |
| Revenues | 556.0 | 416,324.0 | 388,852.8 |
| Cost of sales | (506.3) | (379,123.8) | (328,189.6) |
| Gross profit | 49.7 | 37,200.2 | 60,663.2 |
| Other income, by function | 41.5 | 31,085.5 | 3,227.9 |
| Administrative expenses | (59.2) | (44,362.3) | (44,426.9) |
| Other expenses, by function | (57.3) | (42,917.3) | (1,862.9) |
| Other income (expenses) | 0.12 | 95.1 | 13,697.8 |
| Financial income | 13.7 | 10,311.4 | 8,905.8 |
| Financial costs | (116.2) | (87,038.3) | (63,967.1) |
| Foreign currency translation difference | (97.9) | (73,372.7) | (123,478.6) |
| Profit (loss) from inflation-adjusted units | (35.4) | (26,499.9) | (28,484.1) |
| Income (loss) before income taxes | (261.1) | (195,498.3) | (175,724.8) |
| Income taxes | - | - | - |
| Net income (loss) | (261.1) | (195,498.3) | (175,724.8) |

(1) Solely for the convenience of the reader, we have converted Chilean peso amounts for the year ended December 31, 2019 into U.S. dollars at the observed exchange rate of Ch\$748.74 per U.S.\$1.00, as published by the Central Bank on January 2, 2020. We make no representation that the Chilean peso or the U.S. dollar amounts referred to herein actually represent, could have been or could be converted into U.S. dollars or Chilean pesos, as the case may be, at the rates indicated, at any particular rate or at all. See “Exchange Rates” for further information about recent fluctuations in exchange rates.

| | As of December 31, | | |
|---|---|--------------------|------------------------------|
| | 2019 | 2019 | 2018 |
| | <i>(in millions of U.S.\$) ⁽¹⁾</i> | | <i>(in millions of Ch\$)</i> |
| Balance Sheet Information: | | | |
| Cash and cash equivalents | 142.2 | 106,503.3 | 165,110.7 |
| Property, plant and equipment | 6,500.8 | 4,867,401.4 | 4,705,488.1 |
| Investment properties | 33.8 | 25,342.0 | 22,641.4 |
| Other assets | 406.1 | 304,050.4 | 318,029.7 |
| Total assets | 7,083.0 | 5,303,297.2 | 5,211,269.9 |
| Other current financial liabilities ⁽²⁾ | 205.7 | 153,979.6 | 115,056.1 |
| Other non financial liabilities (current and non-current) | 305.7 | 228,900.2 | 238,587.8 |
| Other non-current financial liabilities ⁽²⁾ | 2,767.6 | 2,072,205.8 | 2,059,719.3 |
| Total liabilities | 3,279.0 | 2,455,085.5 | 2,413,363.2 |
| Share capital | 4,957.9 | 3,712,166.0 | 3,455,534.0 |
| Accumulated deficit | (1,183.9) | (886,493.9) | (690,995.6) |
| Other reserves | 30.1 | 22,550.2 | 33,379.0 |
| Total equity | 3,804.0 | 2,848,211.7 | 2,797,906.7 |
| Total liabilities and equity | 7,083.0 | 5,303,297.2 | 5,211,269.9 |

(1) Solely for the convenience of the reader, we have converted Chilean peso amounts as of December 31, 2019 into U.S. dollars at the observed exchange rate of Ch\$748.74 per U.S.\$1.00, as published by the Central Bank on January 2, 2020. We make no representation that the Chilean peso or the U.S. dollar amounts referred to herein actually represent, could have been or could be converted into U.S. dollars or

Chilean pesos, as the case may be, at the rates indicated, at any particular rate or at all. See “Exchange Rates” for further information about recent fluctuations in exchange rates.

- (2) Other financial liabilities include our bank loans, debt securities and derivatives transactions.

| | As of and for the year ended December 31, | | |
|---|--|-------------|------------------------------|
| | 2019 | 2019 | 2018 |
| | <i>(in millions of U.S.\$) ⁽¹⁾</i> | | <i>(in millions of Ch\$)</i> |
| Other Financial Information: | | | |
| Capital expenditures ⁽²⁾ | 426.0 | 318,998.9 | 372,491.2 |
| Depreciation and amortization | (156.1) | (116,864.1) | (89,954.3) |
| Net cash flows from operating activities | 158.6 | 118,777.9 | 123,129.8 |
| Net cash flows used in investing activities | (412.8) | (309,102.8) | (433,174.9) |
| Net cash flows from financing activities | 175.7 | 131,525.6 | 320,952.3 |
| Total financial debt ⁽³⁾ | 2,973.2 | 2,226,185.3 | 2,174,775.4 |
| Adjusted EBITDA ⁽⁴⁾ | 146.5 | 109,702 | 106,190.6 |
| Adjusted Operating Profit (Loss) ⁽⁴⁾ | (9.6) | (7,162.1) | 16,236.3 |

- (1) Solely for the convenience of the reader, we have converted Chilean peso amounts as of December 31, 2019 and for the year ended December 31, 2019 into U.S. dollars at the observed exchange rate of Ch\$748.74 per U.S.\$1.00, as published by the Central Bank on January 2, 2020. We make no representation that the Chilean peso or the U.S. dollar amounts referred to herein actually represent, could have been or could be converted into U.S. dollars or Chilean pesos, as the case may be, at the rates indicated, at any particular rate or at all. See “Exchange Rates” for further information about recent fluctuations in exchange rates.
- (2) Capital expenditures include the acquisition of property, plant and equipment and the acquisition of intangible assets.
- (3) Total financial debt is the sum of our other current and non-current financial liabilities. Includes our bank loans, debt securities, and derivatives transactions.
- (4) Adjusted EBITDA and Adjusted Operating Profit (Loss) are not recognized measures under GAAP or Applicable GAAP, and should not be considered in isolation or as an alternative to net income or cash flow, as operating performance measurements or as indicators of liquidity. Other companies may calculate their Adjusted EBITDA and Adjusted Operating Profit (Loss) differently than we do and therefore our presentation of Adjusted EBITDA and Adjusted Operating Profit (Loss) may not be comparable to other similarly titled measures of other companies. We define Adjusted EBITDA as gross profit *less* administrative expenses *plus* depreciation and amortization and (2) Adjusted Operating Profit (Loss) as gross profit *less* administrative expenses. Our Adjusted EBITDA and Adjusted Operating Profit (Loss) definitions have limitations that restrict its usefulness as a measurement of our profitability and as a measurement of our free cash flow, as it does not consider certain of our cash requirements, such as interest payments, tax payments and debt service payments. For a reconciliation of our Adjusted EBITDA and Adjusted Operating Profit (Loss) to our net income (loss), see “Selected Consolidated Financial and Other Information—Reconciliation of Non-GAAP Financial Measures.”

| | As of December 31, | |
|--|---------------------------|-------------|
| | 2019 | 2018 |
| Operating Information: | | |
| Number of cars | 1,349 | 1,180 |
| Kilometers of track | 140 | 118 |
| Number of stations | 136 | 118 |
| Number of passengers (in millions) | 703.7 | 721 |
| Average number of trips per day (in millions) | 1.9 | 2.0 |
| Average number of trips per business day (in millions) | 2.4 | 2.5 |
| Number of employees | 4,706 | 4,676 |
| Car x Kilometers (in millions) ⁽¹⁾ | 153 | 147 |

- (1) We calculate car x km by multiplying the number of cars on our network of tracks by the average length of their trips measured in kilometers.

RISK FACTORS

An investment in the notes is subject to a number of risks. You should consider carefully all the risks described below and the other information in this offering memorandum before deciding to invest in the notes. There are a number of factors, including those described below, which may adversely affect our ability to make payments under the notes. Furthermore, the risks and uncertainties described may not be the only ones we may face. Additional risks and uncertainties not presently known to us or that we currently consider immaterial may also impair our business operations.

Risk Factors Related to Our Business

We may be unable to obtain sufficient funds in the form of debt or capital to implement our growth strategy.

The business of subway transportation is capital-intensive and, therefore, our growth strategy requires significant resource availability. We expect to fund a substantial portion of our expansion and integration projects with capital contributions from our shareholders, and the proceeds from this offering. However, we cannot assure you that in the future our shareholders will continue to fund a portion of our capital expenditures programs or that we will generate sufficient cash flow resulting from our operations and this offering to finance all investments that we consider necessary. In this case, we may need additional resources. Failure to generate or raise sufficient funds may require us to delay or abandon some expansion plans or expenditures, which could harm our business and competitive position. We estimate that our aggregate expenditure requirements in 2020 will include budgeted investments of Ch\$176 billion (U.S.\$235 million). Our ability to raise capital will likely depend on our level of indebtedness and market conditions. Additional capital may not be available or may not have acceptable conditions. If we obtain funding through the issuance of debt securities or bank financing, we will increase our level of indebtedness, which could adversely affect our financial condition.

Reduced passenger traffic volumes could have a material adverse effect on our results of operations and financial condition.

We derive substantially all of our revenues from the technical fees paid to us by RED. These revenues are dependent primarily on the number of confirmed passengers. In turn, passenger volumes depend on a number of factors, including the quality, convenience and travel time on alternate forms of transportation not operated by us, the existence of alternative means of transportation, mobility restrictions imposed by the Chilean Government (such as during the coronavirus outbreak), the construction of roads, the quality and state of repair of our subway lines, the economic climate, changes in electric power and fuel prices in Chile, weather conditions, natural disasters, health and safety related issues (such as epidemics and pandemics and restrictions on movement imposed as a consequence thereof) and political and social events. Since October 2019, we have experienced reduced passenger traffic volumes due to the social protests and then the coronavirus outbreak. There can be no assurance that passenger volumes will not decrease or experience lower than expected increases, and any such effect on traffic volumes could have a material adverse effect on our results of operations or financial condition.

Competition from other mass transportation operators or the development or improvement of alternative transportation, including toll-free motorways, or urban mass transit provided by bus, may decrease traffic volumes on our subway lines or limit our ability to expand, thereby materially adversely affecting our revenues and growth.

In addition to the factors listed above, an increase in the accessibility or convenience of private transportation could reduce the number of passengers that use our subways and RED generally. For example, a change in fuel taxes, vehicle importation taxes, auto loans, transportation infrastructure, toll roads or parking policies could decrease the number of passengers who choose to use our subways.

For the above reasons, the number of passengers traveling on our subways or on RED in general may decrease, or may not remain stable or increase, and any reduction in the level of passengers on our trains or on RED in general may have an adverse effect on us.

Our financial condition and results of operations are vulnerable to fluctuations in the technical fee structure and actions by the Chilean Government relating to our technical fee.

We are part of RED and the technical fees we collect are dependent upon the number of confirmed passengers using the subway lines and the established technical fee structure. Pursuant to the 2019 Transantiago Transportation Services Agreement, the technical fee is revised monthly based on several variables, including, among others, inflation, the value of the U.S. dollar, the value of the Euro, and energy prices, however, the base technical fee is effective for the duration of the 2019 Transantiago Transportation Services Agreement which initial term expired in February 2019. We cannot guarantee that the administrator of RED will not reduce the base technical fee in the future or will not make any adjustments to the monthly revision formula or otherwise change the economic terms of our participation in the RED transportation system. For example, on February 5, 2020, we and MTT entered into an amendment to the 2019 Transantiago Transportation Services Agreement to, among other things, extend its initial term for twelve additional months and reduce the technical fee from Ch\$480.18 to Ch\$478.67 to compensate for the fixed monthly payments we receive from RED as a result of our intermodal operations. Such amendment is currently pending approval (*trámite de toma de razón*) by the General Comptroller of Chile but we cannot assure you that such amendment will be approved in its terms or at all.

The commercial fare is determined by an expert panel (*Panel de Expertos*, or Expert Panel), pursuant to Law No. 20,378. As a result of the social protests that began in October 2019, the Chilean Congress enacted Law No. 21,184, which authorizes the President of Chile to freeze and control the increase of the commercial fare. In any event, actions by the President of Chile to determine the fare shall take into account the economic equilibrium of our transportation system. Pursuant to the authorization provided by Law No. 21,184, on October 21, 2019, the MTT enacted the *Decreto Supremo* No. 96, which established that the increase in the commercial fare provided by Resolution No. 2 of the Expert Panel, effective as of October 6, 2019, would no longer be in effect. Pursuant to Law No. 21,184, the expenses produced by this revocation of the fare increase will be financed through the MTT's budget, and to the extent needed, through the Public Treasury's budget. The technical fee has not suffered any change as a result of the actions taken by the Chilean Government pursuant to Law No. 21,184 but subsequent actions by the Chilean Government under this regulatory framework may adversely affect our rights under the 2019 Transantiago Transportation Services Agreement, including our right to receive the technical fee.

For more detailed information on the fee structure, see "Business—Our Business—Integrated Payment System—Commercial Fares / Technical Fees—Technical Fees."

A system failure could cause delays or interruptions of service, which could cause us to lose passengers.

Our subway system and infrastructure is subject to risks common to subway and rail operators, including physical damage to infrastructure and networks caused by natural disasters, such as earthquakes, floods and volcanic eruptions, among others, power surges or outages, fires and technical or infrastructure failures. We are able to deliver services only to the extent that we can protect our network systems against these risks as well as other disruptions, including unauthorized access and terrorist acts. For example, on October 18, 2019, we suffered significant physical damage to our infrastructure, which has led to a partial operation of our system. For more detailed information, see "—Reduced passenger traffic volumes could have a material adverse effect on our results of operations and financial condition."

We cannot assure you that we will not experience in the future similar power failures, business disruptions, infrastructure failures or damages as those experienced in the past, or that, in the event that we do experience them, our response plans will be adequate to address the relevant disruption and resume operations in a timely manner. Prolonged service interruptions caused by these or any other similar failure could materially adversely affect our business.

We provide a broadly used public service that is subject to intense public scrutiny, especially in the case of disruption.

The majority of people in the Santiago metropolitan area use public transportation as their primary means of transportation. As a result, the Santiago public depends on public transportation providers, including us, for consistent, uninterrupted service, and the activities of the public transportation providers are under constant and intense public scrutiny. Due to this scrutiny, any disruption in our services for any cause (including due to power

failures, business disruptions, infrastructure failures or damages as those experienced in the past), may create negative public sentiment toward us and therefore could have an adverse effect on us beyond that caused directly by the disruption.

Our subway lines utilize technological and information systems and such systems are vulnerable to service interruptions and the risks associated with automated failures, as well as cyber security threats.

Our subway lines utilize technological systems such as the SACEM and MASTRIA integrated systems for automatic speed control. If we experience a service failure or the technology does not operate properly for a prolonged period, we may be unable to collect revenues properly. We cannot assure you that a material service interruption will not occur in the future or that any continuity plan that we have in place will be completely effective.

We also rely on information systems to operate websites, process transactions, respond to customer inquiries on a timely basis and maintain cost-efficient operations. We may experience operational problems with our information systems as a result of system failures, viruses, computer “hackers” or other causes. Any material disruption or slowdown of our systems could cause information, including data related to customer requests, to be lost or to be delivered to our customers with delays or errors, which could reduce demand for their services and products and could materially and adversely affect our results of operations and financial condition.

We may face increases in maintenance costs, which could have a material adverse effect on our results of operations or financial condition.

Ongoing repair and maintenance obligations of our subway lines, stations and equipment may require certain expenditures. Such required expenditures, however, do not contemplate additional projects or delays that may arise in connection with a force majeure event. If our plans or assumptions change or prove to be inaccurate or we experience unanticipated costs, our results of operations or financial condition could be materially adversely affected.

We may not achieve the expected benefits of our new subway lines on a timely basis or at all.

As part of our business strategy, we expect to continue investing significant amounts in the expansion of our network and improvement of our facilities. We are exposed to many factors beyond our control that may prevent or hinder our implementation of the new subway lines or the extension of existing ones or lead to cost overruns, including common construction risks; compliance with new or more expensive environmental regulations, technical or mechanical problems; construction delays; delays or increased costs associated with expropriation of or the establishment of easements over the areas where the aboveground tracks and lines will be constructed; shortages of equipment, materials or skilled labor; lack of available capital and other factors. In addition, we have engaged and will continue to engage various contractors to complete certain parts of the civil works of our expansion projects. Acts or omissions of these contractors may be beyond our control and any disruption in or failure to perform such services could have a material adverse effect on our expansion projects, our operations and business.

Even if we effectively implement our projects, we may not be able to capitalize on the additional capacity the subway lines will provide, which may result in lower revenues and operating profit than anticipated. Failure to successfully implement this business strategy on a timely basis or at all may adversely affect our business prospects and results of operations.

Our operations are dependent on a steady supply of electricity, and rising electric power costs could materially adversely affect our business.

Our operations rely on a stable supply of utilities. In recent years, energy provisions have been unstable in Chile. We cannot assure you that future supply instability or interruptions will not occur again and impair our ability to procure required utility services in the future, which could adversely impact our operations.

Electric power costs comprised 12% and 13% of our cost of sales, administrative expenses and other expenses by function for the years ended December 31, 2019 and 2018, respectively. Electric power prices and supply are

influenced significantly by political and economic circumstances. If unusual price volatility were to arise for any reason, the resulting higher electric power prices would significantly increase our operating costs, which could adversely affect our results of operations and financial condition. Increases in electric power prices may be covered through an increase in our technical fee, though often with delayed effect. However, there are no assurances that these increases will cover the entire electric power price increase for a given period.

Future acts of terrorism or war, protests or riots, as well as the threat of war, may cause significant disruptions in our business operations.

Terrorist attacks, such as those that occurred in the U.S. on September 11, 2001, as well as the attacks in 2004 and 2005 on the transportation systems in Madrid and London, and the attacks that we suffered in our infrastructure pursuant to the riots and protests that started on October 18, 2019, and the governmental response to those types of attacks and war or risk of war may adversely affect our results of operations, financial condition or liquidity. Our subway lines, stations and facilities could be direct targets or indirect casualties of an act or acts of terror. Such acts could cause significant business interruption and result in increased costs and liabilities and decreased revenues, which could have an adverse effect on our operating results and financial condition. Such effects could be magnified where releases of hazardous materials are involved. Any act of terror, retaliatory strike, sustained military campaign or war or risk of war may have an adverse effect on our operating results and financial condition by causing or resulting in unpredictable operating or financial conditions, including disruptions of subway lines, volatility of electric power prices, general economic decline and instability or weakness of financial markets which could restrict our ability to raise capital. In addition, insurance premiums charged for some or all of our coverage could increase dramatically or certain coverage may not be available to us in the future.

Our continued growth requires us to attract and retain specialized personnel.

Our results of operations and financial condition are dependent on our capacity to attract and retain qualified personnel, particularly those with expertise in the subway and public transportation sectors. The loss of key personnel without prompt replacements could therefore have a material adverse effect on our results of operations and financial condition. In addition, we cannot assure you that we will continue to be able to retain or attract a sufficient number of skilled personnel on attractive terms or at all. Any inability to recruit, train and retain such personnel could hinder our ability to successfully operate our business, which could have a material adverse effect on our results of operations and financial condition.

We are party to legal proceedings that could have a material adverse effect on our results of operations and financial condition.

From time to time, we become involved in arbitration, litigation, tax and other proceedings relating to claims arising from our operations in the normal course of business. We cannot assure you that these proceedings will not materially affect our ability to conduct our business in the manner that we expect or otherwise have a material adverse effect on our business, financial condition and results of operations should an unfavorable ruling occur. See “Business—Legal and Administrative Proceedings.”

As of December 31, 2019, we maintained provisions in the total amount of Ch\$624 million (U.S.\$0.8 million) to cover litigation proceedings. To the extent we are not successful in some or all of these matters, or in future legal challenges (including potential class actions), or we do not prevail in reversing or nullifying adverse decisions by the Chilean Government which may be material to our business, our results of operations and financial condition may be materially adversely affected.

We face possible catastrophic loss and liability, and our insurance may not be sufficient to cover our damages or damages to others.

The operation of any subway carries with it an inherent risk of catastrophe, mechanical failure, collision, and property loss. In the course of our operations, accidents, business interruption due to political developments, social conflicts, violence, health and safety related issues, as well as labor disputes, and strikes could result in a loss of revenues or increased liabilities and costs. Collisions, explosions or other accidents can cause serious bodily injury, death, and extensive property damage, particularly when such accidents occur in heavily populated areas. Additionally, our operations may be affected from time to time by natural disasters such as earthquakes and floods,

as well as health and safety related issues such as epidemics and pandemics. We are also exposed to risks resulting from social conflicts and violence. The occurrence of a major natural or human induced disaster could have a material adverse effect on our operations and financial condition. Insurance may not be sufficient to cover, or may not cover at all, our damages, damages to others or loss revenues from business interruptions, and our insurance may not continue to be available at commercially reasonable rates. In addition, we are subject to the risk that one or more of our insurers may become insolvent and would be unable to pay a claim that may be made in the future. Even with insurance, if any catastrophic interruption of service occurs, we may not be able to restore service without a significant interruption to operations that could have an adverse effect on our financial condition and liquidity.

We may face liability for casualty losses that are not covered by insurance.

We have obtained insurance coverage for losses sustained by us arising from personal injury and for property damage in the event of derailments or other incidents. Personal injury claims made by our subway employees may be subject to Titles XII (Contract Liability) and XXXV (Torts Liability) of Book IV of the Chilean Civil Code, the Chilean Labor Code, Law No. 16,744 (Labor Accidents and Occupational Disease Act) and *Decreto Supremo* No. 594 of 2,000 (regulating health and sanitary conditions of working sites). We have obtained insurance coverage in the amount of UF 30,000 (U.S.\$1.1 million) per incident in the event that we are held civilly liable for the acts of our employees. Severe accidents or personal injuries could cause our liability to exceed our insurance limits, which might have a material adverse effect on our business and financial condition. In addition, adverse events directly and indirectly attributable to us, including such things as derailments, accidents or other similar occurrences in the industry, can be expected to result in increases in our insurance premiums or our self-insured retentions and could result in limitations to the coverage under our existing policies.

We could be adversely affected if major suppliers fail to provide needed equipment and services on a timely basis.

We rely on a few strategic suppliers to provide us with equipment, materials and services that we need in order to operate our subway lines and business. There are a limited number of suppliers who can provide the equipment that our operations and expansion plans demand or the services that we need to maintain our extensive and geographically widespread subway network. In addition, because the supply of subway equipment requires detailed supply planning, it would be difficult for us to replace the suppliers of this equipment.

We also depend on key suppliers and vendors, including maintenance services providers, equipment suppliers for network infrastructure to satisfy our operating needs. Many suppliers rely heavily on labor; therefore, any work stoppage or labor relations problems affecting our suppliers could adversely affect our operations. Suppliers may, among other things, extend delivery times, raise prices and limit supply due to their own shortages and business requirements. If our suppliers fail to deliver products and services on a timely basis that satisfies our demands, we could experience disruptions, which could have an adverse effect on our business, financial condition and results of operations.

We have no effective means to ensure that these suppliers or service providers will continue to perform these services to our satisfaction, in a manner satisfactory to us, or on commercially reasonable terms. We could become dissatisfied with the suppliers, service providers, or their cost levels and refuse to utilize them in the future. If a service provider is not able to provide the agreed services at the level of quality we require, we may not be able to replace such service provider on short notice, which may have a material adverse effect on our business.

We could incur material costs to maintain compliance with or resolve liabilities under environmental regulations.

Our operations, equipment and facilities are subject to a wide range of general and industry-specific Chilean environmental laws and regulations, including requirements on the preparation of environmental impact assessments for our projects, the generation, storage, handling and disposal of hazardous materials, the discharge of pollutants to air and water, the remediation of contamination and the protection of worker safety. Numerous Chilean government entities have issued rules and regulations that are often difficult and costly to comply with and carry substantial penalties for non-compliance. From time to time, we may not be in compliance with all such

requirements. Violations of the aforementioned laws and regulations could result in substantial costs or liabilities, including claims for damages and/or civil or criminal penalties or fines.

Chilean environmental regulations have become increasingly stringent in recent years, particularly regarding the approval of new projects, and this trend is likely to continue. Accordingly, we may be subject to stricter enforcement or interpretation of existing Chilean environmental laws and regulations, and such laws and regulations may become more stringent in the future. We have made, and expect to continue to make, significant expenditures to comply with new and existing environmental requirements. In addition, compliance with environmental laws may require us to change our development plans and, thus, may adversely affect the manner in which we seek to implement our business strategy and our ability to accomplish our expansion plan. Future developments in the establishment or implementation of environmental requirements, or in the interpretation of such requirements, could result in substantially increased capital, operating or compliance costs or otherwise adversely affect our business, financial condition and results of operations.

In addition, the Chilean Environmental Law (*Ley No. 19,300 Sobre Bases Generales del Medio Ambiente*) provides that Chilean companies are responsible for any environmental damage caused by their negligence and may be subject to monetary fines as a result. Consequently, we could be subject to fines, or could be required to remediate contamination or pay compensation, including economic, moral or environmental damages caused by our operations.

Given the possibility of unanticipated regulatory or other developments, including more stringent environmental laws, the amount and timing of future environmental compliance expenditures could vary substantially from their current levels. These variations could limit the availability of our funds and resources for other purposes.

Pursuant to the Chilean Environmental Law, we are required to submit our expansion projects to an environmental impact assessment procedure. Citizens must be involved in such procedure, as required by the environmental impact declaration for shafts and drives (*Declaración de Impacto Ambiental de Piques y Galerías*).

Labor disputes, strikes, work stoppages and protests could lead to increased operating costs.

As of December 31, 2019, 97.9% of our employees were members of unions. If our workers were to strike, the resulting work stoppages could have an adverse effect on us. We would incur losses as a result of business interruptions caused by labor action. As a result, our results of operations and financial condition could be adversely affected by future strikes, work stoppages, protests or similar activities.

The most relevant labor, health and safety laws and regulations that apply to the company are the Chilean Labor Code, Law No. 16,744 (Labor Accidents and Occupational Diseases Act), *Decreto Supremo* No. 594 of 2000 (regulating health and sanitary conditions of working sites), and Titles XII (Contract Liability) and XXXV (Tort Liability) of Book IV of the Chilean Civil Code. Amendments to these regulations could increase the costs of the company in the future. Compliance with labor, health and safety rules may be enforced judicially, usually by imposing fines. If any person is injured as a result of a breach of these obligations, we may have to compensate such person for damages, including damages resulting from pain and suffering (*daño moral*).

We have a significant amount of indebtedness.

We have a significant amount of indebtedness. The non-current and current portions of our total debt obligations (including derivatives) is Ch\$2,072 billion (U.S.\$2,767.6 million) and Ch\$154 billion (U.S.\$205.7 million), respectively. The potential significant consequences on our financial condition and results of operations that could result from our substantial debt include:

- limiting our ability to obtain additional financing to fund our capital expenditures, debt service, general corporate or other obligations;
- requiring a substantial portion of our cash flows from operations be used for the repayment of principal and interest on our debt, reducing funds available to us for operations or other capital needs;

- increasing our vulnerability to general adverse economic and industry conditions because, during periods in which we experience lower earnings and cash flow, we will be required to devote a proportionally greater amount of our cash flow to paying principal and interest on our debt; and
- making it difficult for us to refinance our indebtedness or to refinance such indebtedness on competitive terms.

Any borrowings we make at variable interest rates leave us vulnerable to increases in interest rates generally, which may increase our debt burden and the possibility of each of the consequences above. We expect to repay our outstanding indebtedness primarily from cash flow generated by our operations and, to the extent that there is any mismatch between our cash flow from operations and our debt service obligations, we may seek to refinance our indebtedness or to secure an equity contribution from our shareholders. If we are unable to refinance our indebtedness in terms that are acceptable to us or secure an equity contribution from our shareholder in order to repay our indebtedness as it matures, our business may be adversely affected.

Risk Factors Relating to Our Relationship with the Chilean State

The development of our projects depends materially on the annual public budget approved by the Chilean Congress.

The Chilean State provides funds to finance our projects and serve our indebtedness through the Public Annual Budget Law (*Ley de Presupuestos del Sector Público*). Every year we prepare our annual budget (*presupuesto anual de caja*), and then submit it for approval to the Ministries of Finance and of the Economy for inclusion in the general budget of the government, which is then approved by the Chilean Congress on an annual basis on or before December each year for the subsequent year. The public budget for the financial year ended December 31, 2020 has been approved and was published in the Official Chilean Gazette on December 19, 2019. If the budget approved for a particular period does not provide us with sufficient funds or such funds are not timely delivered, we may not be able to finance our expansion projects or have financial resources to serve our indebtedness.

Important corporate governance matters, our annual investment budget and financing programs are determined by or subject to the approval of the President of Chile and the Chilean Congress.

We are a closely held stock corporation (*sociedad anónima cerrada*) wholly owned by the Chilean State. Our relationship with our shareholders is governed by Law No. 18,772. The President of Chile is indirectly vested with the authority analogous to that of the shareholders of a corporation (*sociedad anónima*) under Chilean law. In the case of the interest held through CORFO, the authority of the President is delegated to the Sistema de Empresas Públicas, or SEP, a committee of CORFO in charge of the corporate governance of certain Chilean state-owned companies. Both CORFO and SEP are under the control of the President of Chile. Pursuant to such authority, the President of Chile appoints our directors and approves any amendments to our bylaws. Our senior management and administration powers are vested in our board of directors and further delegated to our Chief Executive Officer. Our board of directors must submit our proposed annual investment budget to the Treasury Department for its approval and possible revision, and for its inclusion in the annual public budget of the Chilean State submitted by the President of Chile to the Chilean Congress for its approval. There is no guarantee that actions taken with respect to the appointment of our directors, amendments to our bylaws, and revision and approval of our investment budget are or will be the same as they would be in a privately owned company. In addition, there is no guarantee that the Chilean Congress will approve the annual public budget of the Chilean State in the terms submitted by the President of Chile. See “Management” and “Regulatory Framework.”

Statutory amendments could be proposed that would allow private ownership of our company.

We are 100% owned by the Chilean State. Pursuant to Law No. 18,772, the Chilean State (represented by the Ministry of Finance) and CORFO may allow private participation in Metro; however, statutorily the total participation of the Chilean State cannot be less than 51%. A new law passed by the Chilean Congress would be required to allow private participation in excess of such percentage. Although there has been no formal governmental action to permit private investment in us, no assurance can be given that private ownership will not be allowed by the Chilean Congress in the future. See “Regulatory Framework—Regulatory Regime.”

Risk Factors Related to Chile

Our business, results of operations and financial condition can be impacted by earthquakes and other natural and human-induced disasters.

We are subject to possible disruptions to commercial activities due to natural and human-induced disasters, such as weather conditions, earthquakes, tsunamis, fires and floods, terrorist activities, social unrest and violence and armed conflicts. Further, our business is generally subject to a number of risks and hazards, including industrial accidents, labor disputes, unexpected geological conditions and underground facilities collapses. Such occurrences could result in damage to, or destruction of, our properties or facilities, human exposure to pollution, personal injury or death, environmental and natural resource damage, operating suspensions and delays, monetary losses and possible legal liability. Any of the foregoing could have a material adverse effect on our business, financial condition and results of operations.

Chile lies on the Nazca tectonic plate, one of the world's most seismically active regions. Chile has been adversely affected by powerful earthquakes in the past, including an 8.0 magnitude earthquake that struck the country in 1985, a 9.5 magnitude earthquake in 1960, an 8.8 magnitude earthquake in 2010, which caused a tsunami and recurring aftershocks, resulting in significant damage to public infrastructure, homes and industries and a 6.2 magnitude earthquake in 2016 with no reported injuries or damages. Earthquakes, like the one that struck Chile in 2010 which affected our operations for one day, could have significant negative consequences for our operations and for the general public infrastructure in Chile, including electric power and subway access.

Public health threats could have an adverse effect on the Chilean economy and on our business, financial condition or results of operations.

Chile could be adversely affected by the effects of contagious diseases, including a widespread outbreak of respiratory illness caused by the coronavirus. In recent months, the coronavirus has spread globally and disrupted various markets and resulted in severe uncertainty about the development of the economies exposed to the outbreak. The coronavirus has also caused significant volatility in the financial markets, undermining investors' confidence in the growth of countries and businesses.

In recent months, the coronavirus has spread globally, disrupting various markets and causing deep uncertainty regarding the economies exposed to the outbreak. We have been affected and will continue to be affected by the coronavirus outbreak both directly and indirectly, through an impact on our customers, counterparties, employees and other stakeholders, as a result of, among others, public health measures, such as business closings and restrictions on travel and gatherings. The exact ramifications of the coronavirus outbreak are highly uncertain and, as of the date of this offering memorandum, it is difficult to predict the spread or duration of the pandemic or its full effect on our Company and on the global and Chilean economy.

While governments around the world have introduced various measures and stimulus to support the economies of their countries, the outbreak has had and will continue having a significant adverse effect on both supply and demand, making it challenging to effectively address the challenges with economic policies. Chile, similarly, has been, and is expected to continue to be, exposed to the coronavirus outbreak, and its economy has been adversely affected by the outbreak. Reflecting the concerns about the effect of the pandemic on the Chilean economy, and announced that it was expecting the Chilean economy to contract between 1.5% and 2.5% in 2020, a significant change from a previous estimate for economic growth. It is also expected that unemployment will have a sharp rise from its current level of 7.8% in Chile, which may severally affect the demand of our service.

The Chilean government has adopted sanitary, economic and other measures to confront the coronavirus. The President of Chile declared a state of emergency for an initial period of 90 days starting on March 19, 2020, which allows the Chilean government to, inter alia, impose restrictions on transportation and meetings, as well as curfews and property requisition. Under the state of emergency the Chilean armed forces may enforce restrictive measures and cooperate with the maintenance of public order. Measures implemented by the Chilean Government to control the spread of coronavirus include quarantines, travel and transportation restrictions, closures of office spaces and several businesses (such as shopping centers, cinemas, restaurants and gyms), and suspension of classes and all massive events, such as music festivals, sport events, among others. Total quarantine for several neighborhoods and cities of Chile has also been imposed. Except in the limited circumstances described above, people may leave their

homes only if they have a temporary permit granted by the Chilean Police (*Carabineros de Chile*) which is granted only for specific purposes, such as, attending the funeral of a family member, attending to hospitals due to health emergencies, buying food at supermarkets, among others. In addition, the Government of Chile may take measures to reactivate the economy or fund the combat against the coronavirus, including the redistribution of the annual budget for 2020 or require certain agencies of the government or state-owned companies such as us, to make contributions to fund such measures.

Tax relief laws have been issued, such as a 0% stamp tax paid out of credit transactions from April 1 to September 30, 2020. To maintain liquidity in the financial sector, the Central Bank has reduced its benchmark rate to 0.5% and offered support to banks and other financial institutions by granting them access to a large line of credit and the possibility for the banks to grant a vast array of financial instruments as collateral in connection thereof. It has also launched a program for the sale of U.S. dollars to the market, to counteract the depreciation of the Chilean peso.

The coronavirus outbreak and the measures implemented in Chile to contain its spread or the economic damage suffered as a result of the coronavirus have had and will continue having a direct and indirect material adverse effect on our business, financial condition, results of operations and liquidity. In particular, the foregoing has contributed to a general slowdown in the Chilean economy and a significant reduction in the number of passengers we transported in the first quarter of 2020 compared to the same period in 2019.

The coronavirus outbreak and the measures implemented in Chile to contain its spread or the economic damage suffered as a result of the coronavirus have had and will continue to have a direct and indirect material adverse effect on our business, financial condition, results of operations and liquidity. In particular, the foregoing has contributed to a general slowdown in the Chilean economy and a significant reduction in the number of passengers we transported in the first quarter of 2020 compared to the same period in 2019. We expect to report results for the first quarter of 2020 by late May showing a significant decrease in net income and revenues from that reported during the comparable period in 2019 as a result of a significant decrease in passengers due to the coronavirus outbreak. While the impact of the coronavirus pandemic during this period has been significant in general, we believe that the first quarter 2020 results will not yet reflect the full impact of the coronavirus pandemic given that the measures implemented by the Chilean Government began in March 2020. The extent to which coronavirus may impact our results for the remainder of 2020 and our business, liquidity, financial condition, and results of operations cannot be fully predicted and will depend on future developments, including, but not limited to, the duration and spread of the pandemic, the actions to contain the disease or treat its impact, and the severity of its effects on the economy overall, including any recession resulting from the pandemic, all of which are highly uncertain and cannot be predicted.

In addition, the slowdown in the economic activity caused by the coronavirus and other internal factors and permanent changes in customer habits may result in a decrease in the demand of our transportation services even after any governmental measures are lifted.

This complex scenario may require us to delay our projects, reduce costs and may affect our ability to comply with financial covenants under the instruments governing our indebtedness, or otherwise satisfy our obligations in general. There can also be no assurance that the adverse impact of the coronavirus outbreak will not lead to a tightening of liquidity conditions or funding uncertainty. Any of the foregoing, and any future adverse conditions related to the coronavirus outbreak not yet known, could have a material adverse effect on our business, financial condition and, results of operations and adversely affect our ability to access capital and liquidity on financial terms acceptable to us or our owner.

Social unrest has adversely impacted, and may continue to adversely impact, the Chilean economy and our business, financial condition, results of operations and prospects.

Chile has recently experienced political unrest and social strife, including a wave of protests and riots, primarily as a result of increasing living costs and inequality. An increase in our subway fare in October 2019 further contributed to this social and political problem. Following such fare increase, social groups called for a “massive fare evasion” that rapidly devolved into larger demonstrations and violence, with looting in supermarkets and rioting in the streets. As a result, we suffered significant damages to our infrastructure, with 77 subway stations and six trains damaged during the first days of protests, and significant problems to our traffic security systems on

lines 4, 4A and 5, and to our electric systems on lines 4 and 4A. This led us to completely close the subway system on October 19 and October 20, 2019, and to operate a partially open system since. We suffered further damages over the rest of 2019 as a result of continued protests and riots. As of December 31, 2019, we had 82% of our system operating.

More people got involved in the protests asking for major improvements in public health, pensions, and income inequality. As the protests escalated, President Sebastián Piñera called off the fare hike, but also announced some economic measures aimed at reducing inequality. The effectiveness of such measures is unclear and we cannot assure you that social protests will not continue in the future. Moreover, on November 15, 2019, the representatives of the political parties who represent the majority at the Chilean Congress agreed to call to a referendum for the Chilean citizens to vote on two matters: (i) if there should be a new Constitution (ii) if so, should the convention for drafting the Constitution be comprised of an elected mixed assembly or entirely comprised of elected citizens. The referendum was initially scheduled for April 26, 2020, but pursuant to the coronavirus outbreak, it was rescheduled for October 25, 2020.

The foregoing has had an adverse impact on economic activity in Chile and in our business, and may continue to do so. In addition, adverse social or political developments in or affecting Chile could continue to cause disruptions in our business or result in damages to our assets and infrastructure, which could adversely affect our business and our financial performance. Also, protests may increase our insurance and security costs. We cannot assure you that the levels of social unrest in Chile or its expansion to a larger segment of the population, over which we have no control, will not increase. An increase in social unrest could adversely affect our business, financial condition, results of operations and prospects.

The Chilean economy is exposed to regional and international markets; global or regional adverse events or the perception of increased risk in the region may negatively affect our performance and results.

The Chilean economy has been influenced, to varying degrees, by economic conditions in other countries, primarily, emerging markets. Changes in Chilean economic growth in the future or future developments in or affecting the Chilean economy, including consequences of economic difficulties in Brazil and other emerging markets. Additionally, a slowing of China's GDP growth has led to a reduction in exports to China, which in turn has caused oversupply and price declines in certain commodities. Decreases in exports have a material adverse effect on Chile's public finances due to a loss of tax on exports, causing an imbalance in the country's exchange market.

We are directly exposed to risks related to the weakness and volatility of the economic and political situation in Latin America, especially in Argentina and Brazil. If Argentina's economic environment significantly deteriorates, the economy in Chile, as both a neighboring country and a trading partner, could also be affected and could experience slower growth than in recent years. Crises and political uncertainties in other Latin American countries could also have a material adverse effect on Chile, the market value of our securities or have a material adverse effect on our business, financial condition and results of operations.

Developments and the perception of risks in other countries, especially emerging market countries, may affect the Chilean economy, our business and the market price of Chilean securities, including the notes. Furthermore, although economic conditions are different in each country, investors' reactions to developments in one country may affect the securities of issuers in other countries, including Chile. A global financial crisis, such as the one experienced in 2008 triggered by a series of failures by financial institutions in the United States and in Europe, could affect the Chilean economy and have a material adverse effect on our business, financial condition and results of operations and the market value of our securities.

Furthermore, the United Kingdom left the European Union on January 31, 2020, on the terms of the withdrawal agreement concluded between the United Kingdom and the EU Council which allows for a transition period due to end on December 31, 2020. The uncertainty over this process has caused, and is anticipated to continue to cause, volatility in the financial markets. Such volatility could, in turn, adversely affect the value and trading of our securities.

Currency devaluations and foreign exchange fluctuations may have a material adverse effect on us.

The Chilean peso has been subject to large devaluations and appreciations in the past and could be subject to significant fluctuations in the future. The value of the Chilean peso against the U.S. dollar may continue to fluctuate significantly in the future.

Historically, a significant portion of our indebtedness has been denominated in U.S. dollars, while a substantial part of our revenues and operating expenses has been denominated in Chilean pesos. If the Chilean peso's value declines against the dollar, we will need more Chilean pesos to repay the same amount of dollar-denominated debt. As a result, fluctuations in the Chilean peso to U.S. dollar exchange rate may affect us. As of December 31, 2018, year over year, the Chilean peso depreciated by 13% against the U.S. dollar; and as of December 31, 2019, year over year, the Chilean peso depreciated by 8% against the U.S. dollar. As of December 31, 2019 and December 31, 2018, 55.3% and 53.7%, respectively, of our financial debt (including bank loans and bonds but excluding derivatives and other transactions) was denominated in U.S. dollars, and as of December 31, 2019, 19% of such debt was hedged against exchange rate variations between the Chilean peso and the U.S. dollar through financial instruments such as cross-currency swaps. The remainder of our interest-bearing debt is primarily UF-denominated and therefore not subject to exchange rate risk. Our hedging policy against foreign exchange fluctuations is disclosed in "Management's Discussion and Analysis of Financial Condition and Results of Operations—Quantitative and Qualitative Disclosures About Market Risk—Fluctuations in Exchange Rates and Inflation." We cannot assure you that our hedging policies will avoid future losses related to exchange rate variations.

Any significant currency devaluation or foreign exchange fluctuation in the future may adversely affect the performance of the Chilean economy and have a material adverse effect on us.

Inflation could have a material adverse effect on our business, results of operations and financial condition.

Although Chilean inflation (as measured by changes in the CPI) has been relatively stable in recent years, with an inflation rate of 2.57% and 3.00% for 2018 and 2019, respectively, Chile has experienced higher relative levels of inflation in the past decades. High levels of inflation in Chile could adversely affect passenger traffic and the Chilean economy and have a material adverse effect on our results of operations and financial condition. In addition, the Government through the Central Bank may take certain actions to control inflation, including, among others, maintaining a tight monetary policy with high interest rates, thereby restricting the availability of credit and retarding economic growth. Inflation, measures to combat inflation and public speculation about possible additional actions have also contributed materially to economic uncertainty in Chile and to heightened volatility in its securities markets. We cannot assure you that Chilean inflation will not increase significantly from its current level or that our business, results of operations and financial condition will not be materially adversely affected by inflation.

We are subject to anti-corruption, anti-bribery, anti-money laundering and antitrust laws and regulations in Chile, any actual or perceived failure to comply with any such laws or regulations could have a material adverse impact on our reputation and results of operations and financial condition.

We are subject to anti-corruption, anti-bribery, anti-money laundering, antitrust and other laws and regulations and are required to comply with the applicable laws and regulations of Chile. In addition, we are subject to economic sanctions regulations that restrict our dealings with certain sanctioned countries, individuals and entities. There can be no assurance that our internal policies and procedures will be sufficient to prevent or detect all inappropriate practices, fraud or violations of law by our affiliates, employees, directors, officers, partners, agents and service providers or that any such persons will not take actions in violation of our policies and procedures. Any actual or perceived violations by us of anti-bribery and anti-corruption laws or sanctions regulations could have a material adverse effect on our business, reputation, results of operations and financial condition.

Chile has different accounting and disclosure standards than holders may be familiar with in the United States of America or elsewhere.

The accounting, financial reporting and securities disclosure requirements in Chile differ from those in the United States in some significant respects. In terms of accounting principles, we do not apply generally accepted accounting principles in the United States, or U.S. GAAP. Our Applicable GAAP is based on IFRS except that

pursuant to specific rules issued by the CMF, we, as a company providing a public service, are permitted to apply IPSAS 21, instead of IAS 36, which effectively exempts us from applying a discounted cash flow approach when carrying out the impairment test on certain of our assets. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Significant Financial Reporting Standards—Application of IPSAS 21” for additional details on the effects of this exemption. We have not prepared a reconciliation of our consolidated financial statements from Applicable GAAP to U.S. GAAP or to IFRS. Any such reconciliation would result in material differences in our consolidated financial statements as compared to those prepared under Applicable GAAP and included in this offering memorandum.

The securities laws of Chile have as a principal objective promoting disclosure of all material corporate information to the public. Chilean disclosure requirements, however, differ from those in the United States in some important respects. In addition, although Chilean law imposes restrictions on insider trading and price manipulation, applicable Chilean laws are different from those in the United States and in certain respects the Chilean securities markets are not as highly regulated and supervised as the U.S. securities markets.

Risk Factors Related to the Notes

The notes are a new issue of securities for which there is currently no public market. You may be unable to sell your notes if a trading market for the notes does not develop.

The offer and sale of the notes have not been registered under the Securities Act or the securities laws of any other jurisdiction and the notes are being offered and sold only to QIBs within the meaning of Rule 144A and in offshore transactions to persons other than U.S. persons pursuant to Regulation S. The notes constitute one or more new issues of securities, for which there is no existing market. We intend to apply to admit the notes to listing in the Official List of the Luxembourg Stock Exchange and to trading on the Euro MTF of the Luxembourg Stock Exchange, in accordance with its rules. However, we cannot assure you that the listing application will be approved. The initial purchasers are not under any obligation to make a market with respect to any series of notes, and we cannot assure you that trading markets will develop or be maintained, that holders of any series of notes will be able to sell their notes, or the price at which such holders may be able to sell their notes. If an active trading market were to develop, the applicable series of notes could trade at prices that may be lower than the initial offering price depending on many factors, including prevailing interest rates, our results of operations and financial condition, prospects for other companies in our industry, political and economic developments in and affecting Chile, the risk associated with Chilean issuers of similar securities and the market for similar securities. If an active trading market for any series of notes does not develop or is interrupted, the market price and liquidity of the notes may be materially and adversely affected.

There are restrictions on your ability to transfer the notes.

The notes have not been registered under the Securities Act or any state securities laws and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. Such exemptions include offers and sales that occur outside the United States in compliance with Regulation S and in accordance with any applicable securities laws of any other jurisdiction and sales to QIBs as defined under Rule 144A. Furthermore, the notes will not be registered under Law No. 18,045, as amended, of Chile with the CMF and, accordingly, the notes cannot and will not be offered or sold to persons in Chile, except in circumstances that have not resulted, and will not result, in a public offering under Chilean law, and in compliance with Rule 336 of the CMF. For a discussion of certain restrictions on resale and transfer, see “Plan of Distribution” and “Transfer Restrictions.” Consequently, a holder of notes and an owner of beneficial interests in those notes may have to bear the economic risk of their investment in the notes for the term of the notes.

We may incur additional indebtedness ranking equally to the notes or secured indebtedness.

The indenture does not limit our ability to incur additional debt that ranks on an equal and ratable basis with the notes. If we incur any additional debt that ranks on an equal and ratable basis with the notes, the holders of that debt will be entitled to share ratably with the holders of the notes in any proceeds distributed in connection with an insolvency, liquidation, reorganization, dissolution or other winding-up of us subject to satisfaction of certain debt limitations. This may have the effect of reducing the amount of proceeds paid to you. Subject to certain

limitations, we also have the ability to incur collateralized debt and such debt would be effectively senior to the notes to the extent of such collateral. See “Description of the Notes—Covenants—Limitation on Liens.”

Payments on the notes will be effectively subordinated to any of our secured debt obligations and will not be guaranteed by the State of Chile.

The notes will constitute our senior unsecured obligations and will be effectively subordinated to any future secured obligations, to the extent of the value of the assets securing such obligations. As of December 31, 2019 our total financial debt (defined as the sum of our other current and non-current financial liabilities, including our bank loans, debt securities and derivative transactions) was Ch\$2,226,185.3 million (U.S.\$2,973.2 million). Such debt ranked pari passu with the notes and did not constitute secured indebtedness. From our total financial debt as of December 31, 2019, Ch\$495,806.2 million (U.S.\$662.188 million) corresponding to indebtedness incurred under certain local bonds was guaranteed by the State of Chile. The notes will not be guaranteed by the State of Chile and will be structurally subordinated to any future debt of our subsidiaries, if any.

The obligations under the notes will be subordinated to certain statutory liabilities.

Under Chilean bankruptcy law, the obligations under the notes are subordinated to certain statutory preferences. In the event of liquidation, such statutory preferences, including claims for salaries, wages, secured obligations, social security, taxes and court fees and expenses, will have preference over any other claims, including claims by any investor in respect of the notes.

Any reduction in our credit ratings could materially adversely affect us.

The notes have been assigned a rating by Standard & Poor’s and Fitch Ratings. The ratings address the likelihood of payment of principal at the notes’ maturity. The ratings also address the timely payment of interest on each interest payment date. The ratings of the notes are not a recommendation to purchase, hold or sell the notes, and the ratings do not comment on market price or suitability for any particular investor. We cannot assure you that the rating of the notes will remain for any given period of time or that the rating will not be lowered or withdrawn. The assigned ratings may be raised or lowered depending, among other factors, on the rating agencies’ respective assessment of our financial strength, as well as their assessment of Chilean sovereign risk generally. In addition, credit ratings impact the interest rates we pay on funds that we borrow and the market’s perception of our financial strength. If the ratings on the notes were reduced and the market were to perceive any such reduction as a deterioration of our financial strength, our cost of borrowing would likely increase and our net income could decrease, all of which could have a material adverse effect on us.

It may be difficult to enforce civil liabilities against us or our directors and executive officers or to attach or seize our assets.

All or a substantial portion of our assets and those of our directors and executive officers, all of whom are non-residents of the United States, are located outside the United States. As a result, it may be difficult or impossible for investors to effect service of process within the United States on these persons with respect to matters arising under U.S. federal securities laws, or to enforce outside the U.S. judgments obtained against us or these persons in U.S. courts, including actions predicated upon the civil liability provisions of the U.S. federal securities laws, see “Enforcement of Civil Liabilities.”

In addition, Article 445 No. 17 of the Chilean Civil Procedure Code sets forth that assets that are used in the performance of a service that cannot be suspended without harming transit or public health may not be seized or attached. The Chilean courts may interpret this provision as applicable to our main assets, such as trains and subway stations. As a result, it may be difficult or impossible for investors to have our assets seized or attached and liquidated to obtain any payment from us.

We will not have guaranteed access to U.S. dollars for repayment of the notes.

Under Chilean laws and Central Bank regulations, we will not have guaranteed access to the formal exchange market (*mercado cambiario formal*), which is comprised of banks and other financial entities authorized by the Central Bank to purchase and sell foreign currencies, for payments of interest and principal on the notes in U.S.

dollars. However, we are permitted to purchase U.S. dollars to make payments of interest and principal on the notes. Future Central Bank regulations or legislative changes to the current foreign exchange control regime in Chile could restrict or prevent us from purchasing U.S. dollars for purposes of making payments under the notes. See “Exchange Controls.”

Although we are wholly owned by the Chilean State, the Chilean State is not a guarantor of the notes. In addition, the interests of the Chilean State may not coincide with the interests of the holders of the notes.

We are wholly owned by the Chilean State. As of December 31, 2019, Ch\$495,806.2 million (U.S.\$662.188 million), or 22.3%, of our total financial debt corresponded to indebtedness incurred under certain local bonds guaranteed by the State of Chile. However, the Chilean State is not a guarantor of, and is not liable for, any of our obligations under the notes. Moreover, we cannot assure you that your interests as holders of the notes will always align with those of the Chilean State in its capacity as our shareholder. The Chilean State could require us to, among other things, make investments, incur costs and/or pursue projects that prioritize the country’s social, political and/or economic objectives, and which may not be profitable. As a result, these investments, costs and projects may not be in the best interests of our noteholders.

Negative covenants in the indenture for the notes will have a limited effect.

The indenture governing the notes contains only limited negative covenants that apply to us and our subsidiaries. These covenants do not limit the amount of additional debt that we may incur and do not require us to maintain any financial ratios or specific levels of net worth, revenues, income, cash flows or liquidity. In light of the limited negative covenants applicable to the notes, our subsidiaries may incur substantial debt, and the holders of the notes will be structurally subordinated to that debt. Further, the indenture governing the notes will allow us and our restricted subsidiaries to incur debt secured with certain principal property in an amount not to exceed at any time outstanding 20% of our consolidated net tangible assets, and the holders of the notes will be subordinated to that secured debt to the extent of the value of the assets or property securing such debt. In addition, our currently outstanding bonds and loans generally have such type of restrictions, and it is likely that future bonds and loans will also contain such provisions, which may put the holders of the notes at a disadvantage with respect to other creditors in certain circumstances.

The Tender Offer may not be successful, in which case we will use the proceeds initially allocated for such transaction for general corporate purposes.

The Tender Offer may not be successful and the indenture for the notes does not provide for any redemption, escrow or any other similar protection mechanism for investors to recover all or any portion of the proceeds from the notes that we initially intended to use to complete such transaction. In that event, we will use such applicable proceeds for general corporate purposes. If the Tender Offer is not successful, we will have incremental debt and will continue to be subject to the existing terms and conditions of the 2024 Notes, which are slightly different to the terms and conditions of the notes. We cannot assure you that the Tender Offer will be successful, which could also have a material adverse effect on our business, financial condition and results of operations.

EXCHANGE RATES

Chile has two currency markets, the formal exchange market (*mercado cambiario formal*), comprised of banks and other entities authorized by the Central Bank, and the informal exchange market (*mercado cambiario informal*), comprised of entities that are not expressly authorized to operate in the formal exchange market, such as certain foreign exchange houses and travel agencies, among others. Purchases and sales of foreign currencies that may be conducted outside the formal exchange market can be carried out on the informal exchange market at the “spot rate.” Pursuant to current Chilean regulations, the Central Bank must be informed of certain transactions, and it is empowered to determine that certain purchases and sales of foreign currencies be carried out on the formal exchange market. Both the formal and informal exchange markets are driven by free market forces.

The observed exchange rate (*dólar observado*), which is reported by the Central Bank and published daily in the Official Gazette (*Diario Oficial*), is computed by taking the weighted average of the previous business day’s transactions on the formal exchange market. The Central Bank has the power to intervene by buying or selling foreign currency on the formal exchange market to attempt to maintain the observed exchange rate within a desired range. During the past few years, the Central Bank has intervened to keep the observed exchange rate within a certain range only under special circumstances. Although the Central Bank is not required to purchase or sell dollars at any specific exchange rate, it generally uses spot rates for its transactions. Other banks generally carry out authorized transactions at spot rates as well.

As of December of 2019, the Central Bank decided to intervene in the exchange market by selling U.S. dollars for a total amount of up to U.S.\$10,000 million and by selling FX hedging instruments for a total amount of up to U.S.\$10,000 million as well. Initially, this foreign currency selling program was intended to last until May 2020, but as one of the measures adopted to confront the coronavirus pandemic, the Central Bank announced in March 2020 that the program will last until January 2021.

The informal exchange market reflects transactions carried out at an informal exchange rate. There are no limits imposed on the extent to which the rate of exchange on the informal exchange market can fluctuate above or below the observed exchange rate. In recent years, the variation between the observed exchange rate and the informal exchange rate has not been significant.

We make no representation that the Chilean peso or the U.S. dollar amounts referred to herein could have been or could be converted into U.S. dollars or Chilean pesos, as the case may be, at the rates indicated, at any particular rate or at all. The Federal Reserve Bank of New York does not report a noon buying rate for Chilean pesos. On December 30, 2019, the observed exchange rate was Ch\$748.74 per U.S.\$1.00, based on the observed exchange rate reported by the Central Bank on January 2, 2020. The following table sets forth the annual low, high, average and period-end observed exchange rate for U.S. dollars for each year starting in 2015 and the months indicated below, as reported by the Central Bank.

| Year | Observed Exchange Rates (Ch\$ per U.S.\$1.00) ⁽¹⁾⁽²⁾ | | | |
|-----------|---|--------|---------|------------|
| | Low | High | Average | Period-End |
| 2015..... | 597.10 | 715.66 | 654.25 | 707.34 |
| 2016..... | 645.22 | 730.31 | 676.83 | 669.47 |
| 2017..... | 615.22 | 679.05 | 649.33 | 614.75 |
| 2018..... | 588.28 | 698.56 | 640.29 | 694.77 |
| 2019..... | 649.22 | 828.25 | 702.63 | 748.74 |

- (1) The table presents the annual low, high, average and period-end observed rates for each year.
(2) Reported on the first business day of the following year.

| Month | Observed Exchange Rates (Ch\$ per U.S.\$1.00) ⁽¹⁾⁽²⁾ | | | |
|--------------------------------|---|--------|---------|------------|
| | Low | High | Average | Period-End |
| October 2019 | 709.71 | 735.05 | 721.03 | 735.05 |
| November 2019 | 735.05 | 828.25 | 776.53 | 812.13 |
| December 2019..... | 744.62 | 812.13 | 770.39 | 748.74 |
| January 2020..... | 748.74 | 797.96 | 772.65 | 799.11 |
| February 2020..... | 776.99 | 816.26 | 796.38 | 818.32 |
| March 2020..... | 809.81 | 867.83 | 839.38 | 852.03 |
| April 2020..... | 836.62 | 863.99 | 853.38 | 836.62 |
| May 2020 (through May 4) | 837.92 | 837.92 | 837.92 | 837.92 |

- (1) The table presents the annual low, high, average and period-end observed rates for each month.
(2) Reported on the first business day of the following month.

We make no representation that the Chilean peso or the UF amounts referred to herein could have been or could be converted into UF or Chilean pesos, as the case may be, at the rates indicated, at any particular rate or at all. The following table sets forth the annual low, high, average and period-end exchange rate for UF, as reported by the Central Bank.

| Year | Exchange Rates (Ch\$ per UF) ⁽¹⁾⁽²⁾ | | | |
|-----------|--|-----------|-----------|------------|
| | Low | High | Average | Period End |
| 2015..... | 24,528.59 | 25,629.09 | 25,022.00 | 25,629.09 |
| 2016..... | 25,629.09 | 26,347.98 | 26,022.67 | 26,347.98 |
| 2017..... | 26,302.92 | 26,798.14 | 26,571.93 | 26,798.14 |
| 2018..... | 26,799.01 | 27,565.79 | 27,165.75 | 27,565.79 |
| 2019..... | 27,538.22 | 28,309.94 | 27,854.39 | 28,309.94 |

- (1) The table presents the annual low, high, average and period-end UF for each year.
(2) UF values for the tenth day of the current month to the ninth day of the following month are reported at the beginning of the current month.

| Month | Exchange Rates (Ch\$ per UF) ⁽¹⁾⁽²⁾ | | | |
|--------------------------------|--|-----------|-----------|------------|
| | Low | High | Average | Period End |
| October 2019 | 28,050.40 | 28,065.35 | 28,063.18 | 28,065.35 |
| November 2019 | 28,065.35 | 28,222.33 | 28,122.86 | 28,222.33 |
| December 2019..... | 28,229.83 | 28,309.94 | 28,288.60 | 28,309.94 |
| January 2020..... | 28,310.86 | 28,338.25 | 28,324.55 | 28,338.25 |
| February 2020..... | 28,339.17 | 28,463.67 | 28,387.75 | 28,463.67 |
| March 2020..... | 28,469.54 | 28,597.46 | 28,539.73 | 28,597.46 |
| April 2020..... | 28,601.15 | 28,690.73 | 28,648.24 | 28,690.73 |
| May 2020 (through May 4) | 28,693.59 | 28,702.19 | 28,697.89 | 28,702.19 |

- (1) The table presents the annual low, high, average and period-end UF for each month.
(2) UF values for the tenth day of the current month to the ninth day of the following month are reported at the beginning of the current month.

EXCHANGE CONTROLS

The Central Bank is the entity responsible for monetary policies and exchange controls in Chile. Chilean issuers are authorized to offer securities internationally provided they comply with, among other things, the provisions of Chapter XIV of the Compendium of Foreign Exchange Regulations (*Compendio de Normas de Cambios Internacionales*) of the Central Bank, or the Central Bank Compendium.

Pursuant to the provisions of Chapter XIV of the Central Bank Compendium, it is not necessary to seek the Central Bank's prior approval in order to issue the notes. The Central Bank only requires that: (1) the remittance of funds obtained from the sale of the notes into Chile be made through the formal exchange market and disclosed to the Central Bank as described below; and (2) all remittances of funds to make payments under the notes made from Chile be made through the formal exchange market and disclosed to the Central Bank as described below.

The proceeds of the sale of the notes may be brought into Chile or held abroad. If we remit the funds obtained from the sale of the notes into Chile, such remittance must be made through the formal exchange market and we must deliver to the Central Bank directly or through an entity of the formal exchange market an annex providing information about the transaction, together with a letter instructing such entity to deliver us the foreign currency or the peso equivalent thereof. If we do not remit the funds obtained from the sale of the notes into Chile, we have to provide the same information to the Central Bank directly or through an entity of the formal exchange market within the first 10 days of the month following the date on which we received the funds. The regulations require that the information provided describe the financial terms and conditions of the securities offered, related guarantees and the schedule of payments.

All payments in connection with the notes made from Chile must be made through the formal exchange market. Pursuant to Chapter XIV of the Central Bank Compendium, no prior authorization from the Central Bank is required for such payments in U.S. dollars. The participant of the formal exchange market involved in the transfer must provide certain information to the Central Bank on the banking business day following the day of payment. In the event payments are made outside Chile using foreign currency held abroad, we must provide the relevant information to the Central Bank directly or through an entity of the formal exchange market within the first 10 days of the month following the date on which the payment was made.

Under Chapter XIV of the Central Bank Compendium, payments and remittances of funds from Chile are governed by the rules in effect at the time the payment or remittance is made. Therefore, any change made to Chilean laws and regulations after the date hereof will affect foreign investors who have acquired the notes. We cannot assure you that further Central Bank regulations or legislative changes to the current foreign exchange control regime in Chile will not restrict or prevent us from acquiring U.S. dollars or that further restrictions applicable to us will not affect our ability to remit U.S. dollars for payment of interest or principal on the notes.

The above is a summary of the Central Bank's regulations with respect to the issuance of debt securities, including the notes, as in force and effect as of the date of this offering memorandum. We cannot assure you that restrictions will not be imposed in the future, nor can there be any assessment of the duration or impact of such restrictions if imposed. This summary does not purport to be complete and is qualified in its entirety by reference to the provisions of Chapter XIV of the Central Bank Compendium, a copy of which is available from us upon request.

USE OF PROCEEDS

We estimate that the gross proceeds to us from the sale of the notes will be approximately U.S.\$1,485.9 million (Ch\$1,112,593.9 million). We intend to use the net proceeds from the offering to:

(i) purchase all of the outstanding 2024 Notes, and pay the related consideration and accrued and unpaid interest thereon, pursuant to the terms of, and subject to the conditions set forth under, the Tender Offer Documents;

(ii) redeem in full the Series I Local Bonds and pay accrued and unpaid interest thereon pursuant to their terms;

(iii) repay in full the principal of, interest on, and other amounts due under the Sumitomo Facility;

(iv) repay in full the principal of, interest on, and other amounts due under the BNP Facility;

(v) pay fees and expenses incurred in connection with this offering and the Tender Offer; and

(vi) the remainder, if any, including in the event that the Tender Offer is not successful, for general corporate purposes.

See “Risk Factors—Risks Factors Related to the Notes—The Tender Offer may not be successful, in which case we will use the proceeds initially allocated for such transaction for general corporate purposes.”

The initial purchasers or their affiliates are acting as dealer managers in the Tender Offer. Certain of the initial purchasers or their affiliates may hold positions in the 2024 Notes. As a result, certain of those initial purchasers or their affiliates may receive some of the proceeds from this offering. See “Plan of Distribution.”

As of December 31, 2019, the aggregate outstanding amount (including accrued interest) of the 2024 Notes, the Series I Local Bonds, the Sumitomo Facility and the BNP Facility (on lines 3 and 6) was Ch\$378,835 million (U.S.\$505.9 million), Ch\$74,506 million (U.S.\$99.5 million), Ch\$157,822 million (U.S.\$210.8 million) and Ch\$287,434 million (U.S.\$383.9 million), respectively.

Our intended use of the net proceeds from this global offering is based on our analysis, current expectations and projections regarding future events. These estimates are subject to change at any time in our discretion, as we intend to use the net proceeds from this offering to satisfy our funding requirements as they arise. Our management will retain broad discretion over the use of the net proceeds from this offering, and may ultimately use the net proceeds for different purposes than we currently intend. Pending any specific application, we may invest the net proceeds of this global offering in cash, cash equivalents or marketable securities.

CAPITALIZATION

The following table sets forth our actual capitalization as of December 31, 2019 and our capitalization as adjusted to reflect the issuance of the notes and the use of the proceeds therefrom as if it had occurred on December 31, 2019, including:

- (i) the consummation of the Tender Offer assuming that all the outstanding aggregate principal amount of the 2024 Notes are tendered and purchased;
- (ii) the repayment in full of the principal of, interest on, and other amounts due under the Sumitomo Facility;
- (iii) the repayment in full of the principal of, interest on, and other amounts due under the BNP Facility; and
- (iv) the redemption of the Series I Local Bonds.

You should read this table together with the information under the section entitled “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our consolidated financial statements included elsewhere in this offering memorandum.

| | As of December 31, 2019 | | | |
|--|--|---------------------------|--|---------------------------|
| | Actual | | As Adjusted ⁽⁴⁾ | |
| | <i>(U.S.\$ in millions) ⁽¹⁾</i> | <i>(Ch\$ in millions)</i> | <i>(U.S.\$ in millions) ⁽¹⁾</i> | <i>(Ch\$ in millions)</i> |
| Cash and cash equivalents | 142.2 | 106,503.3 | 427.1 | 319,779.9 |
| Financial debt ⁽²⁾ | | | | |
| Other current financial liabilities | 205.7 | 153,979.6 | 93.0 | 69,662.0 |
| Other non-current financial liabilities | 2,767.6 | 2,072,205.8 | 3,165.1 | 2,369,800.0 |
| Total financial debt | 2,973.2 | 2,226,185.3 | 3,258.1 | 2,439,462.0 |
| Total equity | 3,804.0 | 2,848,211.7 | 3,804.0 | 2,848,211.7 |
| Total capitalization ⁽³⁾ | 6,777.2 | 5,074,397 | 7,062.1 | 5,287,673.7 |

(1) Solely for the convenience of the reader, Ch\$ amounts as of December 31, 2019 have been translated into U.S. dollars at the observed exchange rate of Ch\$748.74 to U.S.\$1.00, as published by the Central Bank on January 2, 2020. See “Exchange Rates” for further information about recent fluctuations in exchange rates.

(2) Includes bank loans, debt securities, and derivatives transactions.

(3) Total capitalization represents the sum of total financial debt and shareholders’ equity.

(4) We estimate that the gross proceeds to us from the sales of the notes will be approximately U.S.\$1,485.9 million (Ch\$ 1,112,593.9 million, based on the observed exchange rate of Ch\$748.74 per U.S.\$1.00, as published by the Central Bank on January 2, 2020).

Other than the capital increase approved and subscribed in September and December 2019, in an aggregate amount of Ch\$257 billion (U.S.\$343 million), there has been no material change in our capitalization since December 31, 2019.

SELECTED CONSOLIDATED FINANCIAL AND OTHER INFORMATION

The following tables present certain selected consolidated financial and operating data as of the dates and for each of the periods indicated. This information is qualified in its entirety by reference to, and should be read together with, “Presentation of Certain Financial and Other Information,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our consolidated financial statements and the related notes included elsewhere in this offering memorandum. The selected consolidated financial data as of December 31, 2019 and 2018 and for each of the years ended December 31, 2019 and 2018 presented in this offering memorandum has been derived from our consolidated financial statements appearing elsewhere in this offering memorandum, which have been prepared in accordance with Applicable GAAP. See “Presentation of Certain Financial and Other Information.”

| | For the year ended December 31, | | |
|--|--|--------------------|------------------------------|
| | 2019 | 2019 | 2018 |
| | <i>(in millions of U.S.\$)⁽¹⁾</i> | | <i>(in millions of Ch\$)</i> |
| Income Statement Information: | | | |
| Revenues..... | 556.0 | 416,324.0 | 388,852.8 |
| Cost of sales..... | (506.3) | (379,123.8) | (328,189.6) |
| Gross profit..... | 49.7 | 37,200.2 | 60,663.2 |
| Other income, by function..... | 41.5 | 31,085.5 | 3,227.9 |
| Administrative expenses..... | (59.2) | (44,362.3) | (44,426.9) |
| Other expenses, by function..... | (57.3) | (42,917.3) | (1,862.9) |
| Other income (expenses)..... | 0.12 | 95.1 | 13,697.8 |
| Financial income..... | 13.7 | 10,311.4 | 8,905.8 |
| Financial costs..... | (116.2) | (87,038.3) | (63,967.1) |
| Foreign currency translation difference..... | (97.9) | (73,372.7) | (123,478.6) |
| Profit (loss) from inflation-adjusted units..... | (35.4) | (26,499.9) | (28,484.1) |
| Income (loss) before income taxes..... | (261.1) | (195,498.3) | (175,724.8) |
| Income taxes..... | - | - | - |
| Net income (loss)..... | (261.1) | (195,498.3) | (175,724.8) |

- (1) Solely for the convenience of the reader, we have converted Chilean peso amounts for the year ended December 31, 2019 into U.S. dollars at the observed exchange rate of Ch\$748.74 per U.S.\$1.00, as published by the Central Bank on January 2, 2020. We make no representation that the Chilean peso or the U.S. dollar amounts referred to herein actually represent, could have been or could be converted into U.S. dollars or Chilean pesos, as the case may be, at the rates indicated, at any particular rate or at all. See “Exchange Rates” for further information about recent fluctuations in exchange rates.

| | As of December 31, | | |
|--|---|--------------------|------------------------------|
| | 2019 | 2019 | 2018 |
| | <i>(in millions of U.S.\$) ⁽¹⁾</i> | | <i>(in millions of Ch\$)</i> |
| Balance Sheet Information: | | | |
| Current assets: | | | |
| Cash and cash equivalents | 142.2 | 106,503.3 | 165,110.7 |
| Trade receivables and other current accounts receivable ⁽²⁾ | 243.7 | 182,430.9 | 209,146.9 |
| Inventories | 23.3 | 17,430.3 | 16,401.2 |
| Current tax assets | 1.6 | 1,221.9 | 1,752.7 |
| Total current assets | 410.8 | 307,586.5 | 392,411.5 |
| Non-current assets: | | | |
| Other non-current assets ⁽³⁾ | 126.3 | 94,590.9 | 84,336.8 |
| Intangible assets other than goodwill | 11.2 | 8,376.3 | 6,392.1 |
| Property, plant and equipment | 6,500.8 | 4,867,401.4 | 4,705,488.1 |
| Investment properties | 33.8 | 25,342.0 | 22,641.4 |
| Total non-current assets | 6,672.2 | 4,995,710.7 | 4,818,858.4 |
| Total assets | 7,083.0 | 5,303,297.2 | 5,211,269.9 |
| Current liabilities: | | | |
| Other current financial liabilities ⁽⁴⁾ | 205.7 | 153,979.6 | 115,056.1 |
| Trade and other payables | 150.3 | 112,512.0 | 125,820.3 |
| Other short-term provisions | 0.8 | 623.8 | 795.7 |
| Current provisions for employee benefits | 19.3 | 14,473.4 | 14,788.9 |
| Other current non-financial liabilities | 19.4 | 14,500.3 | 24,961.9 |
| Total current liabilities | 395.4 | 296,089.2 | 281,422.9 |
| Non-current liabilities: | | | |
| Other non-current financial liabilities ⁽⁴⁾ | 2,767.6 | 2,072,205.8 | 2,059,719.3 |
| Non-current accounts payable | 1.9 | 1,424.8 | 1,130.1 |
| Non-current accounts payable to related parties | 30.1 | 22,515.1 | 3,500.0 |
| Non-current provisions for employee benefits | 17.5 | 13,087.2 | 12,797.2 |
| Other non-current non-financial liabilities | 66.5 | 49,763.4 | 54,793.6 |
| Total non-current liabilities | 2,883.5 | 2,158,996.4 | 2,131,940.3 |
| Total liabilities | 3,279.0 | 2,455,085.5 | 2,413,363.2 |
| Equity: | | | |
| Share capital | 4,957.9 | 3,712,166.0 | 3,455,533.9 |
| Retained earnings (accumulated deficit) | (1,183.9) | (886,493.9) | (690,995.6) |
| Other reserves | 30.1 | 22,550.2 | 33,379.0 |
| Equity attributable to controlling interests | 3,804.0 | 2,848,222.3 | 2,797,917.3 |
| Equity attributable to non-controlling interests | - | (10.6) | (10.6) |
| Total equity | 3,804.0 | 2,848,211.7 | 2,797,906.7 |
| Total liabilities and equity | 7,083.0 | 5,303,297.2 | 5,211,269.9 |

(1) Solely for the convenience of the reader, we have converted Chilean peso amounts as of year ended December 31, 2019 into U.S. dollars at the observed exchange rate of Ch\$748.74 per U.S.\$1.00, as published by the Central Bank on January 2, 2020. We make no representation that the Chilean peso or the U.S. dollar amounts referred to herein actually represent, could have been or could be converted into U.S. dollars or Chilean pesos, as the case may be, at the rates indicated, at any particular rate or at all. See "Exchange Rates" for further information about recent fluctuations in exchange rates.

(2) Trade receivables and other current accounts receivable include other current financial assets, other current non-financial assets and trade and other receivables, current.

(3) Other non-current assets include other non-current financial assets, other non-current non-financial assets and trade receivables, non-current.

(4) Other financial liabilities include bank loans, debt securities and derivatives transactions.

| | As of and for the year ended December 31, | | |
|---|--|------------------------------|-------------|
| | 2019 | 2019 | 2018 |
| | <i>(in millions of U.S.\$) ⁽¹⁾</i> | <i>(in millions of Ch\$)</i> | |
| Other Financial Information: | | | |
| Capital expenditures ⁽²⁾ | 426.0 | 318,998.9 | 372,491.2 |
| Depreciation and amortization | (156.1) | (116,864.1) | (89,954.3) |
| Net cash flows from operating activities | 158.6 | 118,777.9 | 123,129.8 |
| Net cash flows used in investing activities .. | (412.8) | (309,102.8) | (433,174.9) |
| Net cash flows from financing activities | 175.7 | 131,525.6 | 320,952.3 |
| Total financial debt ⁽³⁾ | 2,973.2 | 2,226,185.3 | 2,174,775.4 |
| Adjusted EBITDA ⁽⁴⁾ | 146.5 | 109,702 | 106,190.6 |
| Adjusted Operating Profit (Loss) ⁽⁴⁾ | (9.6) | (7,162.1) | 16,236.3 |

- (1) Solely for the convenience of the reader, we have converted Chilean peso amounts as of December 31, 2019 and for the year ended December 31, 2019 into U.S. dollars at the observed exchange rate of Ch\$748.74 per U.S.\$1.00, as published by the Central Bank on January 2, 2020. We make no representation that the Chilean peso or the U.S. dollar amounts referred to herein actually represent, could have been or could be converted into U.S. dollars or Chilean pesos, as the case may be, at the rates indicated, at any particular rate or at all. See “Exchange Rates” for further information about recent fluctuations in exchange rates.
- (2) Capital expenditures include the acquisition of property, plant and equipment and the acquisition of intangible assets.
- (3) Total financial debt is the sum of our other current and non-current financial liabilities. Includes our bank loans, debt securities and derivatives transactions.
- (4) Adjusted EBITDA and Adjusted Operating Profit (Loss) are not recognized measures under GAAP or Applicable GAAP, and should not be considered in isolation or as an alternative to net income or cash flow, as operating performance measurements or as indicators of liquidity. Other companies may calculate their Adjusted EBITDA and Adjusted Operating Profit (Loss) differently than we do and therefore our presentation of Adjusted EBITDA and Adjusted Operating Profit (Loss) may not be comparable to other similarly titled measures of other companies. We define Adjusted EBITDA as gross profit *less* administrative expenses *plus* depreciation and amortization and (2) Adjusted Operating Profit (Loss) as gross profit *less* administrative expenses. Our Adjusted EBITDA and Adjusted Operating Profit (Loss) definitions have limitations that restrict its usefulness as a measurement of our profitability and as a measurement of our free cash flow, as it does not consider certain of our cash requirements, such as interest payments, tax payments and debt service payments. For a reconciliation of our Adjusted EBITDA and Adjusted Operating Profit (Loss) to our net income (loss), see “—Reconciliation of Non-GAAP Financial Measures.”

| | As of December 31, | |
|--|---------------------------|-------------|
| | 2019 | 2018 |
| Operating Information: | | |
| Number of cars | 1,349 | 1,180 |
| Kilometers of track..... | 140 | 118 |
| Number of stations | 136 | 118 |
| Number of passengers (in millions) | 703.7 | 721 |
| Average number of trips per day (in millions) | 1.9 | 2.0 |
| Average number of trips per business day (in millions) ... | 2.4 | 2.5 |
| Number of employees | 4,706 | 4,676 |
| Car x Kilometers (in millions) ⁽¹⁾ | 153 | 147 |

- (1) We calculate car x km by multiplying the number of cars on our network of tracks by the average length of their trips measured in kilometers.

Reconciliation of Non-GAAP Financial Measures

The following table sets forth our calculation and reconciliation of Adjusted EBITDA for the periods indicated:

| | For the year ended December 31, | | |
|---|---|------------------------------|------------------|
| | 2019 | 2019 | 2018 |
| | <i>(in millions of U.S.\$) ⁽¹⁾</i> | <i>(in millions of Ch\$)</i> | |
| Calculation of Adjusted EBITDA: | | | |
| Gross profit | 49.7 | 37,200.2 | 60,663.2 |
| (-) Administrative expenses | (59.2) | (44,362.3) | (44,426.9) |
| (+) Depreciation and amortization | 156.1 | 116,864.1 | 89,954.3 |
| Adjusted EBITDA | 146.5 | 109,702 | 106,190.6 |

- (1) Solely for the convenience of the reader, we have converted Chilean peso amounts for the year ended December 31, 2019 into U.S. dollars at the observed exchange rate of Ch\$748.74 per U.S.\$1.00, as published by the Central Bank on January 2, 2020. We make no representation that the Chilean peso or the U.S. dollar amounts referred to herein actually represent, could have been or could be converted into U.S. dollars or Chilean pesos, as the case may be, at the rates indicated, at any particular rate or at all. See “Exchange Rates” for further information about recent fluctuations in exchange rates.

| | For the year ended December 31, | | |
|---|---|----------------|------------------|
| | 2019 | 2019 | 2018 |
| Adjusted EBITDA Reconciliation: | <i>(in millions of U.S.\$) ⁽¹⁾</i> | | |
| Net loss..... | (261.1) | (195,498.3) | (175,724.8) |
| (-) Financial income | 13.8 | 10,311.4 | 8,905.8 |
| (+) Financial costs | (116.2) | (87,038.3) | (63,967.1) |
| (+)/(-) Foreign currency translation difference | (98.0) | (73,372.7) | (123,478.6) |
| (+) Loss on inflation-adjusted units | (35.4) | (26,499.9) | (28,484.1) |
| (+) Depreciation and amortization | 156.1 | 116,864.1 | 89,954.3 |
| (+) Other income (expenses) ⁽²⁾ | (15.7) | (11,736.6) | 15,062.9 |
| Adjusted EBITDA | 146.5 | 109,702 | 106,190.6 |

- (1) Solely for the convenience of the reader, we have converted Chilean peso amounts for the year ended December 31, 2019 into U.S. dollars at the observed exchange rate of Ch\$748.74 per U.S.\$1.00, as published by the Central Bank on January 2, 2020. We make no representation that the Chilean peso or the U.S. dollar amounts referred to herein actually represent, could have been or could be converted into U.S. dollars or Chilean pesos, as the case may be, at the rates indicated, at any particular rate or at all. See "Exchange Rates" for further information about recent fluctuations in exchange rates.

- (2) Other income (expenses) include other income by function, other expenses by function and other profit (loss).

The following table sets forth our calculation and reconciliation of Adjusted Operating Profit (Loss) for the periods indicated:

| | For the year ended December 31, | | |
|---|---|------------------|-----------------|
| | 2019 | 2019 | 2018 |
| Calculation of Adjusted Operating Profit (Loss): | <i>(in millions of U.S.\$) ⁽¹⁾</i> | | |
| Gross profit | 49.7 | 37,200.2 | 60,663.2 |
| (-) Administrative expenses | (59.2) | (44,362.3) | (44,426.9) |
| Adjusted Operating Profit (Loss) | (9.6) | (7,162.1) | 16,236.3 |

- (1) Solely for the convenience of the reader, we have converted Chilean peso amounts for the year ended December 31, 2019 into U.S. dollars at the observed exchange rate of Ch\$748.74 per U.S.\$1.00, as published by the Central Bank on January 2, 2020. We make no representation that the Chilean peso or the U.S. dollar amounts referred to herein actually represent, could have been or could be converted into U.S. dollars or Chilean pesos, as the case may be, at the rates indicated, at any particular rate or at all. See "Exchange Rates" for further information about recent fluctuations in exchange rates.

| | For the year ended December 31, | | |
|---|---|------------------|-----------------|
| | 2019 | 2019 | 2018 |
| Adjusted Operating Profit (Loss) to Net Loss Reconciliation: | <i>(in millions of U.S.\$) ⁽¹⁾</i> | | |
| Net loss..... | (261.1) | (195,498.3) | (175,724.8) |
| (-) Financial income | 13.8 | 10,311.4 | 8,905.8 |
| (+) Financial costs | (116.2) | (87,038.3) | (63,967.1) |
| (+)/(-) Foreign currency translation difference | (98.0) | (73,372.7) | (123,478.6) |
| (+) Loss on index-adjusted units | (35.4) | (26,499.9) | (28,484.1) |
| (+) Other income (expenses) ⁽²⁾ | (15.7) | (11,736.6) | 15,062.9 |
| Adjusted Operating Profit (Loss) | (9.6) | (7,162.1) | 16,236.3 |

- (1) Solely for the convenience of the reader, we have converted Chilean peso amounts for the year ended December 31, 2019 into U.S. dollars at the observed exchange rate of Ch\$748.74 per U.S.\$1.00, as published by the Central Bank on January 2, 2020. We make no representation that the Chilean peso or the U.S. dollar amounts referred to herein actually represent, could have been or could be converted into U.S. dollars or Chilean pesos, as the case may be, at the rates indicated, at any particular rate or at all. See "Exchange Rates" for further information about recent fluctuations in exchange rates.

- (2) Other income (expenses) include other income by function, other expenses by function and other profit (loss).

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

The following discussion of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and the related explanatory notes included elsewhere in this offering memorandum, as well as with the information presented under "Selected Consolidated Financial and Other Information" and "Presentation of Certain Financial and Other Information." Our financial performance for periods subsequent to the date for which financial information is presented in this offering memorandum may significantly differ from the historical financial information discussed below as a result of recent events in Chile. The following discussion includes forward-looking statements which, although based on assumptions that we consider reasonable, are subject to risks and uncertainties which could cause actual events or conditions to differ materially from those expressed or implied by the forward-looking statements. For a discussion of recent events affecting Chile and some of those risks and uncertainties underlying forward-looking statements, please refer to the sections entitled "Forward-Looking Statements" and "Risk Factors."

Overview

We are the owner and sole operator of the subway system in the metropolitan region of Santiago, Chile, which we refer to herein as the Santiago subway, the backbone for the connectivity and mobility of the inhabitants of such region. We were incorporated as a closely held stock corporation (*sociedad anónima cerrada*) in 1990 by the Chilean State (*Fisco*) (represented by the Ministry of Finance) and CORFO, having become the assignee of all rights and obligations of the Department of the Metro (*Dirección General de Metro*). As of December 31, 2019, CORFO held 66.94% of our outstanding shares and the Chilean State (*Fisco*) held the remaining 33.06% of our outstanding shares.

We operate one of the largest subway systems in Latin America in terms of passenger trips and network extension, according to data from CoMet. We believe that quality public transportation opens up employment opportunities for millions of area residents of the Santiago metropolitan region, linking them to jobs helping the city of Santiago to create and distribute wealth and enable more equality. It revives and integrates neighborhoods and gives rise to new business corridors. We aim to provide reliable, safe, clean and efficient public transportation for the metropolitan region of Santiago, by connecting millions of passengers to their homes, working places and cultural, educational, retail, and civic centers across the region. As of December 31, 2019, we operated seven subway lines in the metropolitan region of Santiago, the largest center of economic activity in Chile with 7,915,199 inhabitants, representing 41.4% of the country's total population as of December 31, 2019, according to the INE. We transport an average of 2.4 million passengers per business day (which represents more than 60% of the trips of the RED transportation system), and in the year ended December 31, 2019, we transported approximately 703.7 million passengers. In 2019, we recorded a gross profit of Ch\$37.2 billion (U.S.\$49.7 million) and our Adjusted EBITDA was Ch\$109.7 billion (U.S.\$146.5 million).

The Santiago subway plays a critical role within the RED transportation system, the integrated public transportation system that provides seamless ground transportation by bus and underground transportation by subway in the metropolitan region of Santiago. The RED transportation system was created by the Chilean Government in 2007 and is administered by the Department of Metropolitan Public Transportation (*Directorio de Transporte Público Metropolitano*). As of December 31, 2018, RED's ground transportation services included 380 bus routes operated by six private companies covering 34 neighborhoods and 2,946 km of roads, with over 3 million daily trips.

RED uses *Tarjetas Bip!*, a common ticketing service that allows for the use of a single touchless smart card, for payment on city buses and the Santiago subway. In addition to providing the subway services of RED, we are the primary sales channel for the RED *Tarjeta Bip!* through our underground and ground points of sale and collect 100% of the fares paid by RED passengers. As of December 31, 2019, more than 60% of the total daily passenger trips of RED included a trip on Metro.

We are the main land transportation service provider in Chile. We have implemented dynamic operational strategies to expand our network, and increase the availability and quality of our transportation service, such as:

- expanding our network with (i) the opening of the new lines 6 and 3 in 2017 and 2019, respectively, (ii) the extension project for lines 2 and 3 which is currently under construction, (iii) the projects for the new lines 7, 8 and 9 and the extension project for line 4, which have been announced by the Government of Chile and which we are analyzing and structuring, and (iv) the addition of new intermodal stations;
- reformulating our service strategy to a more customer-focused approach in order to service more effectively the needs of our passengers;
- developing a short-term and long-term maintenance plan to optimize preventative and corrective maintenance of our fleet, reduce the rate of high-impact failures and minimize the response time in case of operational problems;
- upgrading the fleet and our facilities by incorporating new trains and remodeling some of our existing trains as well as improving our facilities to grant universal access to our stations (for example, we recently completed the introduction of air conditioned cars and automatic steering for lines 1 and 5 and installing elevators); and
- strengthening our network of sales channel services for RED *Tarjeta Bip!*, by expanding our points of sales to high-traffic areas and through technological renovations of our systems.

We are registered as issuer of publicly traded securities with the Securities Registry (*Registro de Valores*) kept by the CMF and subject to the disclosure obligations of publicly traded stock corporations (*sociedades anónimas abiertas*).

Critical Accounting Policies

We maintain our financial books and records in Chilean pesos. The discussion and analysis of our financial condition and results of operations is based on our consolidated financial statements, which have been prepared in accordance with Applicable GAAP. Following is a discussion of the most significant accounting policies used in the preparation of our consolidated financial statements and the critical judgments and estimates of management in applying accounting policies. For additional information on the presentation of our consolidated financial statements, see “Presentation of Certain Financial and Other Information.”

Significant Financial Reporting Standards—Application of IPSAS 21

Our main source of income is the technical fee we receive from RED, which is determined by the Chilean Government by reference to several economic and political factors. The technical fee is intended to ensure that we recover our operational costs, debt service costs (including principal and interest) and our costs relating to replacement of property, plant and equipment with useful lives of 40 years or less. No other costs are recoverable through the technical fee. However, we incur certain other capital expenditures in property, plant and equipment relating to civil construction and such costs are not taken into account when determining our technical fees, even though a portion of these property, plant and equipment assets can only be used to provide passenger transportation service. Because such assets do not generate other types of cash flows and because capital expenditures in these assets are not addressed by the technical fee, our cash flows are not sufficient to cover the capital expenditure requirements relating to these civil construction-related assets.

Under IAS 36, the recoverable amount of property, plant and equipment is the greater of fair value (less costs still to be incurred to sell the asset) and the discounted cash flows generated by the asset or cash-generating unit to which the asset belongs. Accordingly, if we were to apply IAS 36, many of our assets would be impaired because their recoverable amount would be below their carrying amount, due to the insufficiency of cash flows they are able to generate.

In order to address this, by means of Official Pronouncement No. 6158, dated March 5, 2012, the CMF authorized us to use IPSAS 21 in lieu of IAS 36, which means that we would not have to apply a discounted cash flow approach when carrying out the impairment test on these civil construction-related assets. The application of IPSAS 21 recognizes that certain of our assets would not be recovered via cash flows, but through other means, including periodic capital contributions by our shareholders. Unlike IAS 36, IPSAS 21 provides for the

determination of the recoverable amount of assets pursuant to the depreciated replacement costs approach, the restoration cost approach or the service units approach.

IPSAS 21 is part of the IPSAS, which are issued by the IPSASB, an independent organ of the IFAC. IPSAS 21, like other IPSAS, reflect the efforts of the IPSASB to adapt certain international accounting standards under IFRS to a public sector context when appropriate, and reflect the fact that certain governmental entities carry out public services (not primarily intended to generate profit), such as in the case of the public transportation service and infrastructure that we provide.

As a result of the foregoing, our assets related to civil construction, including net carrying amounts, were Ch\$2,671 billion and Ch\$1,917 billion as of December 31, 2019 and 2018, respectively, and are accounted for at historical cost (net of accumulated depreciation and impairment under IPSAS 21, if applicable), in accordance with IPSAS 21. If we had applied IAS 36 to these assets and carried out an impairment test under this standard, the result could have had a significant negative impact on our financial results as compared to the application of IPSAS 21.

For additional information on our application of IPSAS 21, see note 2.8 to our consolidated financial statements.

Critical Judgment in Applying Accounting Policies

The preparation of our consolidated financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, income and expenses as well as related disclosures. Estimates and underlying assumptions are reviewed on an ongoing basis, and we evaluate our estimates and judgments based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates under various assumptions or conditions. Although we believe that our judgments and estimates are appropriate, actual future results may differ from our estimates.

The following are the accounting policies that we believe are the most important to the portrayal of our financial condition and results of operations and require the most difficult, subjective or complex judgments by our management:

- provision for severance payments;
- useful lives of property, plant and equipment;
- provision for legal proceedings and other contingencies; and
- fair value measurement.

Provision for severance payments

We recognize as a liability our obligation for agreed severance payments to our employees under our collective bargain agreements using an actuarial method that takes into account factors such as discount rates of estimated future liabilities, employee turnover, life expectancy and retirement ages, and the future level of compensation and benefits. These assumptions change as economic and market conditions vary, and any change in any of these assumptions could have an important effect on the reported results from operations.

Discount rates. At the end of each year we determine a discount rate to establish the present value of estimated future cash flows that we expect to be required to pay in the future for agreed severance payments, as such obligations are generally unfunded. When determining the discount rate, we take into account reference rates of fixed (or determinable) income debt instruments of high credit quality denominated in the currency in which the obligation is expressed and with maturity dates at or near the estimated payment dates for these obligations and the market conditions then in effect. Due to the long-term nature of these obligations, such estimates are sensitive to changes in the relevant discount rates.

Other factors. Other actuarial assumptions, such as expected workforce rotation, are derived from information available to us as of the measurement date of the obligation. We use the mortality table CB14 for men and the table RV14 for women, in each case, as issued by the CMF.

Useful lives of property, plant and equipment

We depreciate property, plant and equipment and intangible assets with a finite useful life using the straight-line method based on an estimated useful life. This estimated useful life takes into account the technical aspects, nature, and usage conditions of such assets. This estimate may vary significantly as a result of technological innovations or other variables, which may require us to adjust the remaining useful lives, recognizing more or less depreciation, as appropriate. Likewise, we determine the residual values based on the technical aspects that may vary according to the specific conditions of each asset.

The table below shows our main property, plant and equipment as of December 31, 2019, with their useful lives:

| Items | Estimated useful life in years |
|-----------------------|---|
| Railway network | 60 |
| Stations | 100 |
| Tunnels | 100 |
| Rolling stock | 41 |

We review estimated useful lives, residual values and depreciation method at the end of each reporting period, with the effect of any changes in our estimates accounted for on a prospective basis. We begin depreciating an asset when it is in a condition to be used as intended by our management. Costs that are expected to result in benefits lasting more than one period are capitalized, while day-to-day repair and maintenance costs are expensed as incurred.

Litigation and other contingencies

We are party to a number of legal proceedings for which it is not possible to determine the exact economic effects they may have on our consolidated financial statements. When our management, in consultation with counsel, believes that a legal proceeding will be resolved favorably to us or its outcome more-likely-than-not will not result in an outflow of resources, we do not record any provision. Conversely, when our management expects an unfavorable result and the amount to be settled is reliably estimable, we record a provision for expenses based on the estimate of the most likely amount expected to be disbursed.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. We use the assumptions that market participants would use when establishing the price of the asset or liability under current market conditions, including assumptions regarding risk. To measure fair value the following must be determined (i) the actual asset or liability to be measured, (ii) for a non-financial asset, the highest and best use of the asset and if the asset is used in combination with other assets or in an independent manner, (iii) the market in which an orderly transaction would take place for the asset or liability, and (iv) the appropriate valuation techniques to be used when measuring fair value. The valuation techniques used must maximize the use of relevant observable entry data and minimize non-observable entry data. A detailed description of the methodologies to determine fair values of assets is included in note 3.4 to our consolidated financial statements.

Description of our principal income statement items

Revenues

Our revenues come from two categories: fare and non-fare revenues. Fare revenue is income generated from the technical fee we receive from RED for our services related to transportation of passengers. Non-fare revenue

includes rental income from our stores and marketing space and fee revenue generated from sales channel and collection services performed for RED primarily related to the *Tarjeta Bip!*, among others, such as consulting services abroad.

Cost of sales

Our cost of sales consists mainly of electric power costs for the period, depreciation of property, plant and equipment, personnel expenses and maintenance expenses, as well as other selling and sales channel expenses. Personnel expenses have cost centers that may be classified as operational or administrative.

Other income (expenses), by function

Our other income (expenses), by function includes mainly gains from sale of property, plant and equipment, income from fines or indemnities received.

Administrative expenses

Our administrative expenses include personnel expenses of our administrative personnel, marketing and consulting and auditing fees. Personnel expenses include the accrued portion of current and future employee benefits of the current period.

Other profit (loss)

Our other profits (losses) reflect mainly fair value changes (other than accrued interest) of derivative instruments, which are not designated as hedging instruments in an accounting hedge.

Financial income

Our financial income reflects interest income from interest-bearing financial assets. In addition, interest income of derivative instruments, which are not part of an accounting hedge, are reflected in this line item.

Financial expenses

Our financial expenses reflect interest charges related to our external financing, principally bank loans and outstanding bonds, plus amortization of any issuance discounts/premiums and issuance costs as determined under the effective interest rate.

Foreign currency translation difference

Our foreign currency exchange variation reflects effects of monetary items denominated in currencies other than our functional currency, which under IAS 21 are re-measured at each balance sheet date at the closing rate. The effect of variations between exchange rates effective as of the date of the initial recognition and the reporting date is reflected in this line item for monetary assets and liabilities.

Profit (loss) on index-adjusted units

Our profit (loss) on index-adjusted units reflects income and expense related to financial assets and liabilities denominated in UF, which are adjusted for variations of the UF.

Income tax

The statutory corporate income tax rate in Chile (*Impuesto de Primera Categoría*), applicable to us is 25%. We are also subject to real estate tax on our properties, which is deductible from our taxable income.

Income tax includes current and deferred income and expenses. As we did not generate taxable income in the periods presented herein, we have not recorded current income tax expenses. We do not record fluctuations in deferred tax assets or liabilities as deferred tax expense (benefit) as we do not currently believe that we will have future tax income sufficient to offset against our accumulated tax loss carryforward.

We have generated tax losses since 1996, but have no related tax loss carrybacks. See note 18 to our consolidated financial statements. In our annual income tax filing with the Chilean State, we seek the refund of Chilean National Service of Training and Employment (*Servicio Nacional de Capacitación y Empleo*) credits as a result of our tax losses.

Factors Affecting Our Results of Operations

General Economic Conditions in Chile

All of our operations are located in the metropolitan region of Santiago, Chile. Accordingly, our financial condition and results of operations are dependent upon economic conditions prevailing in Chile and in the metropolitan region of Santiago.

Chile experienced profound economic reforms during the 1970s and 1980s that led to economy growth rates averaging more than 7.0% per annum from 1985 until the onset of the Asian economic crisis in 1997. The average rate of growth from 1998 to 2006 slowed to 3.6% and grew at a rate of 4.6% in 2007. In 2008, the Chilean economy growth rate declined to 3.7% mainly as a result of the international financial crisis, which originated in the U.S. real estate sector. In February 2010, Chile was struck by an 8.8 magnitude earthquake and a tsunami, which mainly affected the mid-southern regions of Chile. As a result of these developments, economic activity in Chile was adversely affected in 2010. However, the growth of private and public sector investments and the rebound of consumption have partially offset the negative effects of the earthquake and tsunami.

In 2009, the Chilean economy started enjoying a positive growth cycle which began after the aforementioned financial crisis. Economic dynamism continued to be supported by solid domestic demand, in particular strong household spending and gross fixed capital formation in machinery and equipment and, to a lesser extent, infrastructure investment.

The unemployment rate has continually decreased from an average of 10.9% in 2009 to an average of 7.1% by December 31, 2019. However, unemployment is expected to increase both as a consequence of the social unrest and the coronavirus outbreak. In fact, according to the INE unemployment increased to 7.8% during the three-month period running from December 2019 to February 2020, and it is expected to further increase.

Since the Chilean economy is open and financially integrated, it is very sensitive to global developments, especially those related to copper prices, a commodity that accounted for 11.9% of total GDP and at least 1.7% of the Chilean State's annual income in 2019. As a result, as of the third quarter of 2019, the Chilean State's debt was 27.8% of the GDP according to Euromonitor, although, net of government financial assets, such amount would be negative. Chile has the lowest country risk spreads in Latin America.

The following table sets forth certain Chilean macroeconomic indicators as of December 31, 2019 and 2018, and for the years ended December 2019 and 2018:

| | As of and for the Year Ended | |
|---|-------------------------------------|---------------|
| | December 31, | |
| | 2019 | 2018 |
| Real GDP growth..... | 1.1% | 3.9% |
| Inflation rate (CPI) ⁽¹⁾ | 3.0% | 2.6% |
| Unemployment | 7.1% | 7.1% |
| Appreciation (devaluation) of Chilean peso against the U.S. dollar..... | 7.0% | 13.1% |
| Exchange rate of Chilean peso against U.S.\$1.00 ⁽²⁾ | Ch\$784.74 | Ch\$694.77 |
| UF ⁽³⁾ | Ch\$27,854.39 | Ch\$27,165.75 |

Sources: Central Bank, INE and Chamber of Commerce of Santiago.

- (1) CPI is the Chilean consumer price index calculated by the INE (accumulated for the end of each period).
- (2) As of the end of each period. Exchange rates reported by the Central Bank based upon the observed exchange rate published by the Central Bank on the first business day following the respective period.
- (3) Average of the daily exchange rate published by the Central Bank for the applicable period.

Chile remains one of Latin America’s most robust and stable economies. As of December 31, 2019, Chile maintained the following credit ratings in Latin America, rated A1 by Moody’s, A+ by S&P and A by Fitch. Credit ratings are subject to periodic review and we cannot assure you that the current ratings will not be revised or lowered in the future.

However, Chile has recently experienced political unrest and social strife, including a wave of protests and riots, beginning on October 18, 2019. This situation originated on social unrest and anger over living costs and inequality, and was sparked by an increase in our subway fare. This fare increase caused social groups to call for a “massive fare evasion” that rapidly evolved into larger demonstrations and violence, with looting in supermarkets and rioting in the streets. As a result, we suffered significant damages to our infrastructure, with 118 subway stations and 13 trains damaged during the first days of protests, and significant problems to our traffic security systems on lines 4, 4A and 5, and to our electric systems on lines 4 and 4A. This led us to completely close the subway system on October 19 and October 20, 2019, and to operate a partially open system since. We suffered further damages over the rest of 2019 as a result of continued protests and riots. As of December 31, 2019, we had 82% of our system operating.

More people got involved in the protests asking for major improvements in public health, pensions, and income inequality. As the protests escalated, President Piñera called off the fare hike, but also announced some economic measures aimed at reducing inequality. The effectiveness of such measures is unclear and we cannot assure you that social protests will not continue in the future. The foregoing has had an adverse impact on economic activity in Chile and in our business, and may continue to do so.

In addition, the global economy, including the Chilean economy, has been adversely affected as a result of the coronavirus outbreak. We expect to report results for the first quarter of 2020 by late May showing a significant decrease in net income and revenues from that reported during the comparable period in 2019 as a result of a significant decrease in passengers due to the coronavirus outbreak. While the impact of the coronavirus pandemic during this period has been significant in general, we believe that the first quarter 2020 results will not yet reflect the full impact of the coronavirus pandemic given that the measures implemented by the Chilean Government began in March 2020. The extent to which coronavirus may impact our results for the remainder of 2020 and our business, liquidity, financial condition, and results of operations cannot be fully predicted and will depend on future developments, including, but not limited to, the duration and spread of the pandemic, the actions to contain the disease or treat its impact, and the severity of its effects on the economy overall, including any recession resulting from the pandemic, all of which are highly uncertain and cannot be predicted.

The foregoing has resulted in a continued depreciation of the Chilean peso since the third quarter of 2019. As of December of 2019, the Central Bank decided to intervene in the exchange market by selling U.S. dollars for a total amount of up to U.S.\$10,000 million and by selling FX hedging instruments for a total amount of up to U.S.\$10,000 million as well. Initially, this foreign currency selling program was intended to last until May 2020,

but as one of the measures adopted to confront the coronavirus pandemic, the Central Bank announced in March 2020 that the program will last until January 2021.

See “Risk Factors—Risk Factors Related to Chile.”

Our Level of Indebtedness, Interest Rates and Inflation

As of December 31, 2019, our total financial debt (defined as the sum of our other current and non-current financial liabilities, including our bank loans, debt securities and derivatives transactions) was Ch\$2,226,185.3 million (U.S.\$2,973.2 million), none of which constituted secured indebtedness and Ch\$495,806.2 million (U.S.\$662.188 million) of which was guaranteed as to certain local bond obligations by the State of Chile.

Of our total financial debt of Ch\$2,222 billion (excluding derivatives and other transactions in order to isolate the effects of these smaller amounts), 20.7%, bore interest at floating rates (mainly six-month London Interbank Offered Rate, or LIBOR, with U.S. dollar currency) and 79.3%, bore interest at fixed rates. In addition, 44.7%, of our total financial debt (excluding derivatives and other transactions) is UF-denominated, and 55.3%, in foreign currencies, mainly the U.S. dollar and Euro. All of our Chilean currency-denominated financial debt is denominated in UF. Accordingly, variations in floating interest rates such as LIBOR and inflation affect our interest expenses.

The level of our financial debt results in significant financial expenses that we record in our income statement. Our total financial expenses consist of interest expense, exchange gains/losses on U.S. dollar and other foreign currency-denominated debt, derivative losses or gains, gains/losses from UF adjustments and other finance expenses. During the year ended December 31, 2019, we recorded net financial cost of approximately Ch\$77 billion, exchange rate variation losses of approximately Ch\$73 billion and losses from UF adjustments of approximately Ch\$26 billion related to our loans and financings. The interest rates we pay on our financial debt depend on a variety of factors, including prevailing Chilean and international interest rates, any collateral or guarantees and risk assessments of our company, our business and the Chilean economy made by our potential lenders, potential purchasers of our debt securities and the rating agencies that assess our debt securities.

Fluctuations in Exchange Rates between the Chilean Peso and Other Currencies

Our results of operations and financial condition have been, and will continue to be affected by the rate of depreciation or appreciation of the Chilean peso against foreign currencies, mainly the U.S. dollar and the Euro, because (1) we have U.S. dollar- and Euro-denominated financial liabilities that require us to make principal and interest payments in U.S. dollars or Euros and (2) we incur the cost of some of the equipment we purchase in U.S. dollars and Euros or at prices that are U.S. dollar- or Euro-linked. The Chilean peso has been subject to large volatility in the past and could be subject to significant fluctuations in the future. In 2018 and 2019, the value of the Chilean peso relative to the U.S. dollar depreciated 13.1% and 7.0% in nominal terms, respectively.

Our consolidated U.S. dollar- and Euro-denominated financial debt represented 55.3% of our total financial debt as of December 31, 2019. As a result, when the Chilean peso depreciates against the U.S. dollar or the Euro:

- the interest cost on our U.S. dollar- and Euro-denominated financial debt increases in Chilean pesos, which negatively affects our financial income (expense), net in Chilean pesos; and
- the aggregate amount of our U.S. dollar- and Euro-denominated financial debt increases in Chilean pesos, and our total liabilities and debt service obligations in Chilean pesos increase.

An appreciation of the Chilean peso against the U.S. dollar or the Euro has the converse effects. To mitigate these effects, as of December 31, 2019, we have entered into cross currency swaps and interest rate swaps.

Our technical fee is updated on a monthly basis by an adjustment formula that takes into account variations in the factors that impact our long-term cost structure (inflation, U.S. dollar and Euro exchange rates and the price of electricity and power price). This creates a natural hedge against fluctuations in exchange rates as such fluctuations are one of the variables that compose the adjustment formula. In addition to this natural hedge, we have established a hedging policy to mitigate the effects of foreign exchange variations not covered by the technical fee.

As of December 31, 2019, the fair value of our derivatives was Ch\$12,478 million. The purpose of these hedging transactions is to seek to “match” the currency of our debt with that of our revenues to mitigate foreign exchange risk. However, we cannot assure you that we will maintain similar hedge positions in the future or that our hedging policy will successfully mitigate effects of any foreign exchange variations.

Demand for Public Transportation in the Metropolitan Region of Santiago

We derive a substantial portion of our revenues from the technical fees paid to us by RED for each confirmed passenger. These revenues are dependent primarily on traffic volumes and the capacity of our subway lines to absorb traffic. Traffic volumes depend on a number of factors, including the quality, convenience and travel time on alternate forms of transportation not operated by us or integrated to RED, the construction of roads, the quality and state of repair of our subway lines and changes in electric power and fuel prices in Chile, weather and the existence of alternative means of transportation. In 2019 and 2018, transit in our subway system reached 2.4 million and 2.5 million, respectively, trips per business day. During 2019, 39% of the trips of RED were performed exclusively by us, 31% exclusively by buses, 1% exclusively by central train, and 29% through combined trips between us and buses. More than 60% of the total daily passenger trips of RED included a trip on the Santiago subway.

Passenger demand is also associated with general economic activity levels, employment rates and urban population growth. For instance, there is a positive correlation of 60% between the demand for subway transportation and Chile’s GDP. From 2018 to 2019, trips decreased from 721 million to 704 million trips, respectively. These trends are primarily the result of a combination of the slowdown in the economic growth of Chile in 2019 (and a related decrease in the affluence of passengers in our network) and the social protests in Chile in the last quarter of 2019.

The coronavirus outbreak and the measures implemented in Chile to contain its spread have had and will continue to have a direct and indirect material adverse effect on our business, financial condition, results of operations and liquidity. In particular, the foregoing has contributed to a general slowdown in the Chilean economy and a significant reduction in the number of passengers we transported in the first quarter of 2020 compared to the same period in 2019.

Our Technical Fees

Beginning on February 10, 2007, we became part of RED. Through RED, the Chilean Government has established an integrated fare system in the metropolitan region of Santiago, which allows passengers to travel and transfer freely between the subway system and city buses.

Pursuant to the terms of the 2019 Transantiago Transportation Services Agreement, in exchange for providing subway transportation services to RED passengers, we receive from RED a technical fee for each confirmed passenger that is updated on a monthly basis in accordance with a formula that takes into account our long-term costs structure, and which considers, among other variables, inflation, currency fluctuations and the price of electric power. The compensation structure based on the technical fee was first introduced by the 2013 Transantiago Transportation Services Agreement which expired on February 10, 2019. Ahead of such expiration, on February 5, 2019, we and the MTT entered into the 2019 Transantiago Transportation Services Agreement. The 2019 Transantiago Transportation Services Agreement became effective on February 11, 2019, for a one-year term, which will automatically continue unless notice to the contrary by any of the parties thereto. On February 5, 2020 we and MTT entered into an amendment to the 2019 Transantiago Transportation Services Agreement to, among other things, extend the original term for twelve additional months and reduce the technical fee from Ch\$480.18 to Ch\$478.67 to compensate for the fixed monthly payments we receive from RED as a result of our intermodal operations. Through such fixed monthly payments we are no longer exposed to changes in volumes of passengers transported to cover the costs of our intermodal operations, since those payments cover 100% of such costs. Such amendment is currently pending approval (*trámite de toma de razón*) by the General Comptroller of Chile. Our current technical fee per passenger is Ch\$523.85 (which is equal to the technical fee of Ch\$480.18 established in the 2019 Transantiago Transportation Services Agreement as adjusted by the formula therein for the month of April 2020).

The commercial fare paid by the public to RED is different from the technical fee we receive per confirmed passenger under the Transantiago Transportation Services Agreements. For example, in December 2019, passengers paid a commercial fare to RED of Ch\$800 during rush hour, Ch\$720 during off-peak times and Ch\$640 during low-traffic times, as opposed to an average technical fee of Ch\$506.62 per confirmed passenger collected by us during the same period.

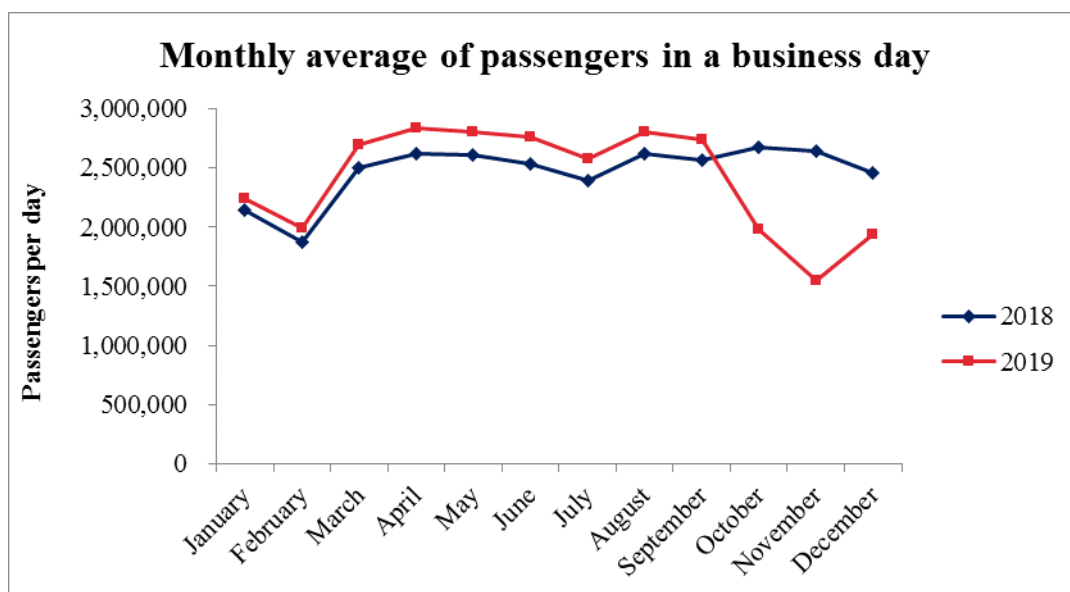
The commercial fare is determined by an expert panel (*Panel de Expertos*, or Expert Panel), pursuant to Law No. 20,378. As a result of the social protests that began in October 2019, the Chilean Congress enacted Law No. 21,184, which authorizes the President of Chile to freeze and control the increase of the Commercial Fare. In any event, actions by the President of Chile to determine the fare shall take into account the economic equilibrium of our transportation system. Pursuant to the authorization provided by Law No. 21,184, on October 21, 2019, the MTT issued Supreme Decree (*Decreto Supremo*) No. 96, which ceased the effectiveness of the commercial fare that started to apply on October 6, 2019. Pursuant to Law No. 21,184, the expenses produced by this revocation of the fare increase will be financed through the MTT’s budget and, to extent needed, through the Public Treasury’s budget. The technical fee we collect has not changed as a result of the actions taken by the Chilean Government pursuant to Law No. 21,184.

For a more detailed description of our technical fee and the fee increase, see “Business—Our Business—Integrated Payment System—Commercial Fares / Technical Fees.”

Seasonality

Demand for our subway transportation varies during the year, with demand decreasing when schools and universities are not in session and during the summer months when workers are typically on vacation. Demand is generally at its lowest levels in January and February, while April, May, October and November represent the busiest months of the year. In October 2019 and the rest of 2019, the average number of passengers dropped due to the social unrest and protests.

Set forth below is a chart that depicts the average number of passengers using our services per month during 2019 and 2018:



Results of Operations

Year Ended December 31, 2019 Compared to the Year Ended December 31, 2018

The following table sets forth certain of our income statement information for the years ended December 31, 2019 and 2018:

| | For the year ended December 31, | | Variation | |
|--|---------------------------------|--------------------|-------------------|----------------|
| | 2019 | 2018 | Amount | (%) |
| | (in millions of Ch\$) | | | |
| Income Statement Information: | | | | |
| Revenues..... | 416,324.0 | 388,852.8 | 27,471.2 | 7.1% |
| Cost of sales..... | (379,123.8) | (328,189.6) | (50,934.2) | 15.5% |
| Gross profit..... | 37,200.2 | 60,663.2 | (23,463.0) | (38.7)% |
| Other income, by function..... | 31,085.5 | 3,227.9 | 27,857.6 | 863.0% |
| Administrative expenses..... | (44,362.3) | (44,426.9) | 64.6 | (0.1)% |
| Other expenses, by function..... | (42,917.3) | (1,862.9) | (41,054.4) | 2,203.8% |
| Other profits (losses)..... | 95.1 | 13,697.8 | (13,602.7) | (99.3)% |
| Financial income..... | 10,311.4 | 8,905.8 | 1,405.6 | 15.8% |
| Financial expenses..... | (87,038.3) | (63,967.1) | (23,071.2) | 36.1% |
| | (76,726.9) | (55,061.3) | (21,665.6) | 39.3% |
| Foreign currency translation difference..... | (73,372.7) | (123,478.6) | 50,105.9 | (40.6)% |
| Loss on inflation-adjusted units..... | (26,499.9) | (28,484.1) | 1,984.2 | (7.0)% |
| | (99,872.6) | (151,962.7) | 52,054.1 | (34.3)% |
| Loss before income taxes..... | (195,498.3) | (175,724.8) | (19,773.5) | 11.3% |
| Income taxes..... | — | — | — | — |
| Net loss..... | (195,498.3) | (175,724.8) | (19,773.5) | 11.3% |

Revenues

In 2019, our revenues increased by Ch\$27,471.2 million, or 7.1%, to Ch\$416,324.0 million, as compared to Ch\$388,852.8 million in 2018, primarily as a result of:

- a 9.5% increase in our technical fee revenues to Ch\$344,488.9 million in 2019 from Ch\$314,592.1 million in 2018; and
- a 9.1% increase in our other non-fare revenues to Ch\$9,128.7 million in 2019 from Ch\$8,369 million in 2018,

all of which was partially offset by:

- a 5.9% decrease in our sales channel revenues to Ch\$45,137.1 million in 2019 from Ch\$47,942.9 million in 2018; and
- a 2.1% decrease in our lease revenues to Ch\$17,569.1 million in 2019 from Ch\$17,948.7 million in 2018.

The 9.5% increase in our fare revenues was mainly due to an increase in our average technical fee to Ch\$487.9 in 2019 from Ch\$435.4 in 2018, reflecting an adjustment due to the increase in the value of the U.S. dollar and the CPI, and an increase in the number of passengers during 2019 compared to 2018 resulting from the commencement of operations of Line 3 in January 2019. Even though the number of passengers increased for the nine months ended September 30, 2019 compared to the same period in 2018, since November 2019, the number of passengers decreased compared to the same month in the previous year primarily as a result of the social protest that commenced in October 2019. In addition, these protests also resulted in the decrease in our sales channel revenue and our lease revenue.

Cost of sales

In 2019, our cost of sales increased by Ch\$50,934.2 million, or 15.5%, to Ch\$379,123.8 million from Ch\$328,189.6 million in 2018. This increase was primarily due to:

- a (1.6)%, or Ch\$1,597.7 million, decrease in our personnel costs, from Ch\$100,737.6 in 2018 to Ch\$99,139.9 in 2019, primarily as a result of having less expenses in other benefits (amortization in installments of the conflict termination bonus for trade unions No. 1 and 5);
- a 15.8%, or Ch\$11,839.6 million, increase in our maintenance and operating expenses to Ch\$86,763.4 million in 2019 from Ch\$74,923.9 million in 2018, primarily as a result of an increase in the use of spare parts and materials, services to our escalators and lifts, and an increased number of rolling stock and track purchase and service agreements, along with other maintenance agreements due to the increase in requirements from the operation of Line 3;
- a 21.5%, or Ch\$10,239.9 million, increase in our energy costs to Ch\$57,834.3 million in 2019 from Ch\$47,594.4 million in 2018, primarily as a result of increased energy demand from the commencement of operations of Line 3;
- a 5.8%, or Ch\$3,477.9 million, increase in our general and other expenses to Ch\$62,884.3 million in 2019 from Ch\$59,406.3 million in 2018, primarily as a result of new services agreements for the commencement of operations of line 3; and
- a 30.1%, or Ch\$26,909.7 million, increase in our depreciation and amortization to Ch\$116,864.1 million in 2019 from Ch\$89,954.3 million in 2018, mainly due to the commencement of operations of Line 3.

Gross profit

As a result of the foregoing factors, our gross profit decreased by 38.7%, or Ch\$23,463.0 million, to Ch\$37,200.2 million in 2019, from Ch\$60,663.2 million in 2018. Our gross margin decreased to 8.9% in 2019, from 15.6% in 2018.

Administrative expenses

In 2019, our administrative expenses slightly decreased by Ch\$64.6 million, or (0.1)%, to Ch\$44,362.3, million from Ch\$44,426.9 million in 2018. The decrease in our administrative expenses was primarily due to personnel costs.

Other profits (losses)

In 2019, our other profits decreased by Ch\$13,602.7 million, or 99.3%, to Ch\$95.1 million in 2019 from gains of Ch\$13,697.8 million in 2018. This decrease was primarily attributable to hedge accounting effects on the valuation of cross currency swaps.

Financial income

In 2019, our financial income increased by Ch\$1,405.6 million, or 15.8%, to Ch\$10,311.4 million from Ch\$8,905.8 million in 2018. This increase is attributable to hedge accounting effects on the valuation of cross currency swaps, as the effects on the valuation of financial income were recorded in this item since year 2019.

Financial expenses

In 2019, our financial expenses increased by Ch\$23,071.2 million, or 36.1%, to Ch\$87,038.3 million from Ch\$63,967.1 million in 2018, primarily as a result of the increase in the exchange rate, affecting our financial debt denominated in U.S. dollars, and the reflection on our statement of income of the financial costs for the commencement of operations of line 3.

Foreign currency translation difference

Our foreign currency translation difference decreased by Ch\$50,105.9 million, or 40.6%, to a loss of Ch\$73,372.7 million in 2019 from a loss of Ch\$123,478.6 million in 2018. This decrease was primarily due to a 7.7% depreciation of the Chilean peso against the U.S. dollar (from Ch\$694.77 as of December 31, 2018 to Ch\$748.7 as December 31, 2019).

Loss on inflation-adjusted units

In 2019, our loss on inflation-adjusted units decreased by Ch\$1,984.2 million, or 7.0%, to Ch\$26,499.9 million in 2019 from Ch\$28,484.1 million in 2018. This decrease was primarily due to a 2.69% appreciation of the UF against the Chilean peso in 2019 (from Ch\$27,568.70 per one UF as of December 31, 2018 to Ch\$28,309.94 per one UF as of December 31, 2019) as compared to the 2.86% appreciation of the UF against the Chilean peso in 2018 (from Ch\$26,798.14 per one UF as of December 31, 2017 to Ch\$27,565.79 per one UF as of December 31, 2018).

Net loss

As a result of the foregoing factors, our net loss increased by Ch\$19,773.5 million, or 11.3%, to Ch\$195,498.3 million in 2019 from Ch\$175,724.8 million in 2018.

Liquidity and Capital Resources

Our principal cash requirements consist of the following:

- working capital;
- capital expenditures (primarily for the extension of our subway lines, maintenance of our facilities and equipment and improvement of the efficiency of our operations); and
- servicing of our financial debt.

Our principal sources of liquidity have historically consisted of the following:

- cash flows from operations;
- long-term borrowings from banks;
- issuance of debt securities in the local capital markets; and
- capital contributions from our shareholders.

The coronavirus outbreak and the measures implemented in Chile to contain its spread or the economic damage suffered as a result of the coronavirus have had and will continue to have a direct and indirect material adverse effect on our business, financial condition, results of operations and liquidity. In particular, the foregoing has contributed to a general slowdown in the Chilean economy and a significant reduction in the number of passengers we transported in the first quarter of 2020 compared to the same period in 2019. The foregoing may require us to delay our projects, reduce costs and may affect our ability to comply with financial covenants under the instruments governing our indebtedness, or otherwise satisfy our obligations in general. See “Risk Factors Related to Chile—Public health threats could have an adverse effect on the Chilean economy and on our business, financial condition or results of operations.”

Cash Flow Statement Data

The following tables set forth certain of our cash flow data for the years ended December 31, 2019 and 2018.

| | Year ended December 31, | |
|---|--------------------------------|-------------|
| | 2019 | 2018 |
| | (in millions of Ch\$) | |
| Cash Flow Data | | |
| Net cash flows provided by operating activities | 118,777.9 | 123,129.8 |
| Net cash flows used in investing activities | (309,102.8) | (433,174.9) |
| Net cash flows provided by financing activities | 131,525.6 | 320,952.3 |
| Net increase (decrease) in cash and cash equivalents | (58,607.4) | 12,870.6 |
| Cash and cash equivalents at the end of the period..... | 106,503.3 | 165,110.7 |

Net cash flow provided by operating activities

Our net cash flow provided by operating activities decreased by Ch\$4,351.9 million, or 3.5%, to Ch\$118,777.9 million in 2019 from Ch\$123,129.8 million in 2018. This decrease was primarily attributable to larger payments to our suppliers for goods and services in 2019 compared to amounts paid in 2018 due to the commencement of operations of Line 3, which costs were not fully offset by the revenue generated by our network due to the social protests beginning on October 18, 2019.

Net cash flow used in investing activities

Our net cash flow used in investing activities decreased by Ch\$124,072.1 million, or 28.6%, to Ch\$309,102.8 million in 2019 from Ch\$433,174.9 million in 2018. This decrease was primarily attributable to fewer investments in property, plant and equipment due to the completion of the work for Line 3 in January 2019, combined with a decrease in investment in debt instruments as a result of higher debt service payments during 2019 compared to 2018.

Net cash flow provided by (used in) financing activities

Our net cash flow provided by financing activities decreased by Ch\$189,426.7 million, or 59.0%, to Ch\$131,525.6 million in 2019 from Ch\$320,952.3 million in 2018. This decrease was primarily attributable to lower proceeds from issuance of shares in 2019 and a decrease in use of lines of credit resulting from the completion of our expansion project of Lines 3 and 6.

Financial Indebtedness

As of December 31, 2019 our total financial debt (defined as the sum of our other current and non-current financial liabilities, including our bank loans, debt securities and derivative transactions) was Ch\$2,226,185.3 million (U.S.\$2,973.2 million). Such debt ranked pari passu with the notes and did not constitute secured indebtedness. From our total financial debt as of December 31, 2019, Ch\$495,806.2 million (U.S.\$662.188 million) corresponding to indebtedness incurred under certain local bonds was guaranteed by the State of Chile.

Such total financial debt consisted of Ch\$153,979.6 million (U.S.\$205.7 million) in short-term debt, including the current portion of long-term debt (or 6.9% of our total financial debt) and Ch\$2,072,205.8 million (U.S.\$2,767.6 million), or in long-term debt, excluding the current portion (or 93.1% of our total financial debt). As of December 31, 2019, 21.5% of our total financial debt (defined as other financial liabilities, including derivatives but excluding megaproject contract retentions) corresponded to bank loans, 78.3% to our local and international bonds and the remaining 0.2% to derivative and other transactions.

All of our Chilean currency-denominated financial debt is denominated in UF. As of December 31, 2019, 44.7%, of our total financial debt (excluding derivatives and other transactions) was UF-denominated, and 55.3%, was denominated in foreign currencies, mainly the U.S. dollar and Euro.

As of December 31, 2019, 20.7%, bore interest at floating rates (mainly six-month LIBOR, with U.S. dollar currency) and 79.3%, bore interest at fixed rates.

The following table sets forth selected information with respect to our outstanding financial debt as of December 31, 2019:

| Indebtedness | Currency | Effective Interest Rate ⁽¹⁾ | Maturity Date ⁽²⁾ | As of December 31, 2019 | | |
|---|--------------|--|------------------------------|------------------------------|--------------------|--------------------|
| | | | | Current-portion | Long-term portion | Total |
| | | | | <i>(in millions of Ch\$)</i> | | |
| UF-denominated: | | | | | | |
| Local Bonds Series A..... | UF | 6.3% | July 2026 | 8,065.0 | 75,410.9 | 83,476.0 |
| Local Bonds Series B..... | UF | 5.9% | Nov. 2026 | 3,355.7 | 38,122.5 | 41,478.2 |
| Local Bonds Series C..... | UF | 5.5% | July 2027 | 7,787.1 | 79,204.3 | 86,991.3 |
| Local Bonds Series D..... | UF | 5.1% | July 2028 | 7,928.7 | 86,511.3 | 94,440.1 |
| Local Bonds Series E..... | UF | 4.9% | May 2029 | 3,751.7 | 63,334.7 | 67,086.3 |
| Local Bonds Series F..... | UF | 5.0% | July 2029 | 2,914.5 | 44,209.9 | 47,124.4 |
| Local Bonds Series G..... | UF | 3.1% | Sept. 2030 | 3,542.5 | 71,667.5 | 75,210.0 |
| Local Bonds Series H..... | UF | 4.5% | July 2020 | 5,773.1 | - | 5,773.1 |
| Local Bonds Series I..... | UF | 4.8% | July 2029 | 8,906.2 | 65,599.6 | 74,505.9 |
| Local Bonds Series J..... | UF | 4.5% | Nov. 2034 | 8,151.3 | 105,351.8 | 113,503.1 |
| Local Bonds Series K..... | UF | 4.0% | Sept 2032 | 1,610.4 | 143,722.1 | 145,332.6 |
| Local Bonds Series L..... | UF | 3.8% | May 2033 | 211.4 | 42,159.5 | 42,370.9 |
| Local Bonds Series M..... | UF | 2.5% | Sept. 2046 | 998.0 | 115,547.3 | 116,545.3 |
| Derivative liability transactions ⁽³⁾ | UF | - | - | 4,203.5 | - | 4,203.5 |
| | | | | 67,199.3 | 930,841.4 | 998,040.7 |
| Foreign currency-denominated: | | | | | | |
| BNP Paribas ⁽⁴⁾ | U.S. dollars | 4.40% | Dec. 2028 | 45,040.7 | 253,628.3 | 298,669.0 |
| Natixis Banques..... | U.S. dollars | 0.90% | March 2038 | 3,191.2 | 19,154.9 | 22,346.1 |
| Natixis Banques..... | Euro | 2.00% | June 2024 | 66.3 | 177.3 | 243.6 |
| Sumitomo Mitsui Banking Corporation..... | U.S. dollars | 3.41% | Dec. 2026 | 23,109.5 | 134,713.3 | 157,822.8 |
| International 2024 Bonds..... | U.S. dollars | 4.9% | Feb. 2024 | 7,261.2 | 371,574.6 | 378,835.8 |
| International 2047 Bonds..... | U.S. dollars | 5.2% | Jan. 2047 | 8,111.4 | 362,113.3 | 370,224.7 |
| | | | | 86,780.3 | 1,141,361.6 | 1,228,142.0 |
| Other ⁽⁴⁾ | | | | | 2.7 | 2.7 |
| Total financial debt⁽⁵⁾..... | | | | 153,979.6 | 2,072,205.8 | 2,226,185.3 |

(1) The effective interest rate is a weighted average.

(2) The maturity date for our foreign currency-denominated credit facilities corresponds to the maturity date of the loan with the longest maturity term with the relevant lender.

(3) For additional information on our derivatives transactions, see note 12 to our consolidated financial statements.

(4) Includes provisional fines pending to be applied by us and that may be returned to the applicable contractor.

(5) Total financial debt is defined as other financial liabilities, including derivatives.

The table below sets forth the maturity profile of our financial indebtedness (excluding other transactions) as of December 31, 2019:

| | As of December 31, 2019 | | | | |
|-------------------------------|------------------------------|--------------------|---------------------|----------------------|--------------------|
| | Less than one year | One to three years | Three to five years | More than five years | Total |
| | <i>(in millions of Ch\$)</i> | | | | |
| Bank loans..... | 71,407.8 | 175,551.9 | 115,152.2 | 116,969.5 | 479,081.5 |
| Local bonds..... | 62,995.8 | 151,510.7 | 155,889.1 | 623,441.6 | 993,837.2 |
| International bonds..... | 15,372.6 | - | - | 733,687.9 | 749,060.5 |
| Derivatives transactions..... | 4,203.5 | - | - | - | 4,203.5 |
| Total..... | 153,979.6 | 327,062.6 | 271,041.3 | 1,474,099.1 | 2,226,182.6 |

Long-term financial indebtedness

Local bonds

As of December 31, 2019, we had 13 series of outstanding local bonds in an aggregate amount of principal and interest of Ch\$993,837.1 million, all of which are denominated in UF. We have used the proceeds from these bond offerings primarily to refinance a portion of our long-term indebtedness and to fund our capital expenditure projects related to the expansion of our network.

Series A Local Bonds. On July 31, 2001, we issued our Series A Local Bonds in the aggregate amount of UF4.2 million (equivalent to Ch\$62,498.0 million as of the date of incurrence), which are unconditionally and irrevocably guaranteed by the Chilean State. Our Series A Local Bonds bear interest at a rate of 5.6% per annum calculated on a 360-days basis and payable semi-annually. The principal amount under these bonds is payable in 30 semi-annual installments, the first of which was paid on January 15, 2012. The final maturity date for these bonds is July 15, 2026. The proceeds from these bonds were used to refinance a portion of our existing debt.

Series B Local Bonds. On December 5, 2001, we issued our Series B Local Bonds in the aggregate amount of UF2.1 million (equivalent to Ch\$32,981.0 million as of the date of incurrence), which are unconditionally and irrevocably guaranteed by the Chilean State. Our Series B Local Bonds bear interest at a rate of 5.6% per annum calculated on a 360-days basis and payable semi-annually. The principal amount under these bonds is payable in 30 semi-annual installments, the first of which was paid on May 1, 2012. The final maturity date for these bonds is November 1, 2026. The proceeds from these bonds were used to refinance a portion of our existing debt.

Series C Local Bonds. On August 9, 2002, we issued our Series C Local Bonds in the aggregate amount of UF4 million (equivalent to Ch\$65,333.0 million as of the date of incurrence), which are unconditionally and irrevocably guaranteed by the Chilean State. Our Series C Local Bonds bear interest at a rate of 5.5% per annum calculated on a 360-days basis and payable semi-annually. The principal amount under these bonds is payable in 30 semi-annual installments, the first of which was paid on January 15, 2013. The final maturity date for these bonds is July 15, 2027. The proceeds from these bonds were used to refinance a portion of our existing debt.

Series D Local Bonds. On September 3, 2003, we issued our Series D Local Bonds in the aggregate amount of UF4 million (equivalent to Ch\$71,081.0 million as of the date of incurrence), which are unconditionally and irrevocably guaranteed by the Chilean State. Our Series D Local Bonds bear interest at a rate of 5.5% per annum calculated on a 360-days basis and payable semi-annually. The principal amount under these bonds is payable in 30 semi-annual installments starting on January 15, 2014. The final maturity date for these bonds is July 15, 2028. The proceeds from these bonds were used to finance civil construction, the procurement of supplies and other expenses associated with the construction of our line 4.

Series E Local Bonds. On June 23, 2004, we issued our Series E Local Bonds in the aggregate amount of UF2.8 million (equivalent to Ch\$51,152.0 million as of the date of incurrence), which are unconditionally and irrevocably guaranteed by the Chilean State. Our Series E Local Bonds bear interest at a rate of 5.5% per annum calculated on a 360-days basis and payable semi-annually. The principal amount under these bonds is payable in 30 semi-annual installments starting on November 15, 2014. The final maturity date for these bonds is May 15, 2029. The proceeds from these bonds were used to finance civil construction, the procurement of supplies and other expenses associated with the construction of our line 4.

Series F Local Bonds. On June 23, 2004, we issued our Series F Local Bonds in the aggregate amount of UF1.9 million (equivalent to Ch\$34,430.0 million as of the date of incurrence), which are unconditionally and irrevocably guaranteed by the Chilean State. Our Series F Local Bonds bear interest at a rate of 5.5% per annum calculated on a 360-days basis and payable semi-annually. The principal amount under these bonds is payable in 30 semi-annual installments starting on January 15, 2015. The final maturity date for these bonds is July 15, 2029. The proceeds from these bonds were used to finance civil construction, the procurement of supplies and other expenses associated with the construction of our line 4.

Series G Local Bonds. On September 14, 2005, we issued our Series G Local Bonds in the aggregate amount of UF2.8 million (equivalent to Ch\$59,243.0 million as of the date of incurrence), which are unconditionally and irrevocably guaranteed by the Chilean State. Our Series G Local Bonds bear interest at a rate of 4.5% per annum calculated on a 360-days basis and payable semi-annually. The principal amount under these bonds is payable in 30 semi-annual installments starting on March 15, 2016. The final maturity date for these bonds is September 15, 2030. The proceeds from these bonds were used to finance civil construction, the procurement of supplies and other expenses associated with the extension of our lines 2 and 5.

Series H Local Bonds. On September 3, 2008, we issued our unsecured Series H Local Bonds in the aggregate amount of UF1 million (equivalent to Ch\$20,693.0 million as of the date of incurrence), or the Series H Local Bonds. Our Series H Local Bonds bear interest at a rate of 4.3% per annum calculated on a 360-days basis and payable semi-annually. The principal amount under these bonds is payable in 10 semi-annual installments starting on January 15, 2016. The final maturity date for these bonds is July 15, 2020. The proceeds from these bonds were used to refinance a portion of our existing debt.

Series I Local Bonds. On September 3, 2008, we issued our unsecured Series I Local Bonds in the aggregate amount of UF2.85 million (equivalent to Ch\$59,173.0 million as of the date of incurrence). Our Series I Local Bonds bear interest at a rate of 4.7% per annum calculated on a 360-days basis and payable semi-annually. The principal amount under these bonds is payable in 22 semi-annual installments starting on January 15, 2019. The final maturity date for these bonds is July 15, 2029. The proceeds from these bonds were used to refinance a portion of our existing debt. We intend to use a portion of the proceeds from the offering of the notes to repay in full the Series I Local Bonds.

Series J Local Bonds. On November 18, 2009, we issued our unsecured Series J Local Bonds in the aggregate amount of UF4 million (equivalent to Ch\$83,660.0 million as of the date of incurrence). Our Series J Local Bonds bear interest at a rate of 4.5% per annum calculated on a 360-days basis and payable semi-annually. The principal amount under these bonds is payable in 30 semi-annual installments starting on May 18, 2020. The final maturity date for these bonds is November 18, 2034. The proceeds from these bonds were used to refinance a portion of our existing debt.

Series K Local Bonds. On October 6, 2011, we issued our unsecured Series K Local Bonds in the aggregate amount of UF5.2 million (equivalent to Ch\$111,054.9 million as of the incurrence date). Our Series K Local Bonds bear interest at a rate of 3.75% per annum calculated on a 360-days basis and payable semi-annually. The principal amount under these bonds is payable in 10 semi-annual installments starting on March 15, 2028. The final maturity date for these bonds is September 15, 2032. The proceeds from these bonds were used to refinance a portion of our existing debt.

Series L Local Bonds. On May 24, 2012, we issued our unsecured Series L Local Bonds in the aggregate amount of UF1.5 million (equivalent to Ch\$33,807.0 million as of the incurrence date). Our Series L Local Bonds bear interest at a rate of 3.85% per annum calculated on a 360-days basis and payable semi-annually. The principal amount under these bonds is payable on their final maturity date on May 14, 2033. The proceeds from these bonds were used to refinance existing debt.

Series M Local Bonds. On September 29, 2016, we issued our unsecured Series M Local Bonds in the aggregate amount of UF3.8 million (equivalent to Ch\$108,594.0 million as of the incurrence date). Our Series M Local Bonds bear interest at a rate of 2.9% per annum calculated on a 360-days basis and payable semi-annually. The principal amount under these bonds is payable on their final maturity date on September 5, 2046. The proceeds from these bonds were used to refinance existing debt.

The covenants under our Series H through M Local Bonds restrict, among other things, our ability to grant, assume or allow a lien to be created on a substantial portion of our assets, except for certain permitted liens. Our Series A through G Local Bonds do not have any similar restrictions. Although we are not subject to any financial covenants under our Series A through G Local Bonds, the instruments governing our Series H through L Local Bonds require that we comply with the following financial covenants on an annual basis:

- our debt to shareholders' equity ratio shall not exceed 1.7x;

- our shareholders' equity shall be at least Ch\$700,000 million; and
- our interest coverage ratio shall be equal to or exceed 1.0x.

Our Series M Local Bond only requires that we comply with the first two covenants mentioned above. As of December 31, 2019, we were in compliance with these financial covenants and other covenants under our local bonds.

The indentures (*contratos de emisión*) and respective ancillary deeds (*escrituras complementarias*) relating to our Series H through L Local Bonds include cross-payment event of default clauses, such that our non-payment of debt under one or more of our outstanding credit agreements in an aggregate amount in excess of U.S.\$8.0 million would result in an event of default under such indentures and enable the bondholders meeting under those agreements to determine to accelerate our indebtedness under the relevant local bond. In addition, under our Series H and I Local Bonds, a widespread non-payment default of external debt by the Chilean State (excluding government-owned enterprises), or if the Chilean State is unable to pay its external debts when due or enters into negotiations to renegotiate or refinance all or a substantial part of its external debt, shall constitute an event of default.

International bonds

On February 4, 2014, we issued our first notes in the international market in the aggregate amount of U.S.\$500 million. The notes will mature on February 4, 2024 and bear an interest rate of 4.75% on a semi-annual basis, starting on August 4, 2014. The proceeds from these notes were used to fund a portion of our capital expenditures related to the construction of lines 6 and 3, or Project 63, and our network-strengthening program. Our international bond does not require us to comply with any financial covenants.

On January 25, 2017, we issued notes in the international market in the aggregate amount of U.S.\$500 million. The notes will mature on January 25, 2047 and bear an interest rate of 5.00% on a semi-annual basis, starting on July 25, 2017. The proceeds from these notes were used to fund a portion of our capital expenditures related to Project 63, the extension of our Lines 2 and 3, and the partial prepayment of existing debt. Our international bond does not require us to comply with any financial covenants.

None of our international bonds are guaranteed by the Chilean State.

Loans and credit facilities

As of December 31, 2019, we had outstanding bank loans in an aggregate principal and accrued interest amount of Ch\$479,081.5 million, consisting of Ch\$478,837.8 million U.S. dollar-denominated loans and Ch\$243.6 million Euro-denominated loans. We have used the proceeds from these loans to fund our capital expenditure projects, construction of our line 5, the extensions of our lines 2 and 5, the construction of our line 4, and more recently Project 63.

Natixis Bank (Protocolo Financiero Franco-Chileno). Beginning in 1991, Natixis Bank granted a loan to the Chilean State, part of which was allocated by *Tesorería General de la República* to us. The aggregate principal amount allocated to us under the master agreement between the Chilean State and the French Government was €1.573 million. This loan bears interest at an average rate of 2.0% payable biannually in arrears through maturity in June 2024. This master agreement has a term of 32 years, with a 12-year grace period. The outstanding principal amount of this loan is payable in 40 installments, the first of which was paid in December 2002. The proceeds from this loan were used to finance construction of our line 5. As of December 31, 2019, the outstanding aggregate amount under this facility was Ch\$243.6 million.

Natixis Bank (Protocolo Financiero Franco-Chileno). Beginning in 1993, Natixis Bank granted a loan to the Chilean State, part of which was allocated by *Tesorería General de la República* to us. The aggregate principal amount allocated to us under the master agreement between the Chilean State and the French Government was U.S.\$87.793 million. This loan bears interest at an average rate of 0.71% payable biannually in arrears through maturity in March 2038. This master agreement has a term of 45 years, with an 11-year grace period. The outstanding principal amount of this loan is payable in 68 installments, the first of which was paid in June 2004.

The proceeds from this loan were used to finance construction of our line 5. As of December 31, 2019, the outstanding aggregate amount under this facility was Ch\$22,346.1 million.

Line 5 – Maipú Extension Project and Line 1 – Los Dominicos Expansion Project Syndicated Facility. On September 26, 2006, we and a syndicate of lenders led by BNP Paribas entered into a buyer credit facility in a principal aggregate amount of U.S.\$260 million (which principal amount is increased from time to time by capitalized interest amounts). This agreement has a term of 15 years, with a five-year grace period and a 10-year availability period. As of December 31, 2019, we had disbursed the total principal amount available under this facility. Loans under this credit facility bear interest at an average rate of 4.02% per annum payable semi-annually in arrears through maturity on December 30, 2020. The outstanding principal amount of the loan is payable in 20 equal semi-annual installments starting on June 30, 2011. The proceeds from this loan were used to acquire rolling stock and other expenses related to the extension of our lines 5 and 1. As of December 31, 2019, we had Ch\$11,235.3 million of aggregate amount outstanding under this facility.

Lines 6 and 3 Extension Projects. On December 18, 2014, we and a syndicate of lenders led by BNP Paribas entered into an unsecured buyer credit agreement in a principal aggregate amount of U.S.\$550 million, or the BNP Facility. This agreement has a term of 14 years, with a five-year grace period and a 9-year availability period. As of December 31, 2019, we had disbursed the total principal amount available under this facility. Loans under this credit agreement bear interest at a rate of LIBOR plus 2.5% per annum payable semi-annually in arrears through maturity on November 29, 2028. The outstanding principal amount of these loans is payable in 20 equal semi-annual installments starting on May 29, 2020. The proceeds from this loan were used to finance a portion of our Project 63. As of December 31, 2019, we had Ch\$287,433.7 million of aggregate amount outstanding under this facility.

On December 18, 2014, we and a syndicate of international lenders led by Sumitomo Mitsui Banking Corporation (SMBC) entered into an unsecured loan agreement in a principal aggregate amount of U.S.\$250 million, or the Sumitomo Facility. This agreement has a term of 12 years, with a five-year grace period and a seven-year availability period. As of December 31, 2019, we had disbursed the total principal amount available under this facility. Loans under this loan agreement bear interest at a rate of LIBOR plus 1.5% per annum payable semi-annually in arrears through maturity on December 18, 2026. The outstanding principal amount of these loans is payable in 15 equal semi-annual installments starting on November 18, 2019. The proceeds from this loan were used to finance a portion of our Project 63. As of December 31, 2019, we had Ch\$157,822.8 million of aggregate amount outstanding under this facility.

As of December 31, 2019, the instruments governing our indebtedness owed to financial institutions required that we comply with financial covenants, the most restrictive of which were the following:

- our debt to shareholders' equity ratio shall not exceed 1.7x on a quarterly basis;
- our shareholders' equity shall be at least Ch\$700.0 million on a quarterly basis; and
- our interest coverage ratio shall be equal to or exceed 1.0x on an annual basis.

Our facilities with each of BNP Paribas and Sumitomo Mitsui Banking Corporation, entered into in 2014, have increased the flexibility of our financial covenants and only require our compliance with the two first bullet points above.

In addition, the covenants under our bank financings restrict, among other things, our ability to (1) make prepayments on certain financings; (2) create or permit any encumbrance other than certain permitted encumbrances; (3) enter into transactions with affiliates; or (4) enter into any transaction for consolidation or merger without prior consent of the lender. As of December 31, 2019, we were in compliance with all our financial covenants under these loans.

The loans and credit facilities include cross-payment and cross-default clauses, such that our non-payment of debt under one or more of our outstanding credit agreements in an aggregate amount in excess of U.S.\$8 million or our default in the performance of our obligations under any agreement, covenant or condition related to any indebtedness in excess of U.S.\$50 million would result in an event of default under such loans and credit facilities.

In addition, if the Chilean State declares a general moratorium of the payment of external debt or is unable to pay its external debts when due or enters into negotiations to renegotiate or refinance all or a substantial part of its external debt, such declaration or inability to pay shall constitute an event of default.

Capital Expenditures

We allocate significant resources to studies and investment projects aimed at expanding our network, restoration-resiliency projects and projects to improve our infrastructure. Investments in network expansion seek to consolidate our position as the leading player in Santiago's public transportation system, restoration-resiliency projects are aimed at restoring the level of service we had immediately prior to the social protests that commenced in the fourth quarter of 2019, whereas our investments on maintenance and infrastructure improvements are earmarked for the following areas: improving the quality of our services; bolstering operational safety and stability; preserving and maintaining our facilities and grounds; and updating, renewing and modernizing technology used by our equipment and systems, all with a view to better serve our customers.

We expect to finance our capital expenditures with capital contributions from our shareholders, our income from operations, certain lines of credit with various financial institutions and local securities offerings. Between January 1, 2018 and December 31, 2019, we invested Ch\$691,490.1 million (U.S.\$923.5 million) in projects related to the expansion of our network and improvements to our infrastructure.

- *Project 63.* Project 63, for the construction of new lines 6 and 3, represents our most significant undertaking and expansion effort since the inauguration of the Santiago subway system. These new lines are part of an innovative project that incorporates best practices of international metro systems in order to create a world-class metro system with a cost per kilometer similar to costs over the past 10 years. In September 2012, we commenced construction of our new lines 6 and 3. Line 6 commenced operations in November 2017, while line 3 commenced operations in January 2019.

We invested U.S.\$3,145 million in this project over the course of six years, U.S.\$1,800.4 million corresponding to line 3 and U.S.\$1,344.3 million corresponding to line 6, which included engineering costs, execution, purchases, installation and implementation. For a detailed description of Project 63, see "Business—Investment Plans and Expansion—Project 63."

- *Extension Project.* On November 5, 2014, the President of Chile announced the Investment Plan on Infrastructure for Public Transportation involving certain investment initiatives to be developed by us, including, among others, the Extension Project for the construction of extensions of lines 2 and 3. The extension of line 2 will add 5.1 km of underground track to the network, will service two additional neighborhoods of Santiago (El Bosque and San Bernardo) and will add four new stations to the existing line 2 (Riquelme, Observatorio, Lo Martínez and Hospital El Pino). The extension to the new line 3 will add 3.8 km and three new stations (EFE Quilicura, Lo Cruzat and Plaza de Quilicura) to the existing line 3. We estimate that the Extension Project will benefit 700,000 people by reducing their travel time. The aggregate total investment in this Extension Project is Ch\$562,607 million (U.S.\$855.0 million). We announced the commencement of the engineering phase of these extensions in May 2016, and we expect to begin operations in the second half of 2023.

In 2018 and 2019, we made progress in several key areas of this Extension Project, specifically, the detail engineering for shafts, drives, tunnels, and workshops; the environmental permitting process required to obtain the *Resolución de Calificación Ambiental*, or Environmental Qualification Resolution; expropriation of land needed to execute the works and development of archaeological activities. As of December 31, 2019, physical progress was at 17.7% for line 2 and 24.1% for line 3.

- *Line 7.* The line 7 project will add 19 stations and service the growing and populated neighborhoods of Renca, Cerro Navia, Quinta Normal, Santiago, Providencia, Las Condes and Vitacura, benefiting approximately 1.35 million people, with a total trip time of approximately 35 minutes. During 2019, we started the expropriations proceedings, we submitted the environmental impact study (*Estudio de Impacto Ambiental*) to the relevant authorities, obtained the health and feasibility permit, we finished the basic engineering and we obtained the resolution for the stage of design of the project and beginning of the advanced engineering for tunnels. At the end of December 2019, physical progress on the line 7 project

was at 1.3%, which primarily consisted of basic engineering for civil works, preliminary studies on soil mechanics and aero photogrammetry of the land to determine where to draw the route in its entirety. We expect to invest U.S.\$1,892,815 million (U.S.\$2,528 million) on this project.

- *Lines 8 and 9 and Extension of Line 4.* In 2018, the President of Chile announced the Investment Plan on Infrastructure for Public Transportation involving certain investment initiatives to be developed by us, including, among others, the construction of new lines 8 and 9 and the extension of line 4. Line 8 will consist of 19 km of tracks and 14 stations, connecting the Providencia, Ñuñoa, Macul, La Florida and Puente Alto neighborhoods, starting at the Los Leones station and connecting with line 1 at Mall Plaza Tobalaba, passing through the streets Los Leones – Macul and Av. La Florida. Line 9 will consist of 17 km of track and 12 stations, connecting the Santiago, San Joaquín, San Miguel, La Granja, San Ramón and La Pintana neighborhoods, passing through the Santa Rosa corridor, a space dedicated to public transportation, starting at the Santa Lucía Station and ending up at Av. Gabriela both on line 1. Line 4 expansion entails adding the Bajos de Mena area to the network, plus three new stations and 4 km of track southwest of the Plaza de Puente Alto station in the same neighborhoods. We expect to invest over U.S.\$4,000 million on these projects. We are in the process of analyzing and structuring these projects. During 2019, we obtained the resolution for the feasibility stage of the project by the Ministry of Social Development and Family (*Ministerio de Desarrollo Social y Familia*).
- *Los Libertadores Intermodal Project.* This project will be located in the Quilicura borough and will directly connect line 3's Los Libertadores terminal station to the three main highways that connect the city of Santiago to areas located north of the city. In 2018, we began the civil works on this intermodal station, which involved taking possession of the land needed for construction, and obtaining the environmental permits required. The main works carried out during 2018 and 2019 included completion of the administrative building, the building ticket counters and related services and the platforms for city and intercity buses. Moreover, the engineering for the tensile structure that will cover the intermodal station is complete, and the structure is currently being built. The total investment in this project is Ch\$14,451 million (U.S.\$17.9 million). As of December 31, 2019, physical progress was at 99% and the project is expected to be completed by 2020.
- *Universal Access Program.* This program consists in the construction of lifts to provide access to people with restricted mobility to our network. The total investment in this project is Ch\$64,434 million (U.S.\$86 million). We expect to complete the Universal Access Program by 2020. Progress on the Universal Access Program in 2018 and 2019 was as follows:
 - Line 1 Elevators: the project was completed in 2019 and elevators located at the Alcántara, El Golf, La Moneda, República, Santa Lucía, Unión Latinoamericana, Pedro de Valdivia, Universidad de Santiago, Estación Central and San Alberto Hurtado stations were made available to customers.
 - Line 2 Elevators: elevators were commissioned at the El Llano, Parque O'Higgins, Toesca, Departamental, Santa Ana and Lo Vial stations in 2018, while the Lo Ovalle station elevator was commissioned in 2019.
 - Line 5 Elevators: the project was completed in 2019 and elevators located at the Bellas Artes, Parque Bustamante, Santa Isabel, Rodrigo de Araya, Carlos Valdovinos, Camino Agrícola, San Joaquín, Pedrero, and Mirador stations were made available to customers.
 - Configurable bidirectional doors for individuals with reduced mobility on lines 1, 2 and 5: this initiative consists of enabling these doors at 98 stations in order to provide an independent access control point to individuals with reduced mobility so that they can use Metro services. They will enter the network through configurable bidirectional doors installed at control points at existing stations. Works continue and are expected to be completed in 2023.
 - Reserved Space on Trains: this project consists of setting aside spaces on the NS-74, NS-93, AS-02 and NS-04 trains for use by individuals with reduced mobility in wheelchairs. These reserved spaces will leave an open space on each train car and will include features to assist users. In

2019, we awarded contracts for the works in NS-93, AS-02 and NS-04 trains and the project is expected to be completed in 2023.

- *Integration of Fleet.* We have undertaken an integration project to expand and modernize our fleet, with the addition of 35 new NS-16 trains provided by ALSTOM for our lines 2 and 5, consisting of 245 cars, fitted with air conditioning and security anti-collision devices and with more efficient energy consumption for operation, in order to improve service quality, meet the increasing market demand and reduce operational costs. As of December 31, 2019, we received 14 trains. The second part of the integration project is expected to focus on the recovery of useful parts from trains, and we will use them to extend the lifespan of our existing NS-74 fleet. The total investment in this project is Ch\$284,521.2 million (U.S.\$385 million) of which Ch\$269,546.4 (U.S.\$360 million) are expected to be used in the acquisition of NS-16 trains and the remainder Ch\$14,974.8 million (U.S.\$25 million) are expected to be used in the overhaul of our NS-74 trains. We expect to complete the first stage of the integration project by 2021 and the second stage of the integration project by 2026.
- *Maintenance Plan for High-Impact Failures.* To address certain operational and infrastructure problems experienced in 2014, we have developed a new maintenance and response plan designed for high-impact failures, with specific short- and long-term actions. The specific objectives of the plan include: (i) reduction of the rate of high-impact failures in trains and tracks, (ii) reduction of the time required to restore service in the event of high-impact operational or infrastructure problems, (iii) minimizing the impact of service suspensions, and (iv) providing a maintenance plan that prioritizes critical failure points. As of December 31, 2019, 15 of 35 sub-projects have been completed. The total investment in this project is Ch\$69,608.9 million (U.S.\$105.8 million).
- *Safety Project.* This project involves the construction of a police station in the Baquedano station of line 5, the improvement of the CCTV system in certain stations and the implementation of screens and fixed cameras next to the turnstiles. In 2018, we completed the construction of the 60th police station located at the Baquedano station, which is staffed with over 100 police officers that have been exclusively assigned to provide services to passengers on our network. Following the social unrest of October 2019, the police station at the Baquedano station was closed. In 2019, we continued working on improving our CCTV system at stations, thereby boosting system coverage by installing additional cameras on platforms and mezzanines, replacing older cameras with an expired useful life, and setting up a fixed screen and camera system near turnstiles. These efforts are aimed at improving passengers' perception of safety, reducing fare evasion and aggression towards guards posted in said areas. Additionally, we made progress on implementing its perimeter anti-intrusion system and improvements to CCTV systems at workshops and depots, thereby setting up better intrusion barriers to prevent acts such as graffiti on trains. The total cost of this project is expected to be Ch\$11,844.3 million (U.S.\$18.0 million), which amount was provided by our shareholder in 2014 and 2016 in the form of capital contributions.
- *Environmental Mitigation Activities.* During 2018, we made progress on the basic engineering, scope definition, and solution optimization components of a project to build Non-Hazardous Industrial Waste (RINP) Salvage Yard at the Neptuno, Puente Alto, and San Eugenio workshops and the Quilín intermediate depot (*Cocheras Intermedias Quilín*). In 2019, the design stage of this project was finalized, with the corresponding advanced engineering, which allowed us to initiate the approval procedures for the performance stage, which is expected to begin in 2020. In 2018, we obtained permission to begin the prefeasibility stage of our noise mitigation project in our workshops (Intermediate Depots in Quilín, Puente Alto and San Eugenio). An international tender process was held and completed in November with a contract awarded to begin work in 2019, and during 2019, the prefeasibility stage of the project was finalized. In 2018, we began civil works on the Teniente Cruz viaduct noise pollution solution (Line 5), especially for the tunnel section, which was finished in January 2019. Work on the Barrera and Rampa Norte sections began in 2019.
- *Improvement of Payment System.* This project aims to update and improve the payment system technology, adopting new payments methods and new ways of recharging the *Tarjeta Bip!* This will include changes in the recharging network and use network of our system. During 2019, the project was

approved and it will be developed on 2020. The total cost of this project is expected to be Ch\$7,217.9 million (U.S.\$9.6 million).

- *Reconstruction Project.* Due to the social unrest in Chile since October 2019, we have suffered significant damage to our network, which has caused service interruption. To address this issue, we have developed a reconstruction project to repair the damages suffered by our network and maintain our operations standards. The works aiming to reopen 100% of our subway stations will occur in three stages: the first stage from November to December 2019, the second stage from January to April 2020, and the third stage at the end of 2020. Due to the reconstruction work already performed, as of December 31, 2019, we had 82% of our system working. The total cost of this project is expected to be Ch\$224 billion (U.S.\$298.9 million).

The Chilean Government has authorized the partial financing of our capital expenditures related to the Extension Project, Los Libertadores Intermodal project, environmental mitigation activities, maintenance plan for high-impact failures and Line 7 with capital contributions to be made by the Chilean State and CORFO, with the remaining portion being financed through additional indebtedness incurred directly by us and to be repaid through an adjustment in our technical fee. In particular, the Chilean State has approved the financing of up to 70% of these projects with capital contributions by our shareholders and the remaining 30% from additional indebtedness incurred directly by us and to be repaid through an adjustment in our technical fee. Our shareholders have approved and subscribed for capital increases of Ch\$373,172.5 million (U.S.\$498.4 million) and Ch\$256,632.0 million (U.S.\$342.8 million) in 2018 and 2019, respectively, for our network strengthening program and the improvement of safety measures in our overall network.

Our actual capital expenditures may vary from the expected budgeted amounts we have described here, both in terms of the aggregate capital expenditures we actually incur and when we actually incur them.

Contractual Obligations

In addition to our financial indebtedness, we have significant obligations under existing contracts. The following table summarizes our significant contractual financial obligations and commitments, as of December 31, 2019, that have an impact on our liquidity:

| | As of December 31, 2019 | | | | Total |
|-----------------------------|-------------------------|--------------------|---------------------------|----------------------|--------------------|
| | Less than one year | One to three years | Three to five years | More than five years | |
| | | | <i>(Ch\$ in millions)</i> | | |
| Bank loans | 71,407.8 | 175,551.9 | 115,152.2 | 116,969.6 | 479,081.5 |
| Bonds | 78,368.3 | 151,510.7 | 155,889.1 | 1,357,129.5 | 1,742,897.6 |
| Derivative operations | 4,203.5 | - | - | - | 4,203.5 |
| Total..... | 153,979.6 | 327,062.6 | 271,041.3 | 1,474,099.1 | 2,226,182.6 |

Off-Balance Sheet Arrangements

As of the date of this offering memorandum, we do not have any off-balance sheet arrangements.

Quantitative and Qualitative Disclosures about Market Risk

We are exposed to market risks arising from our normal business activities. These market risks principally involve the possibility that changes in our technical fee, interest rates or exchange rates will adversely affect the value of our financial assets and liabilities or future cash flows and earnings. Market risk is the potential loss arising from adverse changes in market rates.

Our risk management strategy is designed to mitigate the financial impact derived from our exposure to market risks, and accordingly, we have used and may continue to use foreign currency and interest rate derivative instruments to mitigate our exposure to market risks. Our hedging activities are governed by a market risk management policy, which establishes applicable corporate governance standards and guidelines. Our risk management policies are defined by our board of directors with the purpose of identifying and analyzing our risk

exposure, putting in place effective risk controls and thresholds, and monitoring risks and the observance of those thresholds. Our risk management policies and systems are reviewed periodically to ensure that they reflect changes in market conditions and in our business.

Fluctuations in our technical fee

We derive substantially all of our revenues from technical fees. Beginning on February 10, 2007, we became part of RED. As part of this system, our fare revenues are based on the confirmed number of passengers transported and the technical fee set forth in the relevant service agreement with the MTT for transportation services to be provided to each confirmed passenger of RED. Our technical fee is updated on a monthly basis by an adjustment formula that takes into account variations in the variables that impact our long-term cost structure (inflation, the U.S. dollar exchange rate, the Euro exchange rate, and the price of electricity).

If our technical fee were to decrease/increase by 10.0%, our revenues during the year ended December 31, 2019 would have decreased/increased by Ch\$34,449 million.

Fluctuations in exchange rates and inflation

As of December 31, 2019, Ch\$994 billion, or 44.7%, of our total financial debt (excluding derivatives and megaproject contract retentions) was UF-denominated, and Ch\$1,228 billion, or 55.3%, was denominated in foreign currencies, mainly the U.S. dollar and Euro. As a result, we are exposed to the risk of depreciation of the Chilean peso against the U.S. dollar and the Euro. Our technical fee constitutes a natural hedge to our exposure to foreign exchange fluctuations since it is updated on a monthly basis by an adjustment formula that takes into account variations in the factors that impact our long-term cost structure (inflation, dollar, Euro and the price of electricity). This creates a natural hedge against fluctuations in exchange rates as such fluctuations are one of the variables that compose the adjustment formula.

In addition to this natural hedge, we have established a hedging policy, which is reviewed by the Board on an annual basis, to mitigate the effects of foreign exchange variations not covered by the technical fee. As of December 31, 2019, the fair value of our cross currency-swaps, or CCS, was Ch\$13,768.2 million and exchange rate forwards was Ch\$1,289.9. The purpose of these hedging transactions is to seek to “match” the currency of our debt with that of our revenues to mitigate foreign exchange risk. However, we cannot assure you that we will maintain similar hedge positions in the future or that our hedging policy will successfully mitigate effects of any foreign exchange variations.

In addition, all of our Chilean peso-denominated financial indebtedness is indexed to the UF.

A sensitivity analysis of our income statement as of December 31, 2019, estimated that a possible depreciation/appreciation of 5% in the Chilean peso against the U.S. dollar (if all other parameters remained constant) would result in a loss or profit of Ch\$51,288.7 million.

Fluctuations in interest rates

As of December 31, 2019, of our total financial debt (excluding derivatives and megaproject contract retentions), Ch\$454,670.5 million, or 20.7%, bore interest at floating rates (mainly six-month LIBOR, with U.S. dollar currency) and Ch\$1,767,308.5 million, or 79.3%, bore interest at fixed rates. A portion of our interest rate risk is covered through cross currency swaps as described under “—Fluctuations in exchange rates and inflation.”

We have established a hedging policy to mitigate the effects of interest rate and foreign exchange variations and, as of December 31, 2019, we had entered into hedging transactions, mainly cross-currency swaps in an aggregate amount of Ch\$224,622 million. We cannot assure you that we will maintain similar hedge positions in the future or that our hedging policy will successfully mitigate effects of any foreign exchange variations.

A sensitivity analysis of our income statement as of December 31, 2019 estimated that a possible increase/decrease of 1% in the LIBOR (if all other parameters remained constant) would result in a loss or profit of Ch\$4,543 million.

BUSINESS

Overview

We are the owner and sole operator of the subway system in the metropolitan region of Santiago, Chile, which we refer to herein as the Santiago subway, the backbone for the connectivity and mobility of the inhabitants of such region. We were incorporated as a closely held stock corporation (*sociedad anónima cerrada*) in 1990 by the Chilean State (*Fisco*) (represented by the Ministry of Finance) and CORFO, having become the assignee of all rights and obligations of the Department of the Metro (*Dirección General de Metro*). As of December 31, 2019, CORFO held 66.94% of our outstanding shares and the Chilean State (*Fisco*) held the remaining 33.06% of our outstanding shares.

We operate one of the largest subway systems in Latin America in terms of passenger trips and network extension, according to data from CoMet. We believe that quality public transportation opens up employment opportunities for millions of area residents of the Santiago metropolitan region, linking them to jobs helping the city of Santiago to create and distribute wealth and enable more equality. It revives and integrates neighborhoods and gives rise to new business corridors. We aim to provide reliable, safe, clean and efficient public transportation for the metropolitan region of Santiago, by connecting millions of passengers to their homes, working places and cultural, educational, retail, and civic centers across the region. As of December 31, 2019, we operated seven subway lines in the metropolitan region of Santiago, the largest center of economic activity in Chile with 7,915,199 inhabitants, representing 41.4% of the country's total population as of December 31, 2019, according to the INE. We transport an average of 2.4 million passengers per business day (which represents more than 60% of the trips of the RED transportation system), and in the year ended December 31, 2019, we transported approximately 703.7 million passengers. In 2019, we recorded a gross profit of Ch\$37.2 billion (U.S.\$49.7 million) and our Adjusted EBITDA was Ch\$109.7 billion (U.S.\$146.5 million).

The Santiago subway plays a critical role within the RED transportation system, the integrated public transportation system that provides seamless ground transportation by bus and underground transportation by subway in the metropolitan region of Santiago. The RED transportation system was created by the Chilean Government in 2007 and is administered by the Department of Metropolitan Public Transportation (*Directorio de Transporte Público Metropolitano*). As of December 31, 2018, RED's ground transportation services included 380 bus routes operated by six private companies covering 34 neighborhoods and 2,946 km of roads, with over 3 million daily trips.

RED uses *Tarjetas Bip!*, a common ticketing service that allows for the use of a single touchless smart card, for payment on city buses and the Santiago subway. In addition to providing the subway services of RED, we are the primary sales channel for the RED *Tarjeta Bip!* through our underground and ground points of sale and collect 100% of the fares paid by RED passengers. As of December 31, 2019, more than 60% of the total daily passenger trips of RED included a trip on Metro.

We are the main land transportation service provider in Chile. We have implemented dynamic operational strategies to expand our network, and increase the availability and quality of our transportation service, such as:

- expanding our network with (i) the opening of the new lines 6 and 3 in 2017 and 2019, respectively, (ii) the extension project for lines 2 and 3 which is currently under construction, (iii) the projects for the new lines 7, 8 and 9 and the extension project for line 4, which have been announced by the Government of Chile and which we are analyzing and structuring, and (iv) the addition of new intermodal stations;
- reformulating our service strategy to a more customer-focused approach in order to service more effectively the needs of our passengers;
- developing a short-term and long-term maintenance plan to optimize preventative and corrective maintenance of our fleet, reduce the rate of high-impact failures and minimize the response time in case of operational problems;
- upgrading the fleet and our facilities by incorporating new trains and remodeling some of our existing trains as well as improving our facilities to grant universal access to our stations (for example, we

recently completed the introduction of air conditioned cars and automatic steering for lines 1 and 5 and installing elevators); and

- strengthening our network of sales channel services for RED *Tarjeta Bip!*, by expanding our points of sales to high-traffic areas and through technological renovations of our systems.

We are registered as issuer of publicly traded securities with the Securities Registry (*Registro de Valores*) kept by the CMF and subject to the disclosure obligations of publicly traded stock corporations (*sociedades anónimas abiertas*).

Our History

On October 24, 1968, then Chilean president Eduardo Frei Montalva signed a decree authorizing the creation of the Santiago subway. Initially, the Department of Public Infrastructure (*Dirección General de Obras Públicas*), through its Planning Department (*Dirección de Planeamiento*), was in charge of developing the Santiago subway and, in 1969, work began on the San Pablo-La Moneda portion of line 1. Line 1 was the first subway line of the Santiago Subway and commenced operations in September 1975.

In 1977, line 1 was extended by adding five new stations through the Salvador station, and, in 1980, this line was further extended to the Escuela Militar station adding seven more stations. Concurrently with the west-to-east bound construction of line 1, construction on line 2 commenced to provide service to the south of Santiago. In March 1978, the Los Héroes–Franklin portion of line 2 commenced operations and in December 1978, line 2 was extended to the Lo Ovalle station. In 1987, two new stations were added to line 2 – Santa Ana and Mapocho (the latter currently known as Puente Cal y Canto station).

In 1989, pursuant to Law No. 18,772, the Chilean Government authorized the conversion of the Department of the Metro (*Dirección del Metro*), which until that time was dependent on the Ministry of Public Works, into a government-owned stock corporation to be named Empresa de Transporte de Pasajeros Metro S.A., with the Chilean State and CORFO owning 28% and 72% of the shares, respectively.

Since 1989, we have continued to expand the Santiago subway network. In April 1997, 10 years after the extension of line 2, we commenced operations of line 5 on a portion extending from the Bellavista station to the La Florida station. By March 2000, line 5 ran through the heart of the city – the Plaza de Armas station– to the Santa Ana station. By 2004, we extended line 5 to the Quinta Normal station.

Also in 2004, we added two new stations to line 2, one to the north and one to the south of the city of Santiago. In September 2004, we commenced operations of the Cal y Canto–Cerro Blanco portion of line 2, and in December, we commenced operations of the Lo Ovalle–La Cisterna portion of line 2. In 2006, we again extended line 2 with the addition of the Dorsal–Vespucio Norte portion.

In 2005, we commenced operation of the Cerro Blanco–Einstein portion of line 2, and the Bellavista de La Florida–Vicente Valdés portion of line 5. Also in 2005, we commenced operations of line 4, on a portion between the stations Tobalaba and Grecia, and between the stations Vicente Valdés and Plaza de Puente Alto. Line 4 covered 24.4 km by March 2006, when we commenced operations on the most recent addition, a portion between stations Grecia and Vicuña Mackenna.

We also commenced operations of line 4A, a portion that joins line 2 and 4, in 2005, with four new stations between Vicuña Mackenna and La Cisterna.

In February 2007, Transantiago commenced operations, with the Santiago subway at its core. As a result, in 2007, our passenger demand doubled, as the Santiago subway acquired new passengers fed by the city buses system. We initiated a variety of operational measures in response to this additional demand, including the increase of our rolling stock and the improvement of our infrastructure at our stations and repair shops.

In 2008, we celebrated our 40th anniversary with several achievements, including the inauguration of the Vespucio Norte intermodal station on line 2, the installation of our first *BiciMetro* units inside our stations, and our new commercial retail space “SubCentro” in the Escuela Militar station.

In November 2009, we commenced operation of the San José de La Estrella station on line 4. During 2010, we added three new stations to line 1 - Manquehue, Hernando de Magallanes and the terminal station Los Dominicos - in order to extend our reach to the eastern areas of the city of Santiago. Also in 2010, we commenced operations of the first phase of the portion of line 5 extending to the Pudahuel station, which incorporated the Gruta de Lourdes, Blanqueado, Lo Prado and San Pablo stations.

In February 2011, we commenced operations of the portion of line 5 extending to Maipú. This extension is comprised of seven stations (Barrancas, Laguna Sur, Monte Tabor, Del Sol, Santiago Bueras and Plaza de Maipú), covering a total distance of 8.6 km.

In July 2011, we announced the expected construction of two additional subway lines – line 3 and line 6. We began construction of lines 3 and 6 in September 2012. The construction of these new lines, was our most ambitious project to date, which was expected to connect five additional neighborhoods to the Santiago subway, as well as provide improved travel alternatives in combination with our other lines.

In 2014, we experienced a number of service interruptions to our service, with different levels of impact on our operations and the suspension of service. On March 2, 2014, a power outage in the station Departamental in line 2 caused a power failure in lines 1, 2 and 5 and resulted in the evacuation of passengers and the suspension of service to the affected lines for two hours. On August 13, 2014, a crack in the tracks of line 4, close to station Quilín, caused a service interruption of certain parts of line 4, including five stations between Los Presidentes and Vicuña Mackenna, for 24 hours. In the same month, on August 20, 2014, a power failure in line 5 resulted in the interruption of service to the affected line for two hours. Furthermore, on November 14, 2014, a short circuit in the 20 kV power cables of the pneumatic system at station La Moneda affected the operation of lines 1, 2 and 5, causing a massive blackout and required the evacuation of passengers and the suspension of service to those lines as well as the temporary closure of 24 stations for 17 hours (being closed for an entire business day). According to the Minister of Transportation, Andrés Gómez-Lobo, 500,000 people were affected by the November 2014 event. As a result of this last system failure, Aldo González resigned as chairman of our board of directors and was replaced by Rodrigo Azócar Hidalgo. We have developed a maintenance plan for high-impact failures to address these operational problems. For more information on our maintenance plan, see “—Our Business—Investment Plans and Expansion—Maintenance Plan for High-Impact Failures.”

On November 5, 2014, the former President of Chile, Ms. Michelle Bachelet, announced the Investment Plan on Infrastructure for Public Transportation involving certain investment initiatives to be developed by us, including, among others, the Extension Project for the construction of extensions of lines 2 and 3. The extension of line 2 will add 5.1 km to the network and will service two additional neighborhoods of Santiago, El Bosque and San Bernardo. The contemplated design is 100% underground and includes four new stations. The extension to the new line 3 will add 3.8 km and three new stations to the current projected network. We estimate that the Extension Project will benefit 700,000 people by reducing their travel time. We announced the start of the engineering phase of these extensions on May 27, 2016.

On November 30, 2015, pursuant to Decree Law No. 20,877, our corporate purpose was extended to include ground transportation services by bus or other vehicles using alternative fueling technology. This amendment was specifically intended to address the possibility of operating electric buses. Furthermore, on October 29, 2016, in accordance with Law No. 20,950, the creation and operation of payment mechanisms with pre-charged funds by non-banking entities was authorized.

In June 2017, the President of Chile announced the construction of line 7, which will join the communities of Renca with Vitacura.

In November 2017, we commenced operations of line 6. This line covers 15.3 km and includes 10 stations. It directly benefits seven communities (Cerrillos, Pedro Aguirre Cerda, Santiago, San Miguel, San Joaquín, Ñuñoa and Providencia) and around 870,000 residents. By the opening of line 6, we opened the first automatic line of our subway network.

In January 2018, we achieved a milestone by operating 60% of our power matrix through non-conventional renewable energy.

In 2018, the President of Chile announced the construction of the lines 8 and 9, and the extension of line 4 to the neighborhood of Bajos de Mena. Once this project is completed, our subway system will reach 32 neighborhoods in the Santiago metropolitan area.

In January 2019, we commenced operations of line 3. This line covers an area of 22.0 km and includes 18 stations, serving six communities (Quilicura, Conchalí, Independencia, Santiago, Ñuñoa and La Reina) and 1.1 million people. Line 3 is the second automatic line of our network.

In 2019, we experienced a number of service interruptions due to damages to our stations and our network, provoked by protests and riots in Chile, which started on October 18, 2019. Such protests led to the complete closure of our network on October 19 and October 20, 2019, and we have operated partially since. We have developed a reconstruction project to repair the damages suffered by our network and maintain our operations standards. The reconstruction project will occur in three stages: the first stage ended in December 2019, the second stage started in January and will end in April 2020, and the third stage will be completed at the end of 2020. Due to the reconstruction works already performed, as of December 31, 2019, we had 82% of our system working.

Throughout our years in service, we have transformed the way in which passengers travel in Santiago, providing a safe and reliable travel experience for our passengers. We have generated adjusted operating profit for the past 20 years, and do not require subsidies from the Chilean State for our operations. Our Adjusted EBITDA has grown by 3.2% between the year ended December 31, 2019 and the year ended December 31, 2018, and our revenues have grown by 7.1% between the year ended December 31, 2019 and the year ended December 31, 2018, respectively.

Our Business

We operate one of the largest subway systems in Latin America in terms of passenger trips, and we have generated adjusted operating profit for the past 20 years. Currently, the Santiago subway consists of 136 stations. We run 232 trains consisting of 1,349 cars along our 140 km of track. In addition to our transportation services, we offer approximately 430 commercial and retail spaces in our stations and over 968 advertising spaces in our trains and stations.

During 2019, our transportation system served approximately 703.7 million passengers, with an average of approximately 2.4 million passengers per business day (which represents more than 60% of the trips of the RED transportation system).

Map of Our Subway Lines and Stations

The following map sets forth the subway lines and stations currently in operation.



The following chart sets forth the distribution of stations, kilometers of track, cars, service offering (in terms of car km) and passengers transported for each of the subway lines as of December 31, 2019.

As of December 31, 2019

| Lines | Number of stations | Total km of track | Fleet of cars | Car x Km ⁽¹⁾ <i>(in millions)</i> | Passengers transported <i>(in millions)</i> |
|-------------------|--------------------|-------------------|---------------|---|--|
| Line 1..... | 27 | 19.9 | 413 | 42.9 | 262.7 |
| Line 2..... | 22 | 20.5 | 273 | 23.8 | 102.9 |
| Line 3..... | 18 | 22 | 110 | 13.3 | 55.8 |
| Line 4..... | 23 | 24.4 | 189 | 22.7 | 101.9 |
| Line 4A..... | 6 | 8.8 | 18 | 2.9 | 16.5 |
| Line 5..... | 30 | 29.9 | 271 | 38.2 | 123.1 |
| Line 6..... | 10 | 15 | 75 | 9.2 | 40.7 |
| Total..... | 136 | 140 | 1,349 | 153 | 704 |

(1) We calculate car x km by multiplying the number of cars on our network of tracks by the average length of their trips measured in kilometers.

Our Subway Lines

Currently, the Santiago subway has a total of seven subway lines in operation, covering a distance of 140 km across the city of Santiago.

Line 1

This line connects four neighborhoods of Santiago (with a population of 1.1 million people as of April 2017 according to the INE) running from west to east through downtown Santiago, with stations located at the University of Chile, the Catholic University of Chile and the University of Santiago, three of the main universities in Chile, among other locations. Passengers on line 1 have access to green spaces, cultural centers, theatres and commercial points of interest. Six stations on line 1 participate in the *BiblioMetro* program, and the Escuela Militar station offers the *BiciMetro* service. Also, the stations at the University of Chile, Manquehue, University of Santiago and Tobalaba offer free Wi-Fi to passengers. The Pajaritos intermodal station offers passengers the option of transferring to bus service with one of seven bus operators, as well as an option for transportation to the airport.

Line 1 is the line of our network that transports the greatest number of passengers as it connects the eastern and western areas of Santiago, uniting the communities of Las Condes, Providencia, Santiago Centro, Estación Central and Lo Prado. The neighborhoods of Las Condes, Providencia and Vitacura contain one of the principal financial zones of the city, which has more than 50 premium standard office buildings, and which, since the 1990s, has replaced the historical center of Santiago as the principal financial center of the city. This region of the city also contains large commercial retail centers, including Costanera Center and Apumanque.

Line 2

This line connects five neighborhoods (with a population of 0.9 million people as of April 2017 according to the INE) of Santiago (Santiago Centro, San Miguel, La Cisterna, Recoleta and Huechuraba) running from north to south, with intermodal stations located at Lo Ovalle and Vespucio Norte, among other locations. These intermodal stations offer passengers the option of transferring to bus service with one of eight bus operators. Each terminal station offers the *BiciMetro* service. Line 2 also contains one of the largest works of *MetroArte*, fine art on display to the public. Three stations offer free Wi-Fi to passengers.

The extension of line 2 will add 5.1 km to our network and will service two additional neighborhoods of Santiago, El Bosque and San Bernardo. The contemplated design is 100% underground and includes four new stations from La Cisterna to Hospital El Pino. Travel time between the station Los Héroes and Hospital El Pino is expected to be 24 minutes. We expect this extension to begin operations in the second semester of 2023.

Line 3

This line covers an area of 22.0 km and includes 18 stations, including nine regular pass-through stations, six combination stations, one special station and two terminal stations. It directly benefits six communities (Quilicura,

Conchalí, Independencia, Santiago, Ñuñoa and La Reina) and 1,143,165 people as of April 2017 according to the INE. The commute time between Quilicura and La Reina is approximately 30 minutes. Line 3 commenced operations in January 2019. During the first year of operations, it served 55.8 million passengers.

The extension of our new line 3 will add 3.8 km and three new stations to the current projected network, reaching the neighborhood of Quilicura. Travel time between the station Universidad de Chile and Plaza Quilicura is expected to be 20 minutes. We expect this extension to begin operation in the second semester of 2023.

Lines 4/4A

These lines, running northwest to southeast of Santiago, offer service to some of the fastest-growing and more densely populated neighborhoods (with a population of 2.3 million people as of April 2017 according to the INE), including Puente Alto and La Florida, among others, and offer passengers free Wi-Fi in seven different zones. Passengers on lines 4 and/or 4A have access to educational institutions and commercial points of interest, as well as access to various services including *BiciMetro* and *BiblioMetro*. In addition, passengers have access to minimarkets offering quick-service food options.

Line 5

This line stretches across Santiago from south to west running parallel to our line 1 through downtown Santiago and offers passengers free Wi-Fi in seven different zones. Passengers on line 5 have access to 51 tourist sites, including the National Museum of Fine Arts, among others. Also, passengers on line 5 have access to *BiciMetro* and *BiblioMetro* services, as well as automated ticket machines, minimarkets offering quick-service food options and other local commercial services.

Line 5 has the second largest volume of passengers transported in our Santiago subway, as shown in the table below. The number of passengers transported on line 5 has increased as our network has expanded. This line connects the neighborhoods of Maipú and La Florida, communities with 522,000 and 367,000 inhabitants, respectively as of April 2017 according to the INE. Line 5 also serves the neighborhoods of Pudahuel, Lo Prado, Quinta Normal, Santiago Centro, Ñuñoa, Macul and San Joaquín.

Line 6

This line covers 15.3 km and includes 10 stations, including four regular pass-through stations, four combination stations, one special station, the Estadio Nacional station, which is an atrium-style station designed to serve high volumes of passengers, especially large crowds generated by shows or sporting events, and one terminal station. It directly benefits seven communities (Cerrillos, Pedro Aguirre Cerda, Santiago, San Miguel, San Joaquín, Ñuñoa and Providencia) and around 1,139,263 residents as of April 2017 according to the INE. The travel time between the terminal station and the Plaza de Armas station is 22 minutes—50% less than average commute times prior to the opening of this line. Line 6 commenced operations in November 2017. During 2018 and 2019, it served 39.1 million and 40.7 million passengers, respectively.

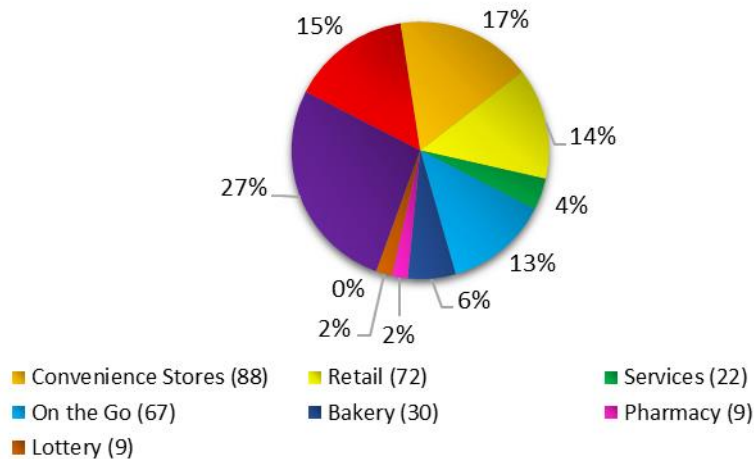
Stations

The Santiago subway has a total of 136 stations, including six intermodal stations (Bellavista La Florida, Lo Ovalle, Pajaritos, Vespucio Norte and La Cisterna, operative as of December 31, 2019, and Franklin, which began operations on February 12, 2020) that allow transfer between subway lines and buses of the RED system.

We offer our passengers a wide range of services in order to make the time they spend in our stations, tunnels and trains more efficient and enjoyable. Some of the most widely recognized commercial businesses in Chile offer services in our stations. We are continuously working to increase our sales management and to make our commercial spaces more attractive and inviting for all passengers. Currently, our network has approximately 430 commercial spaces, reflecting a wide variety of services, covering an area of 11,000 square meters.

The following graph shows the share of each of the different categories of services (by number of sales points) in our network:

Sales points by type in the Santiago subway network



In addition to the commercial spaces available to our clients, we also offer the self-service services summarized in the table below:

| | <u>Line 1</u> | <u>Line L2</u> | <u>Line 3</u> | <u>Line 4</u> | <u>Line 5</u> | <u>Line 6</u> | <u>Total</u> |
|--------------------|---------------|----------------|---------------|---------------|---------------|---------------|--------------|
| ATMs | 118 | 75 | 16 | 63 | 89 | 18 | 379 |
| Convenience | 1 | - | 18 | - | 1 | 8 | 28 |
| Drinks | 14 | 7 | - | 8 | 13 | 13 | 55 |
| Electronic Devices | - | - | - | - | - | - | - |
| Postal Services | - | - | - | - | - | - | - |
| Sales and recharge | 23 | 14 | - | 21 | 30 | - | 88 |
| Snacks | 21 | 2 | - | 10 | 20 | - | 53 |
| Fixed-Line Phones | 144 | 99 | - | 104 | 130 | - | 477 |
| Pharmacy | 6 | - | - | 1 | 1 | - | 8 |
| Dairy Products | 11 | 2 | - | 6 | 8 | - | 27 |
| Others | 3 | 1 | - | 6 | 1 | - | 11 |
| Total | 341 | 200 | 34 | 219 | 293 | 39 | 1,126 |

Description of Stations by Line

Line 1 has 27 stations, 24 of which are underground and three are aboveground, all have elevators and/or escalators, and all have automatic teller machines (ATMs).

Line 2 has 22 stations, four of which are aboveground, one is over-pass and 17 are underground, all have elevators and/or escalators, and all have ATMs.

Line 3 has 18 stations, all of which are underground stations. All of the line 3 stations have elevators and/or escalators, and all have ATMs.

Line 4 has 23 stations, of which 12 are underground stations, three are aboveground stations, and eight are over-pass stations. All of the line 4 stations have elevators and/or escalators, and all have ATMs.

Line 4A has six stations, of which five are aboveground and one is underground, all have elevators and/or escalators, and all have ATMs.

Line 5 has 30 stations, of which 20 are underground, 9 are over-pass stations, and one is an above ground station, all have elevators and/or escalators, and all have ATMs.

Line 6 has 10 stations, all of which are underground stations. All of the line 3 stations have elevators and/or escalators, and all have ATMs.

Trains / Cars

As of December 31, 2019, we own and operate 232 trains, comprised of a fleet of 1,349 cars on lines 1, 2, 3, 4, 4A, 5 and 6. We currently operate seven models of trains on two different types of tracks. Each train is identified by the initials “NS” and “AS,” followed by a reference number for the specific train. The initials “NS” represent “*Neumático Santiago*,” and refer to trains that run on the pneumatic rolling system. NS trains run on lines 1, 2 and 5. The initials “AS” represent “*Acero Santiago*,” and refer to trains that run on the steel rolling system. AS trains run on lines 4 and 4A.

We own and operate a total of 126 trains that utilize the pneumatic rolling system, which are classified into the following six models:

- NS-74, manufactured in France by ALSTOM. The second phase of the integration project is expected to include the overhaul of these trans.
- NS-88, manufactured in Mexico by Gunderson Concarriil, S.A. de C.V., or CONCARRIL. We currently own only one NS-88 train, which runs on line 2.
- NS-93, manufactured in France by ALSTOM.
- NS-2004 or NS-04, manufactured in Brazil by ALSTOM.
- NS-2007 or NS-07, manufactured in Spain by Construcciones y Auxiliar de Ferrocarriles, or CAF.
- NS-16, which are being assembled in our Neptuno workshop by ALSTOM. The integration project is expected to add 35 new NS-16 trains. As of December 31, 2019, we have received 14 of these trains.

We own and operate a total of 106 trains (392 cars) that run on the steel rolling system, of which 69 trains are the same model and are classified as AS-2002, or the AS-02, manufactured in Brazil by ALSTOM, and 37 trains are the same model and are classified as AS-2014, or AS-14, manufactured in Spain by CAF-Thales.

Set forth below are photographs of the eight different models of trains that we utilize, identified by model numbers.

Train NS-74



Train NS-88



Train NS-93



Train NS-04



Train AS-02



Train NS-07



Train AS-14



Train NS-16



As previously mentioned, lines 1, 2 and 5 all run on the pneumatic rolling system. Because these lines are interconnected, we are able to transfer trains among these lines according to our needs at any given time. However, because lines 4 and 4A run on the steel rolling system, which is incompatible with the pneumatic rolling system, we are not able to transfer trains between lines 4 and 4A and the remaining lines. The main difference between the pneumatic and steel rolling systems is that the pneumatic rolling system offers better acceleration and braking, which makes this system ideal for usage on lines where the distance between the stations is short. Longer and heavier trains can operate on the steel rolling system.

The following tables summarize our available fleet and the distribution of the fleet between our subway lines as of December 31, 2019:

Available Fleet

| Train type | Number of Cars | Capacity ⁽¹⁾ | Number of Seats | Number of Trains | Air Conditioned Trains | | Signaling System |
|------------|----------------|-------------------------|-----------------|------------------|------------------------|----------------------------------|-------------------|
| | | | | | Current Number | Future Number – expected by 2021 | |
| NS-88 | 5 | 946 | 136 | 1 | - | - | L1/L3/L6: CBTC |

| | | | | | | | |
|--------|---|-------|-----|----|----|-------------------|--|
| NS-74 | 6 | 1,156 | 178 | 11 | - | - | L1/L2/L5: SACEM ⁽³⁾ ; L4/L4A: MASTRIA ⁽⁴⁾ |
| | 7 | 1,32 | 188 | 23 | - | - | |
| NS-93 | 6 | 944 | 111 | 12 | - | - | |
| | 7 | 1,113 | 123 | 7 | 8 | 8 | |
| NS-16 | 8 | 1,274 | 143 | 14 | 13 | 13 | |
| | 7 | 1,342 | 164 | 14 | 13 | 35 ⁽²⁾ | |
| NS-04 | 7 | 1,261 | 164 | 2 | - | - | |
| | 8 | 1,447 | 188 | 9 | - | - | |
| NS-07* | 9 | 1,534 | 224 | 33 | 34 | 34 | |
| AS-02 | 3 | 793 | 138 | 69 | - | - | |
| | 6 | 1,586 | 276 | 0 | - | - | |
| AS-14 | 5 | 1,299 | 196 | 37 | | | |

(1) Considering six passengers per square meter.

(2) The integration project will include 35 new NS-16 trains consisting of 245 cars.

(3) SACEM, is an integrated system for automatic speed control.

(4) MASTRIA is a newer generation of SACEM system.

Fleet Distribution

| Train Type | Cars per Train | L1 | L2 | L5 | L4 | L4A | L3 | L6 |
|--|----------------|------------|------------|------------|------------|-----------|------------|-----------|
| NS-88 | 5 | | 1 | | | | | |
| NS-74 | 6 | | 2 | 9 | | | | |
| | 7 | | | 23 | | | | |
| NS-93 | 6 | | | 12 | | | | |
| | 7 | | | 7 | | | | |
| NS-16 | 8 | 14 | | | | | | |
| | 7 | | 14 | | | | | |
| NS-04 | 7 | | 3 | | | | | |
| | 8 | | 8 | | | | | |
| NS-07 | 9 | 33 | | | | | | |
| AS-02 | 3 | | | | | 6 | | |
| | 3 | | | | 63 | | | |
| AS-14 | 5 | | | | | | 22 | 15 |
| Total Number of Trains per Line | | 47 | 28 | 51 | 63 | 6 | 22 | 15 |
| Total Number of Cars per Line | | 414 | 205 | 338 | 189 | 18 | 110 | 75 |

RED

RED is the integrated public transportation system, offering ground transportation by bus and underground transportation by subway, in Santiago since 2007. The Chilean State is responsible for the management of RED, through the Metropolitan Department of Public Transportation, a unit of the MTT. This department supervises and regulates the private operators holding concessions and providing ground services.

As of December 31, 2019, RED's ground transportation services included approximately 380 bus routes covering 34 neighborhoods in the Santiago metropolitan area.

Santiago Subway

In 2007, the Santiago subway was integrated into the RED (formerly Transantiago) transportation system. This integration presented a significant challenge for us and our operational capabilities, as it resulted in a doubling of demand for services and an increase in passenger volume. As of December 31, 2019, the Santiago subway accounted for 2.4 million trips of the 4.1 million daily trips (combined subway and bus) during the working week which represents more than 60% of the trips of the RED transportation system. More than 60% of the daily integrated public transportation trips in the city use the Santiago subway.

History of Metro Passenger Traffic

After integration of the Metro into the RED transportation system in 2007, the number of passengers using our Metro system nearly doubled from 331 million passengers in 2006 to 601 million in 2007 and has continued to grow at a steady rate. The table below shows the number of passengers using the Santiago subway, presented by subway line, from the year ended December 31, 2012 to 2019.

| Train Lines | For the Year Ended December 31, | | | | | | | |
|----------------------|------------------------------------|------------|------------|------------|------------|------------|------------|------------|
| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
| | <i>(in millions of passengers)</i> | | | | | | | |
| Line 1..... | 258 | 263 | 262 | 257 | 261 | 271 | 278 | 263 |
| Line 2..... | 119 | 122 | 122 | 119 | 121 | 123 | 121 | 103 |
| Line 3..... | - | - | - | - | - | - | - | 56 |
| Line 4A..... | 19 | 20 | 20 | 20 | 21 | 20 | 20 | 17 |
| Line 4..... | 117 | 120 | 120 | 120 | 120 | 119 | 119 | 102 |
| Line 5..... | 136 | 142 | 144 | 145 | 147 | 147 | 144 | 123 |
| Line 6..... | - | - | - | - | - | 5 | 39 | 41 |
| Network | 649 | 667 | 668 | 661 | 670 | 685 | 721 | 704 |

Bus Transportation

The ground operations are managed by six private companies, each of which holds a concession from the Chilean State to provide bus services. As of December 31, 2019, the ground operations have 380 lines, and run through the neighborhoods of Provincia de Santiago, San Bernardo and Puente Alto. The ground network covers a total of 2,946 km, with an average of 2,984,797 million transactions per business day.

In order to improve the speed and reliability of bus transportation, separate bus lanes were constructed along several high-traveled avenues in the city of Santiago, including Pajaritos, Santa Rosa, Vicuña Mackenna, Grecia and Dorsal, among others. These separate bus lanes run a total length of 319 km.

Integrated Payment System

The only accepted form of payment for the Santiago subway and the whole RED system is the *Tarjeta Bip!*, a smartcard that operates on a touchless system. Passengers may purchase and recharge *Tarjetas Bip!* at Santiago subway stations, as well as over 2,934 points of sale (which include charge locations known as *Centros Bip!* and *Puntos Bip!*, vending machines and stores of certain retailers such as Walmart and Unired) located throughout the city of Santiago. The use of the *Tarjeta Bip!* for both ground and subway transportation allows for seamless tracking of passengers and monitoring transfers between buses and the Santiago subway, allowing passengers up to two transfers in a two-hour time period for the price of one trip.

The graphic below depicts the flow of passengers from recharge of the *Tarjeta Bip!* through use on the RED system.



Sales Channel

Since the commencement of operations of RED in February 2007, we have been the main sales channel for RED through our underground points of sale, accounting for 72.8% of the RED tickets purchased as of December 31, 2019. Pursuant to the terms of the 2012 Transantiago Ancillary Services Agreement, during June 2013, we added ground fare collection to our existing underground fare collection functions and currently cover 100% of fare collection for RED. The use of the *Tarjeta Bip!* for both ground and subway transportation allows for seamless tracking of passengers and monitoring of transfers between buses and the Santiago subway, allowing passengers up to two transfers in a two-hour time period for the price of one trip. We receive a monthly fee from RED for our sales channel services, which is calculated as a percentage of the total amounts collected by us for sales and recharges of *Tarjeta Bip!* and single-ride tickets. Additionally, we are able to setoff amounts due to us from RED for technical fees for each confirmed passenger of the Santiago subway against the total amount that we collect from the sales channel for the *Tarjeta Bip!*. The funds collected for sales of the *Tarjetas Bip!* and the sale of single-ride tickets is settled daily by validating the number of confirmed passengers based on turnstile counts. We transfer any remaining amounts to the AFT.

Commercial Fares / Technical Fees

Commercial Fares

The commercial fare is the fare that passengers pay to use RED's services. The table below sets forth the history of the fares paid by Santiago subway passengers over the most recent prior 5 years:

| <u>Commercial Rate</u> | <u>For the Year Ended December 31,</u> | | | | |
|------------------------|--|-------------|-------------|-------------|-------------|
| | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> |
| | | | (in Ch\$) | | |
| Rush hour | 720 | 740 | 740 | 780 | 800 |
| Average hours | 660 | 660 | 660 | 700 | 720 |
| Low hours | 610 | 610 | 610 | 650 | 640 |
| Students | 210 | 210 | 210 | 220 | 230 |
| Seniors | 210 | 210 | 210 | 220 | 230 |

Commercial fares vary based on the volume of passenger traffic, with discounted commercial fares available to senior citizens and elementary, middle and high school students as well as university students. In addition, RED permits transfers between the Santiago subway and buses, as long as the passenger pays the higher of the two fares.

The table below sets forth the fare structure as of December 31, 2019:

Price List
(in Ch\$)

| Schedule Monday to Friday | Peak | Off-Peak | Super Off-Peak |
|---|-----------------------------|-----------------------------|---|
| | 07:00 – 08:59 ₅₉ | 09:00 – 17:59 ₅₉ | 06:00 – 06:59 ₅₉ |
| | 19:00 – 19:59 ₅₉ | 20:00 – 20:44 ₅₉ | 20:45 – 23:00 ₀₀ |
| Metro | \$ 800 | \$ 720 | \$ 640 |
| Bus + Metro | \$ 800 | \$ 720 | \$ 700 |
| Train + Metro | \$ 800 | \$ 720 | \$ 640 |
| Saturday, Sunday and holidays: “normal” fare | | | |
| Integrated fare is valid for 120 minutes since the start of the first trip and allows two transfers | | | |
| Students | \$ 230 | \$ 230 | \$ 230 |
| Senior Citizens | \$ 230 | \$ 230 | \$ 230 |
| Student card – Senior card | | | Card Price |
| \$100 minimum load at “sales and card loading terminals” | | | \$1,550. |
| Valid during metro operating hours | | | \$100 Minimum load at "sales and card loading terminals." |

Technical Fees

Pursuant to the terms of the 2019 Transantiago Transportation Services Agreement, in exchange for providing subway transportation services to RED passengers, we receive from RED a technical fee for each confirmed passenger that is updated on a monthly basis in accordance with a formula that takes into account our long-term costs structure, and which considers, among other variables, inflation, currency fluctuations and the price of electric power. The compensation structure based on the technical fee was first introduced by the 2013 Transantiago Transportation Services Agreement which expired on February 10, 2019. Ahead of such expiration, on February 5, 2019, we and the MTT entered into the 2019 Transantiago Transportation Services Agreement. The 2019 Transantiago Transportation Services Agreement became effective on February 11, 2019, for a one-year term, which will automatically continue unless notice to the contrary by any of the parties thereto. On February 5, 2020 we and MTT entered into an amendment to the 2019 Transantiago Transportation Services Agreement to, among other things, extend the original term for twelve additional months and reduce the technical fee from Ch\$480.18 to Ch\$478.67 to compensate for the fixed monthly payments we receive from RED as a result of our intermodal operations. Through such fixed monthly payments we are no longer exposed to changes in volumes of passengers transported to cover the costs of our intermodal operations, since those payments cover 100% of such costs. Such amendment is currently pending approval (*trámite de toma de razón*) by the General Comptroller of Chile. Our current technical fee per passenger is Ch\$523.85 (which is equal to the technical fee of Ch\$480.18 established in the 2019 Transantiago Transportation Services Agreement as adjusted by the formula therein for the month of April 2020).

The commercial fare paid by the public to RED is different from the technical fee we receive per confirmed passenger under the Transantiago Transportation Services Agreements. For example, in December 2019, passengers paid a commercial fare to RED of Ch\$800 during rush hour, Ch\$720 during off-peak times and Ch\$640 during low-traffic times, as opposed to an average technical fee of Ch\$506.62 per confirmed passenger collected by us during the same period.

For the year ended December 31, 2019, our fare revenues from the technical fee accounted for 83% of our total revenue, while non-fare revenue comprised the remaining 17%. Of this 17%, sales channels account for 63% and rental income from the lease of commercial spaces and advertising spaces accounts for 22%.

The table below shows the average annual technical fee in effect since 2010:

| <u>For the year ended December 31,</u> | <u>Average technical fee</u> |
|--|------------------------------|
| 2010 ⁽¹⁾ | Ch\$291.5 |
| 2011 ⁽¹⁾ | Ch\$297.9 |
| 2012 ⁽¹⁾ | Ch\$301.7 |
| 2013 ⁽²⁾ | Ch\$303.5 |
| 2014 ⁽²⁾ | Ch\$335.0 |
| 2015 ⁽²⁾ | Ch\$360.5 |
| 2016 ⁽²⁾ | Ch\$384.9 |
| 2017 ⁽²⁾ | Ch\$400.7 |
| 2018 ⁽²⁾ | Ch\$435.4 |
| 2019 ⁽³⁾ | Ch\$487.9 |

(1) Reflects our prior three-tier technical fee structure that depended on traffic volume.

(2) Reflects our revised technical fee structure subject to a flat rate of Ch\$302.06 (in Chilean pesos as of September 2012) per confirmed passenger, as adjusted in accordance with the 2013 Transantiago Transportation Services Agreement until 2018 and subsequently by the 2019 Transantiago Transportation Services Agreement.

(3) Reflects our revised technical fee structure subject to a flat rate of Ch\$480.18 (in Chilean pesos as of November 2018) per confirmed passenger, as adjusted in accordance with the 2019 Transantiago Transportation Services Agreement.

When a new line commences operations, the 2019 Transantiago Transportation Services Agreement allows us to increase the technical fee based on the costs associated with the operations and construction of the new line. The base fee is adjusted on a monthly basis according to an adjustment formula that reflects our long-term cost structure (including our operating costs, debt servicing, and replacement of existing assets), or TLTC, reflecting the relative weight of each variable. The relative weight of each variable is determined as a proportion of each variable to the annual payments for each of our long-term total costs, including operational expenses, debt servicing expenses, refurbishment of assets, foreign currency exchange variations and electricity costs. The adjustment formula is set forth below.

$$I_{\text{readjustment}} = I_{\text{IPC}} \times 0.6135 + I_{\text{US\$}} \times 0.2367 + I_{\text{EURO}} \times 0.0181 + I_{\text{EE}} \times 0.0969 + I_{\text{PE}} \times 0.0348$$

Where:

| | |
|-------|--|
| IPC | Variation rate of the Consumer Price Index (CPI) |
| IUS\$ | Variation rate of the average monthly U.S. Dollar / Chilean Peso Exchange Rate |
| IEURO | Variation rate of the average monthly Euro / Chilean Peso Exchange Rate |
| IEE | Variation rate of the Electrical Energy Price Index |
| IPE | Variation rate of the Electrical Input Price Index |

If the parties agree to an increase in the installed capacity and/or the services provided by us by increasing the frequency of service, purchasing new trains, incorporating technology, adding air conditioned trains, expanding infrastructure of stations, improving operating time or extending or building new lines, such parties must also agree on adjustments to the technical fee that would be required to cover any investment and long-term costs. Also, in each case, the parties shall determine by mutual agreement the time these settings should take effect.

History of the Technical Fee

Between February 2007 and December 2012, we had a three-tier technical fee structure that depended on traffic volume. In December 2012, we entered into the 2012 Transantiago Transportation Service Agreement, pursuant to which the technical fee structure was changed from the original three-tier structure to a flat-rate structure. In addition, this new agreement provided for a review of the technical fee by us and the MTT in three-year intervals. These revisions to the flat fee will take into account changes in our long-term costs, including

increases in installed capacity and/or services provided by the Metro, the purchase of new trains, the incorporation of new technology, the updating of trains to provide air conditioning, the expansion of infrastructure at our stations, the extension or construction of new lines, or any other asset replacement or debt service costs. For instance, technical fee adjustments have been approved for our most significant capital projects, including the construction of new subway lines 6 and 3, as well as the updating of our train cars to provide air conditioning for our passengers' comfort. By adjusting the technical fee, we expect to be able to cover increases in our operating and debt service costs and replacement of assets resulting from our capacity expansion.

As of January 1, 2013, in accordance with the 2012 Transantiago Transportation Services Agreement, the technical fee per confirmed passenger corresponded to a flat rate; that was Ch\$302.06 (in Chilean pesos as of September 2012) per passenger and was subject to a gradual increase from September 1, 2016 until January 2018. The significance of this change is that it decreases the sections that did not generate incentives to attract new passengers to the network. For example, under the prior fare structure, 57% of the passengers of the new lines 6 and 3 would have paid a third tier fee (Ch\$48.0 marginal income as adjusted by the adjustment formula), while with the flat rate, each marginal passenger will provide Ch\$332.12, as adjusted by the adjustment formula and after the gradual increase that started on September 1, 2016, in accordance with the amendment to the 2013 Transantiago Transportation Services Agreement.

On June 26, 2013, we entered into the 2013 Transantiago Transportation Services Agreement, which complemented and replaced the 2012 Transantiago Transportation Services Agreement, and which updated the adjustment formula of the technical fee. The 2013 Transantiago Transportation Services Agreement expired on February 10, 2019.

Ahead of such expiration, on February 5, 2019, we entered into the 2019 Transantiago Transportation Services Agreement. The 2019 Transantiago Transportation Services Agreement became effective on February 11, 2019, for a one-year term, which will automatically continue unless notice to the contrary by any of the parties thereto. On February 5, 2020 we and MTT entered into an amendment to the 2019 Transantiago Transportation Services Agreement to, among other things, extend the original term for twelve additional months and reduce the technical fee from Ch\$480.18 to Ch\$478.67 to compensate for the fixed monthly payments we receive from RED as a result of our intermodal operations. Through such fixed monthly payments we are no longer exposed to changes in volumes of passengers transported to cover the costs of our intermodal operations, since those payments cover 100% of such costs. Such amendment is currently pending approval (*trámite de toma de razón*) by the General Comptroller of Chile (*Contraloría General de la República de Chile*). Pursuant to the terms of the 2019 Transantiago Transportation Services Agreement, in exchange for providing subway transportation services to RED passengers, we receive from RED a technical fee for each confirmed passenger that is updated on a monthly basis in accordance with a formula that takes into account our long-term costs structure, and which considers, among other variables, inflation, currency fluctuations and the price of electric power.

Investment Plans and Expansion

We allocate significant resources to studies and investment projects aimed at expanding our network, restoration-resiliency projects and projects to improve our infrastructure. Investments in network expansion seek to consolidate our position as the leading player in Santiago's public transportation system, restoration-resiliency projects are aimed at restoring the level of service we had immediately prior to the social protests that commenced in the fourth quarter of 2019, whereas our investments on maintenance and infrastructure improvements are earmarked for the following areas: improving the quality of our services; bolstering operational safety and stability; preserving and maintaining our facilities and grounds; and updating, renewing and modernizing technology used by our equipment and systems, all with a view to better serve our customers.

We expect to finance our capital expenditures with capital contributions from our shareholders, our income from operations, certain lines of credit with various financial institutions and local securities offerings.

Extension Project

On November 5, 2014, the President of Chile announced the Investment Plan on Infrastructure for Public Transportation involving certain investment initiatives to be developed by us, including, among others, the Extension Project for the construction of extensions of lines 2 and 3. The extension of line 2 will add 5.1 km of

underground track to the network and will service two neighborhoods of Santiago (El Bosque and San Bernardo) and will add four new stations to the existing line 2 (Riquelme, Observatorio, Lo Martínez and Hospital El Pino). The extension to the line 3 will add 3.8 km and three new stations (EFE Quilicura, Lo Cruzat and Plaza de Quilicura) to the existing line 3. We estimate that the Extension Project will benefit more than 700,000 people by reducing their travel time. The aggregate total investment in this Extension Project is Ch\$562,607.1 million (U.S.\$855.0 million). We announced the start of the engineering phase of these extensions on May 27, 2016 and expect to begin operations in the second half of 2023.

In 2018 and 2019, we made progress in several key areas of this Extension Project, specifically, the detail engineering for shafts, drives, tunnels, and workshops; the environmental permitting process required to obtain the Environmental Qualification Resolution; expropriation of land needed to execute the works and development of archaeological activities. As of December 31, 2019, physical progress was at 17.7% for line 2 and 24.1% for line 3.

Project 63

Project 63, for the construction of new lines 6 and 3, represented our most significant undertaking and expansion effort since the inauguration of the Santiago subway system. We have recognized a need for greater levels of integration and interconnection within the city of Santiago, as well as greater environmental responsibility. In addition, these new lines are part of an innovative project that incorporates the best practices of international subway systems in order to create a world-class subway system.

We invested U.S.\$3,145 million in this project over the course of six years, U.S.\$1,800.4 million corresponding to line 3 and U.S.\$1,344.3 million corresponding to line 6, which made this undertaking one of the largest infrastructure projects under construction during those years in Chile. The total investment amounts listed above include engineering, execution, purchasing, installation and implementation costs. The final designs were selected by the Secretary for Transportation Planning (*Secretaría de Planificación de Transporte*), or SECTRA, from 16 available options, with the selected designs presenting the highest potential socio-economic returns. This calculation was principally based on the evaluation of social benefits, including time savings for commuters and energy consumption. In addition, the implementation of these designs will generate operational cost savings for RED by encouraging passengers to travel by the Santiago subway rather than other means of transportation.

We began construction of lines 6 and 3 in September 2012. The project presented various construction challenges, including the necessity to work on both lines simultaneously. Both new lines are underground, since they travel through central and highly populated areas of the city, and as such, underground work was the only possible option to execute a project of this magnitude respecting existing national environmental standards. The choice of an underground design was based on the low impact that the construction had on city activities, such that inhabitants may not have even been aware of the work in progress.

Line 6 commenced operations in November 2017 while line 3 commenced operations in January 2019. Lines 6 and 3 benefit from new technologies including platform gates, rigid catenary systems, automatic pilot system of trains, LED lights, information screens, security cameras, smoke detectors and direct communication with our headquarters. By the completion of line 6, we opened the first automatic line of our subway network, which comprises 15 kilometers of track, joining the neighborhoods of Cerrillos and Providencia in approximately twenty minutes. Completion of line 3 represented the addition of our second automatic line, which comprises 22 kilometers of track running on the state-of-the-art technology, which we expect will boost the quality of life of Santiago's residents and expand the underground rail services to new neighborhoods.

In total, 11 communities benefited from this project, including five new neighborhoods (Quilicura with 210,410 inhabitants, Conchalí with 126,955 inhabitants, Pedro Aguirre Cerda with 101,174 inhabitants, Cerrillos with 80,832 inhabitants and Independencia with 100,281 inhabitants, according to the census of April, 2017) that are now connected to the Santiago subway. During year 2018 line 6 carried 39.1 million passengers, amounting to 15.8% more than the forecast for such line. On year 2019 line 6 served 40.7 million passengers. In its first year of operations, line 3 transported 55.8 million passengers.

The following improvements have occurred as a result of the construction of the new subway lines:

- the installation of platform doors for improved passenger safety and a forced ventilation system;

- the incorporation of the rigid catenary system, in an effort to improve passenger safety and save on electric power costs;
- the trains on these new lines are of a high standard, with air conditioning, security cameras and auto pilot, and 37 of them are computer-operated trains with five cars each;
- increased services in the Santiago subway, with a total area of 5,000 square meters of space dedicated as commercial space. Machines for the electronic charging of *Tarjetas Bip!*, Wi-Fi in the stations, and the addition of new commercial locations to the network;
- the stations in our new lines are all equipped with escalators and elevators;
- an improvement in connectivity within the city, including intermodal stations and increased connectivity with suburban trains; and
- a reduction in passengers' travel time by up to an average of 60% and 70%.

Line 7

The line 7 project will add 19 stations and service the growing and populated neighborhoods of Renca, Cerro Navia, Quinta Normal, Santiago, Providencia, Las Condes and Vitacura, benefiting approximately 1.35 million people, with a total trip time of approximately 35 minutes. During 2019, we started the expropriations proceedings, submitted the environmental impact study (*Estudio de Impacto Ambiental*) to the relevant authorities, obtained the health and feasibility permit, finished the basic engineering and obtained the resolution for the stage of design of the project and beginning of the advanced engineering for tunnels. At the end of December 2019, physical progress on the line 7 project was at 1.3%, which primarily consisted of basic engineering for civil works, preliminary studies on soil mechanics and aero photogrammetry of the land to determine where to draw the route in its entirety. We expect to invest over U.S.\$2.5 billion on this project which is scheduled to commence operations in 2027.

Project of New Lines 8 and 9 and Extension of Line 4

In 2018, the President of Chile, Sebastián Piñera, announced the Investment Plan on Infrastructure for Public Transportation involving certain investment initiatives to be developed by us, including, among others, the construction of new lines 8 and 9 and the extension of line 4. Line 8 will consist of 19 km of tracks and 14 stations, connecting the Providencia, Ñuñoa, Macul, La Florida and Puente Alto neighborhoods, starting at the Los Leones station and connecting to line 1 at Mall Plaza Tobalaba, passing through the streets Los Leones – Macul and corridor Av. La Florida. Line 9 will consist of 17 km of track and 12 stations, connecting Santiago, San Joaquín, San Miguel, La Granja, San Ramón and La Pintana neighborhoods, passing along the Santa Rosa corridor, starting at the Santa Lucía station and ending up at Av. Gabriela both on line 1. Line 4 expansion entails adding Bajos de Mena to the network, plus three new stations and 4 km of track southwest of the Plaza de Puente Alto station in the same neighborhood. We are in the process of analyzing and structuring these projects. We expect to invest over U.S.\$4,000 million on this project. During 2019, we obtained the resolution for the feasibility stage of the project for new lines 8 and 9 by the Ministry of Social Development and Family (*Ministerio de Desarrollo Social y Familia*).

Los Libertadores Intermodal Project

This project will be located in the Quilicura neighborhood and will directly connect line 3's Los Libertadores terminal station to the three main highways that connect the city of Santiago to areas located north of the city. In 2018, we began the civil works on this intermodal station, which involved taking possession of the land needed for construction, and obtaining the environmental permits required. The main works carried out during 2018 and 2019 included completion of the administrative building, the building ticket counters and related services and the platforms for city and intercity buses. Moreover, the engineering for the tensile structure that will cover the intermodal station is complete, and the structure is currently being built. The total investment in this project is Ch\$14,451 million (U.S.\$17.9 million). As of December 31, 2019, physical progress was at 99% and the project is expected to be completed by 2020.

Universal Access Program

This program consists in the construction of lifts to provide access to people with restricted mobility to our network. The total investment in this project is Ch\$64.434 million (U.S.\$86 million). We expect to complete the Universal Access Program by 2020. Progress on the Universal Access Program in 2018 and 2019 was as follows:

- Line 1 Elevators: the project was completed in 2019 and elevators located at the Alcántara, El Golf, La Moneda, República, Santa Lucía, Unión Latinoamericana, Pedro de Valdivia, Universidad de Santiago, Estación Central and San Alberto Hurtado stations were made available to customers.
- Line 2 Elevators: elevators were commissioned at the El Llano, Parque O'Higgins, Toesca, Departamental, Santa Ana and Lo Vial stations in 2018, while the Lo Ovalle station elevator was commissioned in 2019.
- Line 5 Elevators: the project was completed in 2019 and elevators located at the Bellas Artes, Parque Bustamante, Santa Isabel, Rodrigo de Araya, Carlos Valdovinos, Camino Agrícola, San Joaquín, Pedrero, Mirador and Santa Ana stations were made available to customers.
- Configurable bidirectional doors for individuals with reduced mobility on lines 1, 2 and 5: this initiative consists of enabling these doors at 98 stations in order to provide an independent access control point to individuals with reduced mobility so that they can use Metro services. They will enter the network through configurable bidirectional doors installed at control points at existing stations. Works continue and are expected to be completed in 2023.
- Reserved Space on Trains: this project consists of setting aside spaces on the NS-74, NS-93, AS-02 and NS-04 trains for use by individuals with reduced mobility in wheelchairs. These reserved spaces will leave an open space on each train car and will include features to assist users. In 2019, we awarded contracts for the works in NS-93, AS-02 and NS-04 trains and the project is expected to be completed in 2023.

Integration of Fleet

We have undertaken an integration project to expand and modernize our fleet, with the addition of 35 new NS-16 trains provided by ALSTOM for our lines 2 and 5, consisting of 245 cars, fitted with air conditioning and security anti-collision devices and with more efficient energy consumption for operation, in order to improve service quality, meet the increasing market demand and reduce operational costs. As of December 31, 2019, we received 14 trains. The following part of the integration project is expected to focus on the recovery of useful parts from trains, and we will use them to extend the lifespan of our existing NS-74 fleet. The total investment in this project is Ch\$284,521.2 million (U.S.\$385 million) of which Ch\$269,546.4 (U.S.\$360 million) are expected to be used in the acquisition of NS-16 trains and the remainder Ch\$14,974.8 million (U.S.\$25 million) are expected to be used in the overhaul of our NS-74 trains. We expect to complete the first stage of the integration project by 2021 and the second stage of the integration project by 2026.

Maintenance Plan for High-Impact Failures

To address certain operational and infrastructure problems experienced in 2014, we have developed a new maintenance and response plan designed for high-impact failures, with specific short- and long-term actions. The specific objectives of the plan include: (i) reduction of the rate of high-impact failures in trains and tracks, (ii) reduction of the time required to restore service in the event of high-impact operational or infrastructure problems, (iii) minimizing the impact of service suspensions, and (iv) providing a maintenance plan that prioritizes critical failure points. As of December 31, 2019, 15 of 35 sub-projects have been completed. The total investment in this project is Ch\$69,608.9 million (U.S.\$105.8 million).

Safety Project

This project involves the construction of a police station in the Baquedano station of line 5, the improvement of the CCTV system in certain stations and the implementation of screens and fixed cameras next to the turnstiles. In 2018, we completed the construction of the 60th police station located at the Baquedano station, which is staffed with over 100 police officers that have been exclusively assigned to provide services to passengers on our network. In 2019, we continued working on improving our CCTV system at stations, thereby boosting system coverage by installing additional cameras on platforms and mezzanines, replacing older cameras with an expired useful life, and setting up a fixed screen and camera system near turnstiles. These efforts are aimed at improving passengers' perception of safety, reducing fare evasion and aggression towards guards posted in said areas. Additionally, we made progress on implementing its perimeter anti-intrusion system and improvements to CCTV systems at workshops and depots, thereby setting up better intrusion barriers to prevent acts such as graffiti on trains. The total cost of this project is expected to be Ch\$11,844.3 million (U.S.\$18.0 million), which amount was provided by our shareholder in 2014 and 2016 in the form of capital contributions.

Environmental Mitigation Activities

During 2018, we made progress on the basic engineering, scope definition, and solution optimization components of a project to build Non-Hazardous Industrial Waste (RINP) Salvage Yard at the Neptuno, Puente Alto, and San Eugenio Workshops and the Quilín Intermediate Depot. In 2019, the design stage of this project was finalized, with the corresponding advanced engineering, which allowed us to initiate the approval procedures for the performance stage, which is expected to begin in 2020. In 2018, we obtained permission to begin the prefeasibility stage of our noise mitigation project in our workshops (Intermediate Depots in Quilín, and workshops in Puente Alto and San Eugenio). An international tender process was held and completed in November 2018 with a contract awarded to begin work in 2019, and during 2019, the prefeasibility stage of the project was finalized. In 2018, we began civil works on the Teniente Cruz viaduct noise pollution solution (line 5), especially for the tunnel section, which was finished in January 2019. Work on the Barrera and Rampa Norte sections began in 2019.

Improvement of Payment System

This project aims to update and improve the payment system technology, adopting new payments methods and new ways of recharging the *Tarjeta Bip!* This will include changes in the recharging network and use network of our system. During 2019, the project was approved and it will be developed on 2020. The total cost of this project is expected to be Ch\$7,217.9 million (U.S.\$9.6 million).

Reconstruction Project

Due to the protests and riots that took place in Chile in October, November and December 2019, we suffered significant damage to our network, which caused service interruption. To address this issue, we have developed a reconstruction project to repair the damages suffered by our network and maintain our operations standards. The works aiming to reopen 100% of our subway stations will occur in three stages: the first stage in November and December 2019, the second stage from January to April 2020, and the third stage at the end of 2020. Due to the reconstruction works already performed, as of December 31, 2019, we had 82% of our system working. The total cost of this project is expected to be Ch\$224 million (U.S.\$298.9 million). The Chilean State has supported the reconstruction project, first, by authorizing certain flexibility in the use of funds for expansion projects for year 2019 redirecting them to the reconstruction project, and second, by authorizing contributions from the 2019 and 2020 budgets to finance the reconstruction project.

Operating and Signaling Systems

Piloting Systems

Trains NS-74, NS-88, NS-93, NS-04 and AS-02 are controlled by automatic pilot systems, which means that the operator does not manually control the train operations and, therefore, does not apply the acceleration or the braking. Instead, the train movement is controlled by an automatic system that performs the acceleration and braking functions for the train. For trains running on line 1, the NS-93 models are equipped with an automatic

pilot, whereas the NS-07 models are operated manually by operators, along with supplementary RPS/KPVA (electronic boxes or cases located on the tracks, which are read by the trains) security signaling.

Signaling Systems

SACEM / MASTRIA

Our signaling systems ensure that trains move safely throughout the subway system. We currently use the following control and signaling systems: SACEM, an integrated system for automatic speed control, on lines 1, 2 and 5 and MASTRIA (the newer generation of the SACEM system) on lines 4 and 4A.

Using our signaling systems, we continuously monitor the location of our trains, both when they arrive at a particular station and as they are moving along the tracks. Track circuits (*Circuitos de Vía*) are used to pinpoint a train's location at any given time. The track is divided into sections, and the track circuits on each section notify the circuit system when that track is in use or free.

In addition, to move a train safely from one track to another, our signaling systems utilize a subsystem – Interlock (*Cambio*). This subsystem equipment can be found at the terminal stations. The Interlock system is essential in that, through certain security measures, it controls all of the signaling system equipment's actions. It also ensures that the stationary signaling equipment operates safely. The Interlock system sends SACEM—Automatic Train Control (*Control Automático del Tren*), or ATC, the required information to activate the protection and automatic driving functions of the trains.

The SACEM equipment is located on each train and in the equipment room of certain stations. In some cases, the SACEM system contains a fixed subsystem with:

- a main cabinet containing the computer rack;
- amplifiers for the transmissions between tracks and trains; and
- beacons and electronic boxes that send information to the trains through which the fixed subsystem sends its information to the train.

The equipment handles different types of information, including:

- data received from the interlocks and track circuits, which are critical for ATC;
- data exchanged with other SACEM locations, used to manage the train traffic between the different locations;
- data exchanged with the traffic regulating equipment through tele-transmission;
- location data sent to the trains; and
- maintenance data sent to the maintenance station, or TM.

CBTC

We are currently in the process of converting the signaling system used on line 1 to a CBTC signaling system. CBTC uses telecommunications between the train and the track equipment to monitor the exact position of the train along the tracks. Because the CBTC signaling system provides more accurate information than traditional signaling systems, we expect that the timing and reliability of our service will improve. This will allow us to avoid unnecessary delays and to reduce the distance between trains, thereby increasing passenger capacity and improving energy efficiency. The CBTC system was successfully implemented, starting with a complete business day operation of line 1 on autopilot mode on July 7, 2016. We are working on a new phase of the system pursuant to which we aim to run trains automatically without a train operator and to improve the automatic supervision of trains. We completed the conversion process in 2017.

Speed-restriction Commands

For operation of the Automatic Train Protection (*Protección Automática del Tren*), as well as the Automatic Train Operation (*Operación Automática del Tren*), the stationary equipment must be able to communicate with the trains. To enable this communication, we maintain a continuous digital transmission track-to-train technology that uses the tracks as means of transmission, which is then sent through a CVS card, or a signal adaptor card, and amplified by the inductive connection.

Control Center

We control all of the Santiago subway's operations from the Integrated Control Center (*Centro Integrado de Control*), or the CIC, which is located on the seventh floor of our corporate offices. We have approximately 60 employees on duty on a daily basis monitoring the operations of the trains using approximately 1,924 cameras and other monitoring equipment. The CIC is an essential component of the Santiago subway and successfully coordinates the transportation of approximately 2.4 million passengers per business day. Although the center relies on computer programs to control the movement of trains and cars, the CIC supervisors continuously monitor the system to ensure that it is functioning properly and stays on schedule. The CIC can shut off the trains remotely in the event of an emergency.

In order to address any interruption that may occur, the CIC is equipped with a series of procedures, manuals and action protocols that support our operations. The CIC also has Central Command Stations (*Puestos de Comando Central*), a Communications Center (*Centro de Comunicaciones*), a Safety Control Center (*Centro de Control de Seguridad*) and a Central Distribution Station (*Puesto Central de Distribución*), which together work to regulate the operations in the network, including the use of electric power. All of these stations operate 24 hours a day, 365 days a year. In addition, during peak hours, CIC employs an additional three people to supervise communications, the stations and maintenance of the fleet.

Property

We own all of the installations and equipment that we use in our operations, including our stations, tunnels, rolling stock, tracks, electrical equipment, tools, spare parts, commercial real estate, buildings, etc., all of which are located in the Santiago metropolitan area. We own 140 km of track (distributed between lines 1, 2, 3, 4, 4A, 5 and 6), a fleet of 232 trains comprised of 1,349 cars, 136 stations, six repair shops (Neptuno, San Eugenio, Lo Ovalle, Puente Alto, Cerrillos and Los Libertadores) and six cultural multiplexes (sala Baquedano, sala Quinta Normal (two), sala Plaza de Puente Alto, sala Bellas Artes and sala Plaza de Armas).

The net book value of our assets is provided by type of asset in the table below.

| Property, Plant and Equipment, by Type | As of December 31, 2019 | |
|---|--|------------------------------|
| | <i>(in millions of U.S.\$⁽¹⁾)</i> | <i>(in millions of Ch\$)</i> |
| Work in progress, net | 661.9 | 495,582.3 |
| Land, net | 177.5 | 132,899.6 |
| Civil construction, net | 3,566.9 | 2,670,687.3 |
| Buildings, net..... | 223.5 | 167,366.5 |
| Rolling stock, net..... | 1,344.1 | 1,006,350.5 |
| Electrical equipment, net..... | 473.9 | 354,825.8 |
| Machinery and equipment, net..... | 28.3 | 21,210.2 |
| Other, net..... | 24.7 | 18,479.2 |
| Property, plant and equipment, net | 6,500.8 | 4,867,401.4 |

(1) Solely for the convenience of the reader, we have converted Chilean peso amounts as of year ended December 31, 2019 into U.S. dollars at the observed exchange rate of Ch\$748.74 per U.S.\$1.00, as published by the Central Bank on January 2, 2020. We make no representation that the Chilean peso or the U.S. dollar amounts referred to herein actually represent, could have been or could be converted into U.S. dollars or Chilean pesos, as the case may be, at the rates indicated, at any particular rate or at all. See “Exchange Rates” for further information about recent fluctuations in exchange rates.

Insurance

We carry insurance for our equipment and buildings against material damage and consequent business interruption through comprehensive “all-risk” insurance policies. The material damage insurance for our operations provides insurance coverage for losses due to fire, earthquakes, landslides, floods, equipment breakdown and business interruption, among others. These all-risk insurance policies provide for total replacement values in amounts consistent with industry standards and adequate for the types of businesses in which we engage.

As part of our insurance policies, we also have coverage for losses incurred (1) in the case of personal accidents of our officers traveling abroad, (2) in connection with our fleet of trains and equipment and (3) relating to physical persons present in our facilities, equipment and spaces, whether they are passengers or passers-by (non-passengers) in the paid or unpaid zones named in the policy, among others.

We do not anticipate having any difficulties in renewing any of our insurance policies and believe that our insurance coverage is reasonable in amount and consistent with industry standards.

As of December 31, 2019, we maintain the following insurance policies:

| Policy | Broker | Insurance Agency | Coverage Amounts | Gross value of annual premium in UF |
|---|---------------------|---|---|--|
| Fire insurance and additional ... | Arthur J. Gallagher | Southbridge Compañía de Seguros Generales S.A. | UF8,966,417.9 | UF4,120.07 |
| Liability policy | AON | Compañía de Seguros Generales Continental S.A. | First Tranche UF30,000 Second Tranche UF70,000 | UF892.5 |
| Life insurance for private security..... | Marsh | Chubb Seguros Chile S.A. | UF 250 Life, Accidental Death, ITP 2/3 | UF731.98 |
| Life policy for executive role..... | Security | Metlife Chile Seguros de Vida S.A. | 2 base salaries per year of service with a minimum of 12 salaries | UF1,767.499 |
| Passenger accident policy..... | Security | BiceVida Compañía de Seguros S.A. | UF 750 Accidental Death, ITP 2/3, Reimbursement of medical expenses UF200 | UF6,747.97 |
| Maritime, Air and Land Transportation insurance | Marsh | Compañía Seguros Generales Suramericana Sura S.A. | U.S.\$ 500,000 for transportation | U.S.\$89.18 |

| | | | | |
|--|-------|--|--|--------------|
| Accidents and travel assistance policy | Marsh | Chubb Seguros Chile S.A. | Amounts according to Coverage. Maximum amount of coverage for accidental death is U.S.\$ 200,000 | U.S.\$127.27 |
| Liability of Directors and Executives D&O..... | AON | Chilena Consolidada Seguros de Vida S.A. | U.S.\$ 10,000,000 | U.S.\$667.06 |

Technology and Intellectual Property

Trademarks

We own the following commercial trademarks, registered in different classes in the Chilean National Institute of Industrial Property (*Instituto Nacional de Propiedad Industrial*):

- Marks: “Metro,” “Metrobús,” “Metropolitano,” “Subterráneo,” “Metro a Metro,” “El Ferrocarril Metropolitano,” “Metrovisión,” “Metropublicidad,” “Metro Club,” “Club Metro,” “Metromático,” “El Metro te cuida, Cuida el Metro,” “Metro-Chile,” “Metro Chile,” “Metro Red,” “Metropolitana,” “Metro de Santiago,” “Cuentos en el Metro,” “Cuentos Metro,” “Cuentos Urbanos,” “Cuentos Urbanos de Metro,” “Cuentos Urbanos en el Metro,” “Metro Cuentos Urbanos,” “Metrocuentos,” “Multired,” “Multitrans,” “Bici Metro,” “Metro Bici,” “Te llevo bajo la piel,” “Metroboutique,” “Red de Clientes Metro,” “Te-Guio,” “Cachapp,” “Metropago,” “Pagapp,” “Pagú,” “T-Paga,” “Wiiz,” “Línea Cero,” and “Cargactiva.”
- Labels: 19 labels.
- Mixed trademarks: “Metro,” “Metrobús,” “Metrotren,” “Metroexpreso,” “Metrotaxi,” “MetroInforma,” “Metro S.A.,” “MetroArte,” “El Metro en la Cultura,” “Metroeventos,” “Metrored,” “Ventana Cultural,” “Metroservicios,” “Metro a Metro,” “Metro de Santiago,” “Conozcámonos,” “Metronet,” “Metrocultura,” “Metroexpres,” “Redmetro,” “Metro en la Cultura,” “Carga Fácil,” “MetroTV,” “Multired,” “Multitrans,” “Metro Bici,” “Te llevo bajo la piel,” “Metrociudadano,” “Red Bip!,” “Santiago matemático un desafío entretenido,” “Música a un metro,” and “Línea Cero.”
- Advertising slogans: “El Metro te cuida, Cuida el Metro,” “Metro pasa por ti,” “Metro de Santiago, pasa por ti” and “Metro ciudadano pasa por ti.”

Patents

During 2019, we continued the supervision of the patent applications in Venezuela relating to the Multiway Card, a control and security device that registers the electronic charge and payment of fares via a card with a specified amount.

We obtained patents for the Multiway Card in the United States (Record No. 7,229,016, June 12, 2007); Mexico (Record No. 253570, January 18, 2008); Peru (Record No. 5070, August 22, 2008); Argentina (Record No. AR048314B1, June 14, 2010); and Ecuador (Record No. PI-11-2072, September 30, 2011).

We were granted a Chilean patent (Record No. 45,663, August 11, 2009) for our invention of a system and method for the detection of sensors and negative contact strips used for the determination of the position of trains on a railway, particularly of pneumatic rolling system trains.

On December 31, 2008, we were granted a patent (Record No. 44,277) for our invention of a system to detect the inflation condition in pneumatic rolling systems or guidance systems for metropolitan-type trains.

Employees

As of December 31, 2019, we had a total of 4,706 employees. The following table shows the number of our full-time employees by area of activity and location:

| Position | Number of Employees |
|---|----------------------------|
| Board of Directors | 3 |
| Business Department | 132 |
| Projects Department | 168 |
| Passenger Transportation Department | 10 |
| Legal Department | 24 |
| Management and Finance | 194 |
| Interim Comptroller Department | 11 |
| Engineering, Civil Works and Architecture | 138 |
| Clients and Sustainability | 78 |
| CEO | 4 |
| Engineering, Operations and Maintenance | 118 |
| Maintenance and Minor Operations Projects | 827 |
| Operations and Services | 2721 |
| Planning and Development | 123 |
| Human Resources | 150 |
| Security of Information | 5 |
| Total | 4,706 |

Of our employees, 97.9% are members of a trade union. Historically, we have enjoyed good labor relations with our employees and we are committed to maintaining a positive relationship with them.

The table below presents summary information about the trade unions representing our employees.

| | Union No. 1 | Union No. 2 | Union No. 7⁽¹⁾ | Union No. 5 |
|--|---|---|--|--|
| Name | <i>Sindicato de Trabajadores de Metro S.A.</i> | <i>Sindicato de Trabajadores Profesionales y Técnicos de Metro S.A.</i> | <i>Sindicato Unificado de Trabajadores, Operaciones y Servicios Metro S.A.</i> | <i>Sindicato de Vigilantes de Metro S.A.</i> |
| Principal affiliated positions | Guards, Station Managers and Administrative Personnel | Maintenance Technicians, Supervisors and Administrative Personnel | Operators | Private security guards |
| Number of workers as of December 31, 2019 | 1,398 | 1,820 | 1,038 | 313 |
| Year of last negotiated collective bargaining agreement | 2019 | 2018 | 2019 | 2019 |
| Year of expiration of current collective bargaining agreement | 2022 | 2021 | 2021 | 2022 |

(1) On October 24, 2014, Union No. 3 (*Sindicato Nacional de Conductores y Trabajadores Metro S.A.*) and Union No. 4 (*Sindicato Empresa de Trabajadores Conductores Metro S.A.*) merged to create Union No. 7 (*Sindicato Unificado de Trabajadores, Operaciones y Servicios Metro S.A.*).

In addition, we have a total of 132 contracts with third parties, through which we sub-contract a total of 10,740 workers.

| | As of December 31, 2019, | |
|--------------------|---------------------------------|----------------|
| | Contracts | Workers |
| Metro Operations | 96 | 8,201 |
| Metro Construction | 36 | 2,539 |
| Total | 132 | 10,740 |

Legal and Administrative Proceedings

We are party to civil and labor lawsuits, as well as to certain administrative proceedings. As of December 31, 2019, we provisioned Ch\$624 million for losses that may result from such proceedings. Pursuant to the opinion of internal and outside counsel, we determine the amount provisioned based on an evaluation of the likelihood of loss, classified as probable, possible or remote. Provisions are made only for those losses deemed probable. See “Risk Factors—Risk Factors Related to Our Business—We are party to legal proceedings which could have a material adverse effect on our results of operations and financial condition.” See note 19 to our consolidated financial statements.

REGULATORY FRAMEWORK

Regulatory Regime

As a state-owned enterprise, we are subject to specific laws applicable to government entities and state-owned enterprises in Chile. In addition, we are generally subject to the commercial laws applicable to private enterprises in Chile.

Our incorporation was authorized by Law No. 18,772 of 1989, or the Metro Act, which converted *Dirección General de Metro* into a corporation (*sociedad anónima*) and set forth certain rules applicable to us. Pursuant to the Metro Act, we ceased to be part of the Public Infrastructure Ministry (*Ministerio de Obras Públicas*). We are managed by a board of directors, pursuant to the Law No. 18,046, or the Chilean Corporations Act, which members are appointed by SEP and the Chilean Government. SEP is a CORFO committee, which represents CORFO's interests in the companies where it holds an interest.

On November 30, 2015, Law No. 20,877, as published in the Official Gazette, introduced certain improvements to the public passenger transportation system including, among other things, expanding the scope of our corporate purpose to permit us to render ground transportation services through buses or other vehicles of any technology.

Law No. 20,950, published in the Official Gazette on October 29, 2016, authorized the creation and operation of payment mechanisms with pre-charged funds by non-banking entities. Law No. 20,950 modified Law No. 18,772, and we will require the incorporation of subsidiaries or affiliated companies for the development of these activities, along with capital contributions from the government.

In addition, as a securities issuer we are subject to the supervision of the CMF, and must comply with rules enacted for securities markets in Chile. Powers of the CMF to interpret and enforce legal and regulatory requirements are stated in Decree Law No. 3,538, and securities issuers are regulated by Law No. 18,045.

Under Secretariat of Transportation of Chile

The MTT, through its Under Secretariat of Transportation, is responsible for regulating the public transportation services in Chile and for controlling and supervising the policies, plans and programs related to public transit.

RED

During 2003 and 2004, the MTT set forth the rules for a public bidding of integrated contracts, which would constitute the regulatory framework of the Santiago Urban Transportation Plan (Transantiago, now RED).

As a result of subsequent difficulties in the implementation of the RED system after it was launched in February 2007, various changes and reforms to the regulatory framework were enacted. In 2012 and 2013, several amendments were introduced that resulted in new agreements between MTT and us, MTT and AFT (a private company), MTT and Sonda S.A. (a private company) and MTT and the respective road operators.

The RED plan was structured by (a) granting concessions over roads for providing public transportation services; (b) integrating the transportation service of the companies that obtained concessions with our underground transportation system; (c) integrating the access to, and management of, the system, by collecting all fares through a technological system; and (d) providing a technological platform for managing the bus system.

This resulted in, among others, the following contracts:

- contracts granting rights to use roads between MTT and each main route bus operator or feeder bus operator;
- agreement between the AFT and MTT, by which AFT undertook the financial management of the system;
- contracts between Sonda S.A., and MTT for the technological services;

- the Original Transantiago Service Agreement;
- the 2012 Transantiago Transportation Services Agreement and the 2012 Transantiago Ancillary Services Agreement;
- individual mandate agreements between AFT and the road operators, for the administration and payment of the fares; and
- the 2013 Transantiago Transportation Services Agreement.

The most relevant changes were included in Law No. 20,378, passed in September 2009, which created the Expert Panel, entrusted with the determination of the rates of public transport system for the Province of Santiago and the neighborhoods of San Bernardo and Puente Alto, according to the methodology set forth by the MTT.

Under the 2012 Transantiago Ancillary Services Agreement, we agreed to sell *Tarjetas Bip!* and operate the charge-card network in our subway facilities. Pursuant to this agreement, we have the right to retain from the total amounts collected the technical fee to which we are entitled for Santiago subway trips. During June 2013, we added ground fare collection to our existing underground fare collection functions and currently cover 100% of fare collection for Transantiago.

As part of our integration into the RED system, the Chilean Government established an integrated fare system, which allows passengers to travel and transfer freely between the Santiago subway and buses. In exchange for our services, we receive from RED a technical fee for each confirmed passenger. On December 14, 2012, we entered into the 2012 Transantiago Transportation Services Agreement, which provides for the flat-rate technical fee commencing January 1, 2013 and to be updated on a monthly basis in accordance with an adjustment formula that takes into account our total long-term costs and which tracks, among other factors, inflation, currency fluctuations and the price of electric power. The 2012 Transantiago Transportation Services Agreement was later complemented and substituted by the 2013 Transantiago Transportation Services Agreement, maintaining the same flat technical fee of Ch\$302.06.

Pursuant to the amendment to the 2013 Transantiago Transportation Services Agreement, in accordance with Resolution No. 920 issued by MTT on October 4, 2016, as of September 1, 2016, we were entitled to increase our technical fee in the next two years in accordance with the following: (i) an increase in our long-term total costs for the past three years, resulting in an increase of Ch\$7,000.0 million for the year 2017 and an additional Ch\$11,000.0 million for year 2018 and thereafter, (ii) the development of our maintenance plan for high-impact failures, resulting in an increase of Ch\$7,000.0 million per year, effective as of September 1, 2016, (iii) an adjustment for the construction, operation and maintenance of integration infrastructure (intermodal stations), resulting in an increase of Ch\$1,000.0 million per year, effective as of September 1, 2016, and (iv) an increase of Ch\$23.05 for the commencement of operations of line 6, together with an increase of Ch\$8.6 due to air conditioning per transaction (from November 2, 2017). In January, 2018 all of these came into effect, resulting in our technical fee to be Ch\$363.77 (in Chilean pesos as of September 2012) per passenger.

In addition, since January 22, 2019, due to the commencement of operations of line 3, the technical fee was increased by Ch\$32.45 (in Chilean pesos as of September 2012) and the Ch\$8.6 for air conditioning was replaced by Ch\$7.8 for such concept, reaching a fee of Ch\$395.42 (in Chilean pesos as of September 2012).

Furthermore and in accordance with the amendment to the 2013 Transantiago Transportation Services Agreement, we may further increase our fee upon the start of operations of the extensions of lines 2 and 3, by up to Ch\$31.2 (in Chilean pesos as of September 2012) per passenger, consisting of an increase of Ch\$16.1 upon the start of operations of the extension of line 2 and Ch\$15.1 upon the start of operations of the extension of line 3.

Pursuant to the terms of the 2019 Transantiago Transportation Services Agreement, in exchange for providing subway transportation services to RED passengers, we receive from RED a technical fee for each confirmed passenger that is updated on a monthly basis in accordance with a formula that takes into account our long-term costs structure, and which considers, among other variables, inflation, currency fluctuations and the price of electric power. The compensation structure based on the technical fee was first introduced by the 2013 Transantiago Transportation Services Agreement which expired on February 10, 2019. Ahead of such expiration, on February 5,

2019, we and the MTT entered into the 2019 Transantiago Transportation Services Agreement. The 2019 Transantiago Transportation Services Agreement became effective on February 11, 2019, for a one-year term, which will automatically continue unless notice to the contrary by any of the parties thereto. On February 5, 2020 we and MTT entered into an amendment to the 2019 Transantiago Transportation Services Agreement to, among other things, extend the original term for twelve additional months and reduce the technical fee from Ch\$480.18 to Ch\$478.67 to compensate for the fixed monthly payments we receive from RED as a result of our intermodal operations. Through such fixed monthly payments we are no longer exposed to changes in volumes of passengers transported to cover the costs of our intermodal operations, since those payments cover 100% of such costs. Such amendment is currently pending approval (*trámite de toma de razón*) by the General Comptroller of Chile (*Contraloría General de la República de Chile*). Our current technical fee per passenger is Ch\$523.85 (which is equal to the technical fee of Ch\$480.18 established in the 2019 Transantiago Transportation Services Agreement as adjusted by the formula therein for the month of April 2020).

Pursuant to the 2019 Transantiago Transportation Services Agreement, the fee increase due to the extension of line 2 and line 3 was updated to Ch\$18.33 and Ch\$19.55 (in Chilean pesos as of November 2018). In addition, due to the project for line 7, the technical fee will be increased by Ch\$50.20 (in Chilean pesos as of November 2018).

As a result of the social protests that began in October 2019, the Chilean Congress enacted Law No. 21,184, which authorizes the President of Chile to freeze and control the increase of the Commercial Fare. In any event, actions by the President of Chile to determine the fare shall take into account the economic equilibrium of our transportation system. Pursuant to the authorization provided by Law No. 21,184, on October 21, 2019, the MTT enacted Supreme Decree (*Decreto Supremo*) No. 96, which ceased the effectiveness of the commercial fare that started to apply on October 6, 2019. Pursuant to Law No. 21,184, the expenses produced by this revocation of the fare increase will be financed through the MTT's budget, and to the extent needed, through the Public Treasury's budget. The technical fee has not changed as a result of the actions taken by the Chilean Government pursuant to Law No. 21,184.

Ministry of Finance Authorization

Pursuant to Decree Law No. 1,263, Chilean State owned companies require prior authorization by means of an exempt decree (*decreto exento*) jointly issued by the Ministry of Finance and the Ministry of the Economy, Promotion and Tourism to enter into any kind of agreement that results in the incurrence of debt. Such specific authorization regarding the offering described herein has been granted by Exempt Decree No. 131, dated April 27, 2020.

Enforceability of Obligations

Except for certain limitations under Law No. 20,720, or the Chilean Insolvency Law, mentioned below, our commercial obligations are fully enforceable in the same manner as those of any privately owned company in Chile. Even though we are a state-owned enterprise, we are subject to the same laws and regulations applicable to all private Chilean companies with respect to the enforceability of such obligations. In particular, the Chilean Constitution provides that if the Chilean State carries out commercial activities, it will be governed by all legislation applicable to private persons with respect to such activities, unless a specific law approved by an absolute majority of both chambers of the Chilean Congress dictates otherwise. As of the date of this offering memorandum, no such law has been passed with respect to us. In addition, Decree Law No. 2,349 of 1978 expressly authorizes state-owned companies to waive their immunity from lawsuits, and we have done so with respect to these notes. As a state-owned enterprise, we are subject to specific laws applicable to government entities and state-owned enterprises in Chile. In addition, we are generally subject to the commercial laws applicable to private enterprises in Chile.

In addition, Article 445 No. 17 of the Chilean Civil Procedure Code sets forth that the assets that are used in the performance of a service that cannot be suspended without harming transit or public health may not be seized or attached. Accordingly, this provision affects our main assets, such as trains and subway stations. Nevertheless, the taxable income produced by these assets can be seized.

The enforceability of our obligations is subject to the Chilean Insolvency Law. Under the Chilean Insolvency Law, enacted in October 2014, it is possible for a debtor to commence a reorganization proceeding not only

through a court process, but also through an out-of-court arrangement with its creditors, which may be then approved by the court through a simple process. Also, it is possible for the debtor and its creditors to agree on a reorganization proposal with different conditions for different categories of creditors (e.g., secured and unsecured), which must be expressly approved by each class or category of creditors in accordance with certain voting thresholds.

In an in-court reorganization, companies are able to continue managing the daily operation of the company with certain restrictions. In particular, an overseer (*veedor*) is appointed by the court to supervise the reorganization proceeding and management of the company. The in-court reorganization considers a stay period of 30 business days (increased for up to a total of 90 business days if the debtor obtains the creditors' support), during which the enforcement of obligations of the company and the initiation of a liquidation proceeding against the company are suspended and therefore, its assets cannot be foreclosed. It also prevents the application of any clause providing for the termination of a contract or the acceleration of an obligation as a consequence of the initiation of a reorganization proceeding. During this proceeding, the debtor must submit a reorganization plan to its creditors. As a general rule, if the reorganization plan is approved by the creditors (in accordance with certain voting thresholds), the debtor's creditors are bound by the terms of the reorganization agreement and may only request payment of their credits pursuant to those terms. If the debtor fails to submit the reorganization plan within the required deadline, or if the reorganization plan is not approved, a liquidation proceeding is then initiated against the debtor.

The Chilean Insolvency Law additionally allows the debtor under insolvency protection (that is, during the stay period) to contract debt to finance its operations (up to 20% of the debt it had at the commencement of the procedure, or higher with creditor's support), which will rank senior with respect to the existing creditors (except for a few statutory preferences which will remain in force) in case the reorganization agreement is not approved and the judge orders the liquidation of the company.

In a liquidation proceeding, all obligations of the company become due as of the date the liquidation order is issued by the relevant court (*resolución de liquidación*). Management of the company no longer continues the operation of the company. A liquidator (*liquidador*) is appointed by the court to manage the company and oversee the liquidation of its assets in order to distribute the proceeds from such liquidation among all of the creditors in the preferential order set forth under Chilean law. In addition, under the Chilean Insolvency Law, the obligations under any securities, including the notes, are subordinated to certain statutory preferences. In a liquidation, these statutory preferences, including, without limitation, claims for salaries, wages, secured obligations, social security, taxes and court fees and expenses, have preference over any other claims, including claims by any investor in respect of the notes. Upon termination of the liquidation proceeding, any unpaid amount of a credit existing prior to the commencement of said proceeding is deemed extinguished as a matter of law.

The Chilean Insolvency Law contains claw-back period rules such that, generally, any transfer, encumbrance or other transaction executed or granted by the debtor during the term of two years prior to the commencement of the reorganization or liquidation proceedings, may be rendered ineffective if it is proved before the court that such transfer, encumbrance or transaction (i) was entered into with the counterparty knowledge of the debtor's poor business condition; and (ii) caused damages to the bankruptcy estate or has affected the parity that shall exist among creditors (e.g., that the transaction has not been entered into under terms and conditions similar to those prevalent in the market at the time of its execution).

Notwithstanding the above, the Chilean Insolvency Law contains certain specific cases in which any transfer, encumbrance or other transaction executed or granted during the term of a year prior to the commencement of the insolvency proceedings (extendable to two years in certain events) is deemed ineffective, based on objective grounds, such as pre-payments, payments on terms different than as originally agreed by the parties and the creation of security interests to guarantee pre-existing obligations.

There is uncertainty as to how the Chilean Insolvency Law will be interpreted and applied by the relevant courts regarding insolvency of state owned entities.

MANAGEMENT

The following is a summary of certain information concerning our management, certain provisions of our bylaws (estatutos) and Chilean law regarding corporate governance. This summary is qualified in its entirety by reference to our bylaws and/or Chilean law, as the case may be, and it does not purport to be complete.

Our Board of Directors

We are managed by our board of directors, which is comprised of seven directors who are elected for two-year terms at our annual shareholders' meeting, in accordance with the Chilean Corporations Act. The members of our board of directors are appointed by CORFO's SEP and the Chilean Government. SEP is a committee of CORFO, which represents CORFO's interests in the companies in which CORFO holds an interest. If a vacancy occurs on the board of directors during the course of any two-year term (for example, upon resignation, death or ineligibility by virtue of law), the board of directors may elect a temporary director until the next regularly scheduled meeting of shareholders, when the entire board of directors is to be elected. There are regularly scheduled semi-monthly meetings of the board of directors. Extraordinary meetings are convened by the chairman of the board of directors upon request by any other director with the agreement of the chairman or upon request by a majority of the board of directors. The board of directors is responsible for, among other things, the overall supervision and administration of our business activities, the appointment and removal of our executive officers, the review of our financial statements, the approval of our budget and the approval of any purchase or sale of real estate.

Our current board of directors was elected on April 23, 2018 and each director's term will end upon the election of the new board members at the annual shareholders' meeting to be held in the first quarter of 2020.

Set forth below are the names of our current directors and their respective appointment dates.

| Name | Position | Age | First Date of Appointment |
|-------------------------------|---------------|-----|---------------------------|
| Louis de Grange Concha | Chairman | 46 | 2018 |
| Nicole Marie Keller Flaten | Vice-Chairman | 36 | 2018 |
| Germán Daniel Concha Zavala | Director | 51 | 2018 |
| Andrea Salomon Dümmer | Director | 40 | 2019 |
| Arturo Carlos Gana de Landa | Director | 74 | 2018 |
| Juan Carlos Herrera Maldonado | Director | 43 | 2018 |
| Luz Elena Granier Bulnes | Director | 54 | 2018 |

Set forth below are brief biographies of our directors.

Louis de Grange Concha. Mr. de Grange has a degree in Civil Industrial Engineering (specialized in Engineering and Transportation), a Masters degree in Transportation Economics and a PhD in Transportation System Planning, all from Pontificia Universidad Católica de Chile. He has vast experience in the academic and transportation sectors.

Nicole Marie Keller Flaten. Ms. Keller has a degree in Journalism from Pontificia Universidad Católica de Chile, a diploma in Marketing Management from Universidad de Chile and studied strategic communication at Columbia University. During her career, she has worked in the newspaper El Mercurio and in the Ministry of Public Works (*Ministerio de Obras Públicas*). Currently she is also Managing Partner at Etcheberry Group, a public relations firm.

Germán Daniel Concha Zavala. Mr. Concha has a Law degree from Pontificia Universidad Católica de Chile. He is Main Partner at Concha Zavala Abogados. His practice is focused on litigation, public, economic and business law and regulatory matters. He is also Public Law Associate Professor at Pontificia Universidad Católica de Chile.

Andrea Salomon Dümmer. Ms. Salomon has a degree in Civil Industrial Engineering from Pontificia Universidad Católica de Chile and a Master in Business Administration from the University of Chicago. She has vast experience in strategic consultancy. During the last 12 years, on Matrix Consulting, she has led projects to

improve and transform businesses of clients of different areas, such as mass consumption, cellulose, mining, transport, among others. She previously worked in McKinsey & Company and in Falcon Management Partners.

Arturo Carlos Gana de Landa. Mr. Gana has a degree in Business, and has vast experience on the trade union area. He is currently President of the *Colegio de Ingenieros de Chile* and has worked as advisor of the Chilean Camera of Construction (*Cámara Chilena de la Construcción A.G.*). He has also worked as National Advisor and as Director of the Casa de Moneda. Mr. Gana is the acting Chairman of the Engineers College of Chile (*Colegio de Ingenieros de Chile*).

Juan Carlos Herrera Maldonado. Mr. Herrera has a degree in Civil Industrial Engineering and a Masters degree in Engineering from the Pontificia Universidad Católica de Chile, and a MSc and PhD from the University of California, Berkeley. He is an associate professor and head of the Department of Transport Engineering and Logistics at Pontificia Universidad Católica de Chile. He is past president of the Chilean Society of Transport Engineering (*Sociedad Chilena de Ingeniería del Transporte (SOCHITRAN)*) and has experience as advisor in both the private and public sectors.

Luz Elena Granier Bulnes. Ms. Granier has a degree in Business (specialized in Economics) from Universidad de Chile. She has been Undersecretary of Social Services (*Ministerio de Desarrollo Social*), and Chief of Staff (*Jefa de Gabinete*) of the Ministry of Public Works (*Ministerio de Obras Públicas*), the Ministry of Mining (*Ministerio de Minería*) and the Ministry of Energy (*Ministerio de Energía*). She currently serves as Director in several companies in different areas such as transport, infrastructure, energy and health.

To the best of our knowledge, none of the members of our board of directors has been: (1) convicted in relation to fraudulent offenses; (2) a member of an administrative, management or supervisory body or a senior manager of a company in bankruptcy, receivership or liquidation; (3) the subject of an official public investigation and/or sanctions by statutory or regulatory authorities; or (4) removed or disqualified by a court from an administrative, management or supervisory body of an issuer or from acting in the management of an issuer.

Senior Management

Our board of directors appoints the members of our senior management, who may exercise all powers granted by law or delegated by the board. The members of our senior management are subject to the same fiduciary duties applicable to the board of directors.

Our management team has been significantly focused on expanding and improving operational efficiency and quality of service aiming to provide effective response to the demands of the Metropolitan region of Santiago to better serve our customers and seamlessly integrate with RED and other transportation means. Our management team is committed to maintaining transparency and accountability with respect to our shareholders and the Chilean people. We believe that a management team requires depth, leadership, expertise and motivation to execute our growth strategy. We are conscious that our associates contribute to the quality and competitiveness of Metro, and are one of our core competitive advantages.

Set forth below are the names and positions of our current senior management team members, their ages as of December 31, 2019 and their respective appointment dates.

| Name | Position | Age | Officer since |
|---------------------------|--|------------|----------------------|
| Rubén Alvarado Vigar | Chief Executive Officer | 67 | 2014 |
| Gonzalo Morales Moreno | General Counsel | 57 | 2008 |
| Ignacio Tapia Hortuvia | Chief Financial and Administrative Officer | 42 | 2019 |
| Robert Sprätz Demaría | Chief Transportation of Passengers Officer | 49 | 2019 |
| Patricio Baronti Correa | Chief Human Resources Officer | 45 | 2014 |
| Jorge Baeza Guerra | Chief Information Security Officer | 44 | 2019 |
| Felipe Bravo Busta | Chief Projects Department Officer | 48 | 2019 |
| Cristián Cañete Cañas | Chief Engineering of Operations and Maintenance | 40 | 2019 |
| Arturo Núñez Berríos | Officer for Line 3 (interim) | 58 | 2019 |
| Oswaldo Cortés Amar | Officer for Line 7 | 63 | 2018 |
| Carlos Pardo Mella | Chief Operations and Services Officer | 40 | 2019 |
| Ximena Contreras Duff | Interim Comptroller | 55 | 2017 |
| Paulina del Campo Fuentes | Chief Clients and Sustainability Officer | 47 | 2018 |
| Juan Mahuzier Herrera | Chief Business Department Officer | 56 | 2019 |
| Miguel Urzúa Brito | Chief Maintenance and Minor Operational Projects Officer | 41 | 2019 |
| Rodrigo Terrazas Michell | Chief Engineering Officer | 53 | 2019 |
| Nicolás Castro Quiroz | Chief Supply and Agreements Officer | 36 | 2019 |
| Ximena Schultz Soriano | Chief Extensions Officer | 37 | 2018 |
| Sebastián Court Benvenuto | Chief Planning and Development Officer | 36 | 2016 |
| Héctor González Garrido | Chief of Engineering Officer | 64 | 2014 |

Set out below are brief biographies of our principal executives.

Rubén Alvarado Vigar. Mr. Alvarado has been our Chief Executive Officer since 2014. He has served in senior executive positions at various companies, such as General Manager of Codelco, El Teniente Division from 2000 to 2004, General Manager of Empresa Portuaria San Antonio from 2004 to 2005, Engineering & Maintenance Vice President of Lan Airlines from 2007 to 2012, and General Manager of Alsace & Express from 2012 to 2013. He holds a Bachelor's degree in Civil and Chemical Engineering from the Universidad de Chile and a Masters in Business Administration degree from Tulane University.

Gonzalo Morales Moreno. Mr. Morales has been our General Counsel since 2009. He previously served as our Deputy General Counsel for six years. Prior to joining us, he worked at CORFO, where he served as Deputy Legal Financial Counsel beginning in 1992, and as Assistant Counsel. He holds a Law degree from the Universidad de Chile.

Ignacio Tapia Hortuvia. Mr. Tapia joined Metro seven years ago, as Assistant Manager of the Financial Department, and has served as Chief Financial and Administrative Officer since 2019. Prior to joining us, he worked in companies such as Paz Corp, Banmerchant and Enersis. He holds a Business degree from the Pontificia Universidad Católica de Valparaíso and a Masters in Business Administration from the Pontificia Universidad Católica de Chile.

Robert Sprätz Demaría. Mr. Sprätz has been our Chief Transportation of Passengers Officer since 2019. He has 25 years of professional experience. Prior to joining us, he served as Regional Manager of Maintenance and Remodeling at Cencosud, where he led the internationalization of the maintenance model implemented in Chile for the rest of the region, leading a team of 1,600 people. Before, he worked at LATAM, as Assistant Manager of On Board Service and Manager of Cabin Maintenance. He holds a degree in Industrial Engineering from the Pontificia Universidad Católica de Valparaíso.

Patricio Baronti Correa. Mr. Baronti has been our Chief Human Resources Officer since 2014. He began his career in 2003 as Assistant Director at the Clinical Hospital of Universidad de Chile, where he served as Chief Human Resources Officer since 2006. He holds a Psychology degree from the Universidad de Chile and a Masters degree in Public Policy from the Universidad Adolfo Ibáñez.

Jorge Baeza Guerra. Mr. Baeza joined Metro in 2015 as Security Officer, and has been our Chief Information Security Officer since 2019. Mr. Baeza has vast experience in the area of security of information and has worked in such area in several companies, such as Minera Collahuasi, Banco de Crédito e Inversiones, Sonda-Quintec and Bolsa de Valores de Santiago. He holds a degree in Industrial Engineering, specialized in Management, from the Universidad Técnica Federico Santa María.

Felipe Bravo Busta. Mr. Bravo has been our Chief Projects Department Officer since 2016. He has served as Project Manager and Assistant Manager from 2009 to 2014 and as Maintenance Manager from 2014 to June 2016, among other positions. He is an Industrial Engineer with a major in Transportation from the Pontificia Universidad Católica de Chile.

Cristián Cañete Cañas. Mr. Cañete has been our Chief Engineering of Operations and Maintenance Officer since 2019. He holds a degree in Business from the Universidad de Santiago and has studies in Commercial Sales Management and Human Capital Management.

Arturo Núñez Berríos. Mr. Núñez joined Metro in 2013, and currently serves as interim Officer for Line 3. He has over 30 years of experience, mainly in management of construction projects. Previously he worked at Ingendesa S.A. and Centrales Hidroeléctricas de Aysén. He holds a degree in Civil Engineering from the Universidad Técnico Federico Santa María.

Oswaldo Cortés Amar. Mr. Cortés joined Metro in 2014 to lead the construction of line 6, and has been our Officer for Line 7 since 2018. He has over 35 years of experience and has worked in the areas of mining, engineering and industrial construction projects. He holds a degree in Civil Engineering, specialized in Structures, and a diploma in Industrial Marketing, both from the Universidad de Chile.

Carlos Pardo Mella. Mr. Pardo joined Metro in 2018 and serves as Chief Operations and Services Officer since 2019. Prior to joining us, he worked in Blue Express, a logistics company, in the areas of sales, operations and logistics. He holds a degree in Industrial Engineering, specialized in Transportation Engineering, from the Pontificia Universidad Católica de Chile, and has a diploma in Business Management from the Pontificia Universidad Católica de Chile.

Ximena Contreras Duff. Ms. Contreras joined Metro in 2017 as Interim Comptroller. She has over 30 years of experience, and has worked in companies such as Deloitte, Walmart Chile and D&S, where she has served as Financial Comptroller, Interim Comptroller and Chief of Corporate Accountability Officer. She holds a Public Accountant degree from the Universidad Tecnológica Metropolitana and a Master in Tax Management from the Universidad Adolfo Ibáñez.

Paulina del Campo Fuentes. Ms. del Campo serves as Chief Clients and Sustainability Officer since 2018. She has over 20 years of experience, and has served as Director in the agencies Casarejos y Silva, DDB and Casazegers. On 2006 she started working at Universidad Diego Portales as Director of Communications, and since 2016 she serves as General Director of Admissions and Institutional Relations. She holds a degree in Journalism from the Universidad Gabriela Mistral.

Juan Mahuzier Herrera. Mr. Mahuzier joined Metro in 2018 as Chief Payment Methods Department Officer, and since 2019 he serves as Chief Business Department Officer. Prior to joining us, he served as Chief of Credit Products and Payment Methods Officer at Scotiabank Chile, Chief of Products Officer at Banco Internacional, and Chief of Branch and Distribution Channels Officer at Banco Falabella, among others. He holds a degree in Industrial Engineering from the Universidad de Santiago and a Master in Business Management from the Universidad Adolfo Ibáñez.

Miguel Urzúa Brito. Mr. Urzúa joined Metro four years ago as Assistant Manager of Maintenance of Neumatic Trains, and serves as Chief Maintenance and Minor Operational Projects Officer since 2019. Prior to joining us, he served as Maintenance Engineer in Metro de Madrid, Spain, Chief of Projects Officer at Alstom Chile and Chief Executive Officer at CAF-Chile. He holds a degree in Industrial Engineering from the Universidad de Aconcagua and a Master in Industrial Engineering from the Universidad de Santiago.

Rodrigo Terrazas Michell. Mr. Terrazas has been our Chief Engineering Officer since 2019. He began his career in 1983 with the Chilean navy. Prior to joining us, he worked at VTR Banda Ancha S.A., where he served as Chief Operative Officer, and at Bazuca.com, where he served as CEO beginning in 2007. He holds a Naval and Electronic Engineering degree from the Academia Politécnica Naval and an MBA from the Universidad Adolfo Ibáñez.

Nicolás Castro Quiroz. Mr. Castro serves as our Chief Supply and Agreements Officer since 2019. He has 10 years of experience and has worked at Walmart, and at LATAM as Projects Engineer, Projects Chief, Assistant Manager of Materials Business and Supplier Management, and as Chief of Technical Strategic Sourcing & Supplier Management Officer. He holds a degree in Industrial Engineering and a Master in Industrial Engineering, both from the Pontificia Universidad Católica de Chile.

Ximena Schultz Soriano. Ms. Schultz joined Metro in 2007, working in the areas of operations and projects, and serves as Chief Extensions Officer since 2018. She holds a degree in Industrial Engineering from the Universidad de Chile and a Master in Management Science from London School of Economics and Political Science.

Sebastián Andrés Court Benvenuto. Mr. Court has been our Chief Planning and Development Officer since 2016. Prior to joining us, he worked as Junior Analyst at ING from 2007 to 2008. He served as our Operations Analyst from 2008 to 2010, as our Security and Operational Systems Chief from 2010 to 2011, as our Engineering Assistant Manager from 2011 to 2014 and as our Internal Engineering and Technology Officer from 2014 to 2015. He holds a degree in Mathematical Engineering from the Universidad de Chile.

Héctor González Garrido. Mr. González serves as our Chief of Engineering Officer since 2014. He has over 35 years of experience, where he has worked in engineering and project management in the mining, infrastructure and industrial projects areas. He previously worked in projects involving Metro as Chief Projects Officer at ARA-Ingendesa. He holds a degree in Engineering from the Universidad de Chile and has studies in Project Management from CIDES and Universidad de Madrid, Project Management from the Universidad de Chile and has been qualified as Project Engineering Manager by Bechtel.

As of the date of this offering memorandum, none of our directors or executive officers owns any of our share capital.

None of our principal executives is related to other principal executives, the members of our board of directors or the members of our board of statutory auditors or other individuals playing a strategic role in our business.

To the best of our knowledge, none of the members of our principal executives has been: (1) convicted in relation to fraudulent offenses; (2) a member of an administrative, management or supervisory body or a senior manager of a company in bankruptcy, receivership or liquidation; (3) the subject of an official public investigation and/or sanctions by statutory or regulatory authorities (including professional associations); or (4) removed or disqualified by a court from an administrative, management or supervisory body of an issuer or from acting in the management of an issuer.

Compensation of Directors and Senior Management

Our bylaws provide that directors receive compensation determined by the ordinary shareholders' meeting on an annual basis.

During the year ended December 31, 2019 and for the year ended December 31, 2018, our senior management (general management and other managers) received an aggregate of Ch\$3,200.9 million and Ch\$2,993.9 million, respectively.

PRINCIPAL SHAREHOLDERS

As of December 31, 2019, the aggregate amount of our issued, outstanding and fully paid share capital was Ch\$3,712,166,008,124 represented by 108,808,410,966 million common shares. Each common share entitles the holder thereof to one vote at our shareholders' meetings.

The table below sets forth certain information regarding the ownership of our capital structure as of December 31, 2019.

| Name of shareholder | Number of shares subscribed | Number of shares paid | % ownership |
|-------------------------------------|--------------------------------|--------------------------|----------------|
| CORFO | 72,831,425,394 | 72,831,425,394 | 66.94% |
| Chilean State (<i>Fisco</i>)..... | 35,976,985,572 | 35,976,985,572 | 33.06% |
| Total | 108,808,410,966 | 108,808,410,966 | 100.00% |
| CORFO | | | |
| Series A..... | 60,727,954,088 | 60,727,954,088 | 55.8% |
| Series B..... | 12,103,471,306 | 12,103,471,306 | 11.1% |
| Subtotal | 72,831,425,394 | 72,831,425,394 | 66.9% |
| Chilean State | | | |
| Series A..... | 28,916,779,815 | 28,916,779,815 | 26.6% |
| Series B..... | 7,060,205,757 | 7,060,205,757 | 9.8% |
| Subtotal | 35,976,985,572 | 35,976,985,572 | 33.1% |

CORFO is a Chilean Government agency that was created by Law No. 6,334, published in the Chilean Official Gazette on April 29, 1939. Its mission is promoting entrepreneurship, innovation and growth in Chile. Together with the Chilean Ministry of Economy, CORFO's programs support and finance a wide variety of initiatives, with the goal of stimulating the Chilean economy and providing more opportunities for Chile's entrepreneurs, innovators and key industries to be competitive on a global stage. CORFO is managed by a Board, whose members are: (1) the Minister of Economy; (2) the Minister of Foreign Affairs; (3) the Finance Minister; (4) the Minister of Social Development; (5) the Minister of Agriculture; (6) an Executive Vice-president; and (7) two members appointed by the Chilean president.

The ministers are appointed by the Chilean President and can be removed at any time.

As a result, we are a company entirely owned by the Chilean State, either directly or indirectly (in this latter case through CORFO).

The Chilean State provides financing to the public sector and government-owned corporations through the public budget, which is prepared by the Chilean Government and approved by the Chilean Congress annually. During the last quarter of each year, the Chilean Government presents to the Chilean Congress a budget. Every year we prepare our annual budget (*presupuesto anual de caja*), and then submit it for approval to the Ministries of Finance and of the Economy for inclusion in the general budget of the government. The approval of the budget requires that the Chilean Government enact the Public Annual Budget Law (*Ley de Presupuestos del Sector Público*) that evidences the commitment of the Chilean State to finance each of its items. The public budget for 2020 has been approved and was published in the Chilean Official Gazette on December 19, 2019. Our budget is approved annually by decree issued by the Ministries of Finance and of the Economy, Promotion and Tourism.

Capital Contributions

Under Chilean law, shareholders are required to amend the bylaws at a shareholders' meeting in order to approve capital contributions. Our shareholders have approved capital increases at the shareholders' meetings held during the last five years.

Between January 1, 2018 and December 31, 2019, our shareholders approved and subscribed for capital increases in an aggregate amount of Ch\$629,8billion (U.S.\$841.2 million). We expect to use these funds to finance the Extension Project, improvements to our network, the safety project and our maintenance plan for high-impact failures.

RELATED PARTY AND CERTAIN OTHER TRANSACTIONS

We engage in related party transactions with our shareholders or certain of our affiliates in the ordinary course of business, subject to the approval of our board of directors. All transactions with related parties have been made in the normal course of our business operations, and are on terms no less favorable to us than would have been obtained in an arm's-length transaction and comply with the applicable legal standards. For more detailed information about our related party transactions, see note 14 to each of our consolidated financial statements.

Article 89 of the Chilean Corporations Act requires that our transactions with related parties (as defined by article 100 of the Securities Market Law) be on an arm's-length basis or on similar terms to those customarily prevailing in the market.

Article 100 of the Securities Market Law provides that the following persons are related to a company: (i) the other entities of the business conglomerate to which the company belongs, (ii) as defined by Chilean Corporations Act, parents, subsidiaries and equity-method investors and investees of the company having the ability to appoint at least one member of the management of the company or to control 10% or more of the capital or voting capital of a stock company, (iii) all directors, managers, officers and liquidators of the company, and their spouses or blood relatives to the second degree, or any entity controlled, directly or indirectly, by any of the referred individuals, (iv) any person that, by him/herself or with other persons under a joint action agreement, may appoint at least one member of the management of the company or controls 10% or more of the capital or voting capital of a stock company, and (v) other entities or persons determined as such by the CMF.

In addition, article 44 of the Chilean Corporations Act provides that a corporation may only enter into a material transaction in which one or more directors has a personal interest or is acting on behalf of a third party when such transaction is previously known by the board of directors and approved by it and when the terms and conditions of such transaction are similar to those prevailing in the market, except when the bylaws authorize the performance of such operations without being subject to the referred conditions. For purposes of such provision, and to the extent it exceeds UF2,000, any act or contract for an amount exceeding 1% of a company's equity shall be deemed to be a material transaction. In addition, any act or contract exceeding UF20,000 shall always be deemed to be a material transaction for these purposes whether or not they represent less than 1% of a company's equity.

Chilean law considers a director to have an interest in a transaction when the transaction involves:

- the director, the director's wife or husband or relatives until the second degree of consanguinity or affinity;
- corporations in which the director occupies the position of manager or owner, either directly or indirectly through third parties, of 10% or more of that corporation's capital;
- corporations in which any of the previously mentioned persons occupy the position of director or owner, either directly or indirectly through third parties, of 10% or more of that corporation's capital; or
- controllers of the corporation or their related persons, if their votes were decisive in the election of the director.

However, these dispositions will not be applicable if the transaction has been approved or ratified by an extraordinary shareholders' meeting with a quorum of two-thirds of the shareholders with voting rights. The board of directors must address the issue excluding those directors that are involved in the transaction. The decisions of the board will be documented in the board minutes and disclosed at the following shareholders' meeting.

Transactions that do not meet the foregoing requirements are valid and enforceable; however, the corporation, its shareholders and affected third parties shall have a cause of action for the damages suffered. In such proceedings, the defendant shall prove that the transaction met the legal requirements, and directors and executive officers of companies that violate this provision are personally liable for losses or damages resulting from such violations.

DESCRIPTION OF THE NOTES

The following summary describes certain provisions of the notes and the Indenture. This summary does not purport to be complete and is subject to and qualified in its entirety by reference to the provisions of the Indenture and the notes. Copies of the Indenture are available for inspection during normal business hours at the Company's principal office and at the Corporate Trust Office of the trustee in New York City, New York. The holders of the notes are entitled to the benefits of, are bound by, and are deemed to have notice of, all the provisions of the Indenture. Certain terms used in this description are defined under the subheading "—Covenants—Covenant Definitions."

The notes will be issued under an indenture to be dated as of May 7, 2020, or the Base Indenture, between us and The Bank of New York Mellon, as trustee, registrar, paying agent and transfer agent, as supplemented by a first supplemental indenture with respect to the 2030 notes and the second supplemental indenture with respect to the 2050 notes, each dated as of May 7, 2020, together with the Base Indenture, the Indenture, between us and the trustee.

The following description is a summary of the material provisions of the Indenture. Because this is only a summary, it is not complete and does not describe every aspect of the notes and the Indenture. A copy of the Indenture is available upon request. We urge you to read the Indenture because it, and not this description, defines your rights as holders of the notes issued under the Indenture.

In this section of the offering memorandum, references to "we," "us" and "our" are to Empresa de Transporte de Pasajeros Metro S.A. only and do not include our subsidiaries or affiliates.

Unless the context otherwise requires, references herein to the notes include both the 2030 notes and the 2050 notes. The 2030 notes and the 2050 notes will constitute separate series of notes. Except as otherwise set forth herein, the discussion of provisions of the indenture and the notes below, applies to each series separately.

General

The notes will be issued directly by us in two series. The 2030 notes are being issued in an aggregate principal amount of U.S.\$500,000,000. The 2050 notes are being issued in an aggregate principal amount of U.S.\$1,000,000,000. Additional notes may be issued under the Indenture from time to time in one or more series. Under the Indenture, with respect to each series of notes, we are permitted to issue additional notes of such series (which may, in the case of additional notes of the same series of any of the series as the notes offered by this offering memorandum, have the same terms, including interest rate, maturity and redemption provisions, as the notes of such series); *provided* that if the additional notes are not fungible with the notes of the applicable series for U.S. federal income tax purposes, the additional notes will have a separate CUSIP number.

The 2030 notes will mature on May 7, 2030. The 2050 notes will mature on May 7, 2050. The notes of each series will bear interest at the applicable rate per annum set forth on the front cover page of this offering memorandum from May 7, 2020, or from the most recent date on which interest was payable and for which interest has been paid or provided. Interest on each series of notes will be payable semiannually on May 7 and November 7 of each year, commencing on November 7, 2020, to the person in whose name a note is registered at the close of business on the preceding April 22 or October 23, as the case may be. Interest on the notes will be computed on the basis of a 360-day year of twelve 30-day months. If any payment date or redemption date falls on a day which is not a business day, any payment of principal and interest with respect to the notes will be made on the next succeeding business day with the same force and effect as if made on the due date, and no interest on such payment will accrue from and after such due date.

The notes will be our direct, unconditional and unsecured general obligations and will, other than in the case of certain obligations granted preferential treatment pursuant to Chilean law, at all times rank *pari passu* in right of payment with all of our other unsecured obligations that are not, by their terms, expressly subordinated in right of payment to the notes. The notes will be effectively subordinated to all of our secured indebtedness with respect to the value of our assets securing that indebtedness and to all of the existing and future liabilities, including trade payables, of our subsidiaries. The Indenture does not limit the amount of indebtedness or other obligations that may be incurred by us. Although we are wholly-owned by the Republic of Chile, the Republic of Chile is not

liable for our obligations under the notes, nor do such obligations form any part of the public debt of the Republic of Chile.

As of December 31, 2019 our total financial debt (defined as the sum of our other current and non-current financial liabilities, including our bank loans, debt securities and derivative transactions) was Ch\$2,226,185.3 million (U.S.\$2,973.2 million). Such debt ranked pari passu with the notes and did not constitute secured indebtedness. From our total financial debt as of December 31, 2019, Ch\$495,806.2 million (U.S.\$662.188 million) corresponding to indebtedness incurred under certain local bonds was guaranteed by the State of Chile.

The trustee will initially act as paying agent and registrar for the notes. The notes of each series may be presented for registration of transfer and exchange at the offices of the registrar for the notes of such series. There will be no service charge for any registration of transfer or exchange of notes of any series, but we may require payment of a sum sufficient to cover any tax or other governmental charge payable in that connection.

The notes of each series will be issued only in fully registered book-entry form, without coupons, with a minimum denomination of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof.

We may at any time purchase notes of any series in the open market, or otherwise, at any price. Any notes redeemed or repurchased by us or any of our affiliates may, at our option, continue to be outstanding or be cancelled, subject to the terms set forth in the Indenture. Any such redeemed or repurchased notes will not be resold, except in compliance with applicable requirements or exemptions under the relevant securities laws.

Book-Entry System; Delivery and Form

The notes of each series are being offered and sold in connection with the initial offering thereof solely to “qualified institutional buyers,” as that term is defined in Rule 144A under the Securities Act, pursuant to Rule 144A, and in offshore transactions to persons other than “U.S. persons,” as defined in Regulation S under the Securities Act, in reliance on Regulation S. Following the initial offering of the notes, the notes may be resold to qualified institutional buyers pursuant to Rule 144A and to non-U.S. persons in reliance on Regulation S, as described under “Transfer Restrictions.”

The Global Notes

Rule 144A Global Note

Notes of each series offered and sold to qualified institutional buyers pursuant to Rule 144A will initially be issued in the form of one or more registered notes in global form, without interest coupons. Interests in the Rule 144A global notes will be available for purchase only by qualified institutional buyers.

Regulation S Global Note

Notes of each series offered and sold in offshore transactions to non-U.S. persons in reliance on Regulation S under the Securities Act will initially be issued in the form of one or more registered notes in global form, without interest coupons.

General

Each of the Rule 144A global note and the Regulation S global note, collectively referred to in this section as the global notes, will be deposited upon issuance on the date of the closing of the sale of the notes with, or on behalf of, the Depository Trust Company, or DTC, and registered in the name of Cede & Co., as nominee of DTC, for credit to the respective accounts of the purchasers, to such other accounts as they may direct, or will remain in the custody of the trustee pursuant to the FAST Balance Certificate Agreement between DTC and the trustee.

Investors may hold interests through Euroclear Bank S.A./N.V., as operator of the Euroclear System, or Clearstream Banking, société anonyme, or any other organization that is a participant in the DTC system. Euroclear, Clearstream will hold such interests in the global notes on behalf of their participants through customers’ securities accounts in their respective names on the books of their respective depositaries. Such

depositories, in turn, will hold such interests in the Regulation S global note in customers' securities accounts in the depositories' names on the books of DTC.

Except as set forth below, the global notes may be transferred, in whole and not in part, solely to another nominee of DTC or to a successor of DTC or its nominee. Beneficial interests in the global notes may not be exchanged for notes in physical, certificated form, or certificated notes, except in the limited circumstances described below.

The notes will be subject to certain restrictions on transfer and will bear a restrictive legend as set forth under "Transfer Restrictions."

All interests in the global notes, including those held through Euroclear or Clearstream, may be subject to the procedures and requirements of DTC. Those interests held through Euroclear or Clearstream may also be subject to the procedures and requirements of such systems.

Exchanges Among the Global Notes

Prior to the 40th day after the later of the commencement of the offering of the notes and the date of the closing of the sale of the notes (the period through and including the 40th day, the "restricted period"), transfers by an owner of a beneficial interest in the Regulation S global note to a transferee who takes delivery of this interest through the Rule 144A global note will be made only in accordance with applicable procedures and upon receipt by the trustee of a written certification from the transferor of the beneficial interest in the form provided in the Indenture to the effect that such transfer is being made to a person whom the transferor reasonably believes is a qualified institutional buyer within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A. Such written certification will no longer be required after the expiration of the restricted period.

Transfers by an owner of a beneficial interest in the Rule 144A global note to a transferee who takes delivery of such interest through the Regulation S global note, whether before or after the expiration of the restricted period, will be made only upon receipt by the trustee of a certification from the transferor to the effect that such transfer is being made in accordance with Regulation S under the Securities Act and that, if such transfer is being made prior to the expiration of the restricted period, the interest transferred will be held immediately thereafter through Euroclear or Clearstream.

Any beneficial interest in one of the global notes that is transferred to a person who takes delivery in the form of an interest in another global note will, upon transfer, cease to be an interest in such global note and become an interest in the other global note and, accordingly, will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to beneficial interests in such other global note for as long as it remains such an interest.

Certain Book-Entry Procedures for the Global Notes

The descriptions of the operations and procedures of DTC, Euroclear and Clearstream set forth below are provided solely as a matter of convenience. These operations and procedures are solely within the control of the respective settlement systems and are subject to change by them from time to time. Neither we nor the initial purchasers take any responsibility for these operations or procedures, and investors are urged to contact the relevant system or its participants directly to discuss these matters.

DTC has advised us that it is (i) a limited purpose trust company organized under the laws of the State of New York, (ii) a "banking organization" within the meaning of the New York Banking Law, (iii) a member of the Federal Reserve System, (iv) a "clearing corporation" within the meaning of the Uniform Commercial Code, as amended, and (v) a "clearing agency" registered pursuant to Section 17A of the Exchange Act. DTC was created to hold securities for its participants and facilitates the clearance and settlement of securities transactions between participants through electronic book-entry changes to the accounts of its participants, thereby eliminating the need for physical transfer and delivery of certificates. DTC's participants include securities brokers and dealers (including the initial purchasers), banks and trust companies, clearing corporations and certain other organizations. Indirect access to DTC's system is also available to other entities such as banks, brokers, dealers and trust companies, or indirect participants that clear through or maintain a custodial relationship with a participant, either

directly or indirectly. Investors who are not participants may beneficially own securities held by or on behalf of DTC only through participants or indirect participants.

We expect that pursuant to procedures established by DTC (i) upon deposit of each global note, DTC will credit the accounts of participants designated by the initial purchasers with an interest in the global note and (ii) ownership of the notes will be shown on, and the transfer of ownership thereof will be effected only through, records maintained by DTC (with respect to the interests of participants) and the records of participants and the indirect participants (with respect to the interests of persons other than participants).

The laws of some jurisdictions may require that certain purchasers of securities take physical delivery of such securities in definitive form. Accordingly, the ability to transfer interests in the notes represented by a global note to such persons may be limited. In addition, because DTC can act only on behalf of its participants, who in turn act on behalf of persons who hold interests through participants, the ability of a person having an interest in notes represented by a global note to pledge or transfer such interest to persons or entities that do not participate in DTC's system, or to otherwise take actions in respect of such interest, may be affected by the lack of a physical definitive security in respect of such interest.

So long as DTC or its nominee is the registered owner of a global note, DTC or such nominee, as the case may be, will be considered the sole owner or holder of the notes represented by the global note for all purposes under the Indenture. Except as provided below, owners of beneficial interests in a global note will not be entitled to have notes represented by such global note registered in their names, will not receive or be entitled to receive physical delivery of certificated notes, and will not be considered the owners or holders thereof under the Indenture for any purpose, including with respect to the giving of any direction, instruction or approval to the trustee thereunder. Accordingly, each holder owning a beneficial interest in a global note must rely on the procedures of DTC and, if such holder is not a participant or an indirect participant in the DTC system, on the procedures of the participant through which such holder owns its interest, to exercise any rights of a holder of notes under the Indenture or such global note. Neither we nor the trustee will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, notes by DTC, or for maintaining, supervising or reviewing any records of DTC relating to such notes.

Payments with respect to the principal of, premium, if any, and interest on any notes represented by a global note registered in the name of DTC or its nominee on the applicable record date will be payable by the trustee to or at the direction of DTC or its nominee in its capacity as the registered holder of the global note representing such notes under the Indenture. Under the terms of the Indenture, we and the trustee may treat the persons in whose names the notes, including the global notes, are registered as the owners thereof for the purpose of receiving payment thereon and for any and all other purposes whatsoever. Accordingly, neither we nor the trustee has or will have any responsibility or liability for the payment of such amounts to owners of beneficial interests in a global note (including principal, premium, if any, liquidated damages, if any, and interest). Payments by the participants and the indirect participants to the owners of beneficial interests in a global note will be governed by standing instructions and customary industry practice and will be the responsibility of the participants or the indirect participants and DTC.

Transfers between participants in DTC will be effected in accordance with DTC's procedures, and will be settled in same-day funds. Transfers between participants in Euroclear or Clearstream will be effected in the ordinary way in accordance with their respective rules and operating procedures.

Subject to compliance with the transfer restrictions applicable to the notes, cross-market transfers between the participants in DTC, on the one hand, and Euroclear or Clearstream participants, on the other hand, will be effected through DTC in accordance with DTC's rules on behalf of Euroclear or Clearstream, as the case may be, by its respective depository. However, such cross-market transactions will require delivery of instructions to Euroclear or Clearstream, as the case may be, by the counterparty in such system in accordance with the rules and procedures and within the established deadlines of such system. Euroclear or Clearstream, as the case may be, will, if the transaction meets its settlement requirements, deliver instructions to its respective depository to take action to effect final settlement on its behalf by delivering or receiving interests in the relevant global notes in DTC, and making or receiving payment in accordance with normal procedures for same-day funds settlement applicable to DTC. Euroclear participants and Clearstream participants may not deliver instructions directly to the depositories for Euroclear or Clearstream.

Because of time zone differences, the securities account of a Euroclear or Clearstream participant purchasing an interest in a global note from a participant in DTC will be credited, and any such crediting will be reported to the relevant Euroclear or Clearstream participant, during the securities settlement processing day (which must be a business day for Euroclear and Clearstream) immediately following the settlement date of DTC. Cash received in Euroclear or Clearstream as a result of sales of interest in a global security by or through a Euroclear or Clearstream participant to a participant in DTC will be received with value on the settlement date of DTC but will be available in the relevant Euroclear or Clearstream cash account only as of the business day for Euroclear or Clearstream following DTC's settlement date.

Although DTC, Euroclear and Clearstream have agreed to the foregoing procedures to facilitate transfers of interests in the global notes among participants in DTC, Euroclear and Clearstream, they are under no obligation to perform or to continue to perform such procedures, and such procedures may be discontinued at any time. Neither we nor the trustee will have any responsibility for the performance by DTC, Euroclear or Clearstream or their respective participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

Certificated Notes

With respect to each series of notes, if (i) we notify the trustee in writing that DTC is no longer willing or able to act as a depository or DTC ceases to be registered as a clearing agency under the Exchange Act and a successor depository is not appointed within 90 days of such notice or cessation, (ii) we, at our option, notify the trustee in writing that we elect to cause the issuance of notes in definitive form under the Indenture or (iii) upon the occurrence of certain other events as provided in the Indenture, then, upon surrender by DTC of the global notes, certificated notes will be issued to each person that DTC identifies as the beneficial owner of the notes represented by the global notes. Upon any such issuance, the trustee is required to register such certificated notes in the name of such person or persons (or the nominee of any thereof) and cause the same to be delivered thereto.

Neither we nor the trustee shall be liable for any delay by DTC or any participant or indirect participant in identifying the beneficial owners of the related notes and we and the trustee may conclusively rely on, and shall be protected in relying on, instructions from DTC for all purposes (including with respect to the registration and delivery, and the respective principal amounts, of the notes to be issued).

Notices

As long as we issue notes in global form, notices to be given to holders of a series will be given to DTC, in accordance with its applicable policies as in effect from time to time. If we issue notes in certificated form, notices to be given to holders will be sent by mail to the respective addresses of the holders as they appear in the trustee's records, and will be deemed given when mailed.

Neither the failure to give any notice to a particular holder, nor any defect in a notice given to a particular holder, will affect the sufficiency of any notice given to another holder.

In addition, so long as the notes are listed on the Luxembourg Stock Exchange for trading on the Euro MTF market and the rules of such exchange so require, notices will also be published in a leading newspaper having general circulation in Luxembourg (which is expected to be *Luxemburger Wort*) or on the website of the Luxembourg Stock Exchange (www.bourse.lu). Any such notice will be deemed to have been delivered on the date of first publication.

Replacement of Notes

In case of mutilated, destroyed, lost or stolen notes, application for replacement thereof may be made to the trustee or us. Any such note shall be replaced by the trustee in compliance with such procedures, and on such terms as to evidence and indemnification, as the trustee or we may require and subject to any applicable law or regulation. All such costs as may be incurred in connection with the replacement of any notes shall be borne by the applicant. Mutilated notes must be surrendered before new ones will be issued.

Change of Control

With respect to each series of notes, upon the occurrence of a Change of Control Event, you will have the right to require that we purchase all or a portion of your notes at a purchase price equal to 100% of the principal amount thereof plus accrued and unpaid interest, if any, to the date of purchase (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date).

Within 30 days following the occurrence of a Change of Control Event we will mail a notice to each holder with a copy to the trustee (the “Change of Control Offer”) stating:

- (i) that a Change of Control Event has occurred and that such holder has the right to require us to purchase all or a portion of such holder’s notes at a purchase price equal to 100% of the principal amount thereof, plus accrued and unpaid interest, if any, to the date of purchase (subject to the right of holders of record on the relevant record date to receive interest on the relevant interest payment date);
- (ii) the circumstances and relevant facts regarding such Change of Control Event;
- (iii) the purchase date (which shall be no earlier than 10 days nor later than 60 days from the date such notice is mailed); and
- (iv) the instructions, as determined by us, consistent with the covenant described hereunder, that a noteholder must follow in order to have its notes purchased.

We will not be required to make a Change of Control Offer following a Change of Control Event if (1) a third party makes a Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer and purchases all notes validly tendered and not withdrawn under such Change of Control Offer or (2) a notice of redemption for all outstanding notes has been given pursuant to the Indenture unless and until there is a default in payment of the applicable redemption price. Notwithstanding anything to the contrary contained herein, we may make a Change of Control Offer in advance of a Change of Control Event and conditioned upon the consummation of such Change of Control Event, if a definitive agreement is in place for the Change of Control at the time the offer to purchase is made.

We will comply, to the extent applicable, with the requirements of Section 14(e)-1 of the Exchange Act and any other securities laws or regulations in connection with the repurchase of notes as a result of a Change of Control Event. To the extent that the provisions of any securities laws or regulations conflict with the provisions of the covenant described hereunder, we will comply with the applicable securities laws and regulations and shall not be deemed to have breached our obligations under the covenant described hereunder by virtue of our compliance with such securities laws or regulations.

Subject to the limitations discussed below, we could, in the future, enter into certain transactions, including acquisitions, refinancings or other recapitalizations, that would not constitute a Change of Control Event under the Indenture, but that could increase the amount of indebtedness outstanding at such time or otherwise affect our capital structure or credit ratings. However, the Indenture will not contain any covenants or provisions that would afford holders of the notes protection in the event of any such transaction.

Our existing indebtedness contains, and future indebtedness that we may incur may contain, provisions that restrict our ability to take actions that would constitute a Change of Control Event or that require the repurchase of such indebtedness upon a change of control. Moreover, the exercise by the holders of their right to require us to repurchase the notes could cause a default under such indebtedness, even if the Change of Control Event itself does not, due to the financial effect of such repurchase on us. Finally, our ability to pay cash to the holders of notes following the occurrence of a Change of Control Event may be limited by our then existing financial resources. There can be no assurance that sufficient funds will be available when necessary to make any required repurchases.

The definition of “Change of Control” includes a disposition of all or substantially all of our assets to any person. Although there is a limited body of case law interpreting the phrase “substantially all,” there is no precise established definition of the phrase under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve a disposition of “all or substantially all”

of our assets. As a result, it may be unclear as to whether a Change of Control Event has occurred and whether a holder may require us to make an offer to repurchase the notes as described above.

The provisions under the Indenture relative to our obligation to make an offer to repurchase the notes as a result of a Change of Control Event may be waived or modified with the written consent of the holders of a majority in principal amount of the notes.

A “*Change of Control*” shall occur if the Republic of Chile, together with its Affiliates, cease to, directly or indirectly (i) be the “beneficial owner” (as defined in Rules 13d-3 and 13d-5 under the Exchange Act) of a majority of the voting power of our capital stock or of the capital stock of any other persons which succeed to all or substantially all of our assets (whether through a merger or consolidation, or a sale, distribution or other transfer of our assets) or (ii) be entitled to name a majority of the members of our board of directors or the board of directors of any other persons that succeed to all or substantially all of our assets (whether through a merger or consolidation, or a sale, distribution or other transfer of our assets).

“*Change of Control Event*” means (i) the occurrence of a Change of Control and (ii) a Rating Decline.

“*Exchange Act*” means the Securities Exchange Act of 1934, as amended, and the rules and regulations of the SEC promulgated thereunder.

“*Fitch*” means Fitch Ratings Inc. or any successor thereto.

“*Gradation*” means a gradation within a Rating Category or a change to another Rating Category, which shall include: (i) “+” and “-” in the case of Fitch’s and S&P’s current Rating Categories (e.g., a decline from BB+ to BB would constitute a decrease of one gradation), (ii) 1, 2 and 3 in the case of Moody’s current Rating Categories (e.g., a decline from Ba1 to Ba2 would constitute a decrease of one gradation), or (iii) the equivalent in respect of successor Rating Categories of Fitch, S&P or Moody’s or Rating Categories used by Rating Agencies other than Fitch, S&P and Moody’s.

“*Investment Grade*” means a rating equal to or higher than (a) BBB-, in the case of Fitch and S&P, and (b) Baa3, in the case of Moody’s.

“*Moody’s*” means Moody’s Investors Service, Inc., or any successor thereto.

“*Rating Agency*” means Fitch, Moody’s and S&P, or if at least two of the foregoing shall not make publicly available a rating of the notes, a “nationally recognized statistical organization” (within the meaning of Rule 15c(3)-1(c)(2)(vi)(F) under the Exchange Act), as the case may be, selected by us (as certified by a resolution of our board of directors) which shall be substituted for any of Fitch, Moody’s or S&P, as the case may be.

“*Rating Category*” means (i) with respect to Fitch and S&P, any of the following categories: AAA, AA, A, BBB, BB, B, CCC, CC, C, R, SD and D (or equivalent successor categories); (ii) with respect to Moody’s, any of the following categories (any of which may include a “1,” “2” or “3”): Aaa, Aa, A, Baa, Ba, B, Caa, Ca, and C (or equivalent successor categories), and (iii) the equivalent of any such categories of Fitch, S&P or Moody’s used by another Rating Agency, if applicable.

“*Rating Decline*” means the occurrence if at any time within the earlier of (i) 60 days after the date of public notice of a Change of Control, or of our intention or the intention of any person to effect a Change of Control and (ii) the occurrence of the Change in Control (which period shall in either event be extended so long as the rating of the notes is under publicly announced consideration for possible downgrade by a Rating Agency), a Rating Agency withdraws its rating of the notes or the rating of the notes is decreased by a Rating Agency as follows:

- (a) if the notes are not rated Investment Grade by at least two Rating Agencies immediately prior to such public notice or such occurrence of a Change of Control, by one or more Gradations; or
- (b) if the notes are rated Investment Grade by at least two Rating Agencies immediately prior to such public notice or such occurrence of a Change of Control, either (i) by two or more Gradations by any Rating Agency or (ii) such that the notes are no longer rated Investment Grade by at least two Rating Agencies.

“S&P” means Standard & Poor’s Rating Service or any successor thereto.

Covenants

We have agreed to restrictions on our activities for the benefit of holders of each series of notes. The following restrictions will apply to the notes:

Limitation on Liens

The Indenture provides that we will not, nor will we permit any Restricted Subsidiary to, incur, assume or otherwise create any lien upon any Principal Property if such lien secures indebtedness for borrowed money (“Debt”) without effectively providing that the notes shall be secured equally and ratably with such Debt.

The foregoing restrictions shall not apply to:

- (i) liens on any Principal Property acquired, constructed, developed or improved after the date of the Indenture to secure or provide for the payment of the purchase price or cost of construction, development or improvement (including costs such as increased costs due to escalation, interest during construction and finance costs) thereof incurred after the date of the Indenture,
- (ii) liens on any Principal Property acquired from a corporation merged with or into us or into a Restricted Subsidiary,
- (iii) liens to secure Debt of a Restricted Subsidiary to us or another Restricted Subsidiary,
- (iv) liens over any property existing at the time of the acquisition of such property by us or any of our Restricted Subsidiaries and not created in connection with such acquisition,
- (v) liens in existence on the original issue date of the notes,
- (vi) liens securing the performance of bids, statutory obligations, surety bonds, appeal bonds, performance bonds and other obligations of a like nature incurred in the ordinary course of business,
- (vii) liens created on any property to secure Debt incurred in connection with the financing of such property, the repayment of which Debt is to be made from the revenues arising out of, or other proceeds of realization from, such property, with recourse to those revenues and proceeds and other property used in connection with, or forming the subject matter of, such property, but without recourse to any other of our property or of any Restricted Subsidiary, and
- (viii) any extension, renewal or replacement (or successive extensions, renewals or replacements), in whole or in part, of any lien referred to in the foregoing clauses (i), (ii), (iv), (v) or (vii), inclusive of any Debt secured thereby, *provided* that the principal amount of Debt so secured thereby shall not exceed the principal amount of Debt so secured at the time of such extension, renewal or replacement and that such extension, renewal or replacement lien shall be limited to all or part of the property which secured the lien extended, renewed or replaced (plus improvements on or additions to such property).

Notwithstanding the foregoing, we and one or more Restricted Subsidiaries may incur, assume or otherwise create liens upon any Principal Property securing Debt which would otherwise be subject to the foregoing restrictions without equally and ratably securing the notes, if the aggregate principal amount of such Debt, together with the aggregate principal amount of all other Debt otherwise subject to the foregoing restrictions (not including Debt permitted to be secured under any of clauses (i) through (viii) above) and the Attributable Debt of the sale and lease-back transactions described under “—Limitation on Sale and Lease-Back Transactions” below (other than sale and lease-back transactions the proceeds of which have been applied as provided in clause (ii) under “—Limitations on Sale and Lease-Back Transactions” below), does not at the time of incurrence, assumption or creation thereof exceed 20% of Consolidated Net Tangible Assets.

Limitations on Sale and Lease-Back Transactions

The Indenture provides that neither we nor any Restricted Subsidiary will enter into any Sale and Lease-Back Transaction with respect to any Principal Property unless either:

- (i) we or such Restricted Subsidiary would be entitled, pursuant to the provisions described under “— Limitation on Liens” above, to incur Debt in a principal amount equal to or exceeding the Attributable Debt of such Sale and Lease-back Transaction, secured by a lien on the Principal Property to be leased, without equally and ratably securing the notes, or
- (ii) during, or immediately after the expiration of, the 12 months after the effective date of such transaction (whether made by us or a Restricted Subsidiary), we apply to the voluntary retirement of our indebtedness (including the notes) maturing by its terms more than one year after the original creation thereof (“Funded Debt”) an amount equal to the value of such transaction, less an amount equal to the sum of (1) the principal amount of notes delivered, within 12 months after the effective date of such arrangement, to the trustee for retirement and cancellation and (2) the principal amount of other Funded Debt voluntarily retired by us within such 12-month period, in each case excluding retirements of notes and other Funded Debt as a result of conversions or pursuant to mandatory sinking fund or mandatory prepayment provisions or by payment at maturity.

Consolidation, Merger, Sale or Conveyance

We may not consolidate with or merge into any other corporation or convey or transfer all or substantially all of our properties and assets (determined on a consolidated basis) to any person, unless:

- (i) either (1) we are the surviving entity or (2) the successor corporation shall be a corporation organized and existing under the laws of Chile, the United States of America (or any State thereof or the District of Columbia) or any country that is a member of the Organisation for Economic Co-operation and Development or any political subdivision thereof, and expressly assumes by a supplemental indenture the due and punctual payment of the principal of and interest and additional amounts, if any, on all the outstanding notes and the performance of every covenant in the Indenture on our part to be performed or observed,
- (ii) immediately after giving effect to such transaction, no Event of Default, and no event which, after notice or lapse of time or both, would become an Event of Default, shall have occurred and be continuing, and
- (iii) we shall have delivered to the trustee an officer’s certificate and an opinion of counsel, each stating that such consolidation, merger, conveyance or transfer and such supplemental indenture (if applicable) comply with the foregoing provisions relating to such transaction.

In case of any such consolidation, merger, conveyance or transfer, the successor corporation will succeed to and be substituted for us as obligor on the notes, with the same effect as if it had been named as the company party to the Indenture, and we will be released from such obligations.

Periodic Reports

To the extent the same shall not have been made publicly available by filing with the SEC or on our website, we will (A) make available, upon request, to any holder and any prospective purchaser of any series of notes designated by any holder, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act so long as the notes are not freely transferable under the Securities Act; and (B) furnish (or in lieu of furnishing, make accessible electronically with notice to the trustee) to the trustee:

- (1) as soon as they are available, but in any event within 135 calendar days after the end of each of our fiscal years, copies of our audited financial statements (on a consolidated basis) in respect of such fiscal year (including a statement of comprehensive income, statement of financial position and cash flow statement), translated into English, prepared in accordance with rules and regulations issued by the CMF as applicable to

us as of such date and audited by a member firm of an internationally recognized firm of independent auditors; and

(2) as soon as they are available, but in any event within 105 calendar days after the end of each of the first, second and third fiscal quarters of each of our fiscal years, copies of our unaudited financial statements (on a consolidated basis) in respect of the relevant period (including a statement of comprehensive income, statement of financial position and cash flow statement) translated into English, prepared in accordance with rules and regulations issued by the CMF as applicable to us as of such date.

Delivery of such reports, information and documents to the trustee shall be for informational purposes only, and the trustee's receipt of such shall not constitute constructive notice of any information contained therein or determinable from information contained therein, including an Event of Default or our compliance with any of the covenants contained in the Indenture (as to which the trustee will be entitled to conclusively rely upon an officer's certificate).

Covenant Definitions

"Affiliate" means, with respect to any specified person, any other person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified person. For purposes of this definition, "control," when used with respect to any specified person, means the power to direct the management and policies of such person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"Attributable Debt" means, with respect to any Sale and Leaseback Transaction, the lesser of (i) the fair market value of the Principal Property subject to such transaction and (ii) the present value, discounted at a rate per annum equal to the interest rate inherent in the applicable lease, of the obligations of the lessee for net rental payments (excluding, however, any amounts required to be paid by such lessee, whether or not designated as rent or additional rent, on account of maintenance and repairs, services, insurance, taxes, assessments, water rates or similar charges and any amounts required to be paid by such lessee thereunder contingent upon monetary inflation or the amount of sales, maintenance and repairs, insurance, taxes, assessments, water rates or similar charges) during the remaining term of the lease.

"Consolidated Net Tangible Assets" means, as of any date of determination, Consolidated Total Assets but excluding goodwill, trade names, trademarks, patents, unamortized debt discount and all other like intangible assets (which term shall not be construed to include such re-evaluations), less the aggregate of the current liabilities of us and our Subsidiaries appearing on the balance sheet used to determine Consolidated Total Assets.

"Consolidated Total Assets" means, as of any date of determination, our consolidated total assets (including revaluations thereof as a result of commercial appraisals, price level restatement or otherwise) appearing on our most recent annual or quarterly consolidated balance sheet or statement of financial position, on a pro forma basis to give effect to any acquisition or disposition of companies, divisions, lines of businesses or operations subsequent to such date and on or prior to the date of determination.

"lien" means any mortgage, pledge, lien, security interest, charge or other encumbrance (including any conditional sale or other title retention agreement or lease in the nature thereof other than a title retention agreement in connection with the purchase of goods in the ordinary course of business).

"Principal Property" means any trains, cars, rolling stock, railway lines and tracks, tunnels, viaducts, stations, industrial buildings and real property used for such lines, tracks, tunnels, viaducts, stations and industrial buildings, and any equity interest in any person holding any of the foregoing, in each case owned by us or any Subsidiary, except any such assets or property which we determine in good faith is not material, individually or in the aggregate, to our business and that of our Subsidiaries taken as a whole.

"Restricted Subsidiary" means (a) any Subsidiary which owns any Principal Property and (b) any Subsidiary which owns any stock or debt of a Restricted Subsidiary.

“*Sale and Leaseback Transaction*” means any transaction or series of related transactions pursuant to which we or any Restricted Subsidiary sells or transfers any property to any person with the intention of taking back a lease of such property pursuant to which the rental payments are calculated to amortize the purchase price of such property substantially over the useful life thereof and such property is in fact so leased.

“*Subsidiary*” means any corporation or other business entity of which we own or control (either directly or through one or more other Subsidiaries) more than 50% of the issued share capital or other ownership interests, in each case having ordinary voting power to elect or appoint directors, managers or trustees of such corporation or other business entity (whether or not capital stock or other ownership interests or any other class or classes shall or might have voting power upon the occurrence of any contingency).

Events of Default

An “*Event of Default*,” with respect to each series of notes, is defined in the Indenture as:

- (i) a failure of us to pay any principal of the notes, when due and payable, whether at maturity, upon redemption or otherwise, or a failure by us to purchase the notes when required pursuant to the terms of the Indenture or the notes, or
- (ii) a failure of us for 30 days to pay interest or any additional amounts when due and payable on any notes, or
- (iii) a failure of us to perform or observe any other term, covenant, warranty or obligation in the notes or the Indenture, not otherwise expressly included as an Event of Default in (i) or (ii) above, and the continuance of such default for more than 60 days after written notice of such default has been given to us by the trustee or the holders of at least 33 1/3% in aggregate principal amount of the notes then outstanding, or
- (iv) a default by us or any Subsidiary in the payment of the principal of any bond, debenture, note or other evidence of indebtedness for money borrowed, or under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any indebtedness for money borrowed, having an aggregate principal amount exceeding U.S.\$50 million (or its equivalent in any other currency or currencies) when such indebtedness becomes due and payable (whether at maturity, upon redemption or acceleration or otherwise) if such default shall continue unremedied for more than 30 business days and within such 30 business days the time for payment of such amount has not been expressly extended, or
- (v) certain events of bankruptcy or insolvency with respect to us or a Significant Subsidiary.

“*Significant Subsidiary*” means a Subsidiary, the total assets of which exceed 10% of our total assets and the total assets of our Subsidiaries on a consolidated basis as of the end of the most recently completed fiscal year.

The Indenture provides that (i) if an Event of Default (other than an Event of Default described in clause (v) above) shall have occurred and be continuing with respect to any series of notes, either the trustee or the holders of not less than 33 1/3% of the total principal amount of the notes of such series then outstanding may declare the principal of all such outstanding notes and the interest accrued thereon, if any, to be due and payable immediately and (ii) if an Event of Default described in clause (v) above shall have occurred, the principal of all such outstanding notes of such series and the interest accrued thereon, if any, shall become and be immediately due and payable without any declaration or other act on the part of the trustee or any holder of such notes. The Indenture provides that the notes owned by us or any of our Affiliates shall be deemed not to be outstanding for, among other purposes, declaring the acceleration of the maturity of the notes. The right of the holders to give such acceleration notice will terminate if the event giving rise to such right has been cured. Upon the satisfaction by us of certain conditions, including, but not limited to, the payment of all fees and expenses of the trustee, the declaration described in clause (i) of this paragraph may be annulled by the holders of a majority of the total principal amount of the notes then outstanding.

Past defaults, other than non-payment of principal and interest, may be waived by the holders of a majority of the total principal amount of the notes of the applicable series outstanding. When a default is waived, it is deemed cured, but no such waiver will extend to any subsequent or other default or impair any consequent right. The trustee must give to the holders of such notes notice of all uncured defaults known to it with respect to the notes within 30 days after a responsible officer of the trustee becomes aware of such a default (unless such default shall have been cured); *provided, however*, that, except in the case of default in the payment of principal, interest or additional amounts, the trustee shall be protected in withholding such notice if it in good faith determines that the withholding of such notice is in the interest of the holders of the notes.

No holder of notes of any series may institute any action under the Indenture unless (a) such holder shall have given the trustee written notice of a continuing Event of Default with respect to the applicable series of notes, (b) the holders of not less than 33 1/3% of the total principal amount of the applicable series of notes then outstanding shall have made written request to the trustee to institute proceedings in respect of the Event of Default, (c) such holder or holders shall have offered the trustee such reasonable indemnity or security as the trustee may require, (d) the trustee shall have failed to institute an action for 60 days thereafter and (e) no inconsistent direction shall have been given to the trustee during such 60-day period by the holders of a majority of the total principal amount of the notes of such series. Such limitations, however, do not apply to any suit instituted by a holder of a note for enforcement of payment of the principal or interest on the notes on or after the respective due dates expressed in such notes.

The Indenture provides that, subject to the duty of the trustee during default to act with the required standard of care, the trustee will be under no obligation to exercise any of its rights or powers under the Indenture at the request or direction of any holders of the notes, unless such holders shall have offered to the trustee indemnity or security satisfactory to it.

We are required to furnish to the trustee annually a statement as to the performance by us of certain of our obligations under the Indenture and as to any default in such performance.

Payment of Additional Amounts

We are required to make all payments in respect of principal, interest, and premium, if any, on each series of notes free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, fines, penalties, assessments or other governmental charges of whatever nature (or interest on those taxes, duties, fines, penalties, assessments or other governmental charges), imposed, levied, collected, withheld or assessed by, within or on behalf of the Republic of Chile or any political subdivision or governmental authority thereof (“Taxes”), unless such withholding or deduction is required by law. In such event, we are required to pay to the holder of the notes such additional amounts (“additional amounts”) as may be necessary to ensure that the net amounts received by the holders of the notes, including additional amounts, after such withholding or deduction of Taxes shall equal the amounts which would have been receivable in respect of the notes in the absence of such withholding or deduction. No additional amounts shall be payable in respect of a note:

- (i) in the case of payments for which presentation of a note is required, presentment for payment more than 30 days after the later of:
 - (a) the date on which such payment first became due, and
 - (b) if the full amount payable has not been received in the place of payment of the trustee on or prior to such due date, the date on which, the full amount having been so received, notice to that effect shall have been given to the holder by the trustee, except to the extent that such holder would have been entitled to such additional amounts on presenting such notes for payment on the last day of such period of 30 days,
- (ii) held by or on behalf of a holder or beneficial owner who is liable for taxes, duties, fines, penalties, assessments or other governmental charges relating to the notes, because the holder has some present or former, direct or indirect, connection with the Republic of Chile or any political subdivision or governmental authority thereof, other than the holding of the notes or the receipt of payments in respect thereof, or

- (iii) any tax, assessment or other governmental charge that is imposed or withheld by reason of the failure by the holder or the beneficial owner of a note to comply, after reasonable notice, with our request, addressed to the holder (x) to provide information concerning the nationality, residence, identity or connection with the Republic of Chile or any political subdivision or governmental authority thereof or therein, of the holder or such beneficial owner or (y) to make any declaration or other similar claim to satisfy any information or reporting requirement, which in the case of (x) or (y), is required or imposed by a statute, treaty, regulation or administrative practice of the Republic of Chile or any political subdivision or governmental authority thereof or therein, as a precondition to exemption from all or part of such tax, assessment or other governmental charge, provided, however, that the exclusion set forth in this clause (iii) shall not apply in respect of any certification, identification, information, documentation or other reporting requirement if such requirement would be materially more onerous, in form, in procedure or in the substance of information disclosed, to the holder than comparable information or other reporting requirements imposed under U.S. tax law, regulation and administrative practice (such as IRS Form W-8BEN or W-8BEN-E and W-9), or
- (iv) any estate, inheritance, gift, sales, transfer, capital gains, excise or personal property or similar tax, assessment or governmental charge, or
- (v) any tax, duty, assessment or other governmental charge that is payable otherwise than by deduction or withholding from payments of principal of or interest on the note or by direct payment by us, or
- (vi) any Taxes, to the extent such Taxes were imposed pursuant to Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended, or the Code, or otherwise imposed pursuant to Sections 1471 through 1474 of the Code (commonly referred to as FATCA), any regulations or agreements thereunder, official interpretations thereof, or any law implementing an intergovernmental approach thereto, or
- (vii) in respect of any tax, duty, assessment or other governmental charge imposed on a note presented for payment by or on behalf of a holder who would have been able to avoid that withholding or deduction by presenting the relevant note to another paying agent in a member state of the European Union, or
- (viii) any payment on a note to a holder that is a fiduciary or partnership or a person other than the sole beneficial owner of any such payment, to the extent that a beneficiary or settlor with respect to such fiduciary, a member of such a partnership or the beneficial owner of the payment would not have been entitled to the additional amounts had the beneficiary, settlor, member or beneficial owner been the holder of the note, or
- (ix) any combination of (i) through (viii).

If we pay additional amounts in respect of the Chilean withholding tax on payments of interest, any refunds of such withholding tax will be for our account.

Within 60 days after the date of any payment of any Taxes in respect of any payment under any note pursuant to the provisions set forth above, we shall, upon request, furnish to any holder the original tax receipt for the payment of such Tax (or, if such original tax receipt is not available, a duly certified copy of any original tax receipt) together with such other documentary evidence with respect to such payments as may be reasonably requested from time to time by any holder or beneficial owner of a note.

References to principal, interest, premium or other amounts payable in respect of the notes shall be deemed also to refer to any additional amounts which may be payable.

We will pay any present or future stamp, court or documentary taxes or any excise or property taxes, charges or similar levies which arise in any jurisdiction from the execution, delivery, enforcement or registration of the notes or any other document or instrument relating thereto, excluding any such taxes, charges or similar levies imposed by any jurisdiction outside the Republic of Chile. The obligations set forth above shall survive the transfer or payment of a note.

Redemption for Taxation Reasons

We may redeem the notes of any series at our option in whole, but not in part, at any time, upon giving not less than 10 nor more than 60 days' notice to the holders of the notes of such series, at 100% of their principal amount outstanding, together with interest accrued to the date fixed for redemption, if

- (i) we certify to the trustee (in the manner prescribed below) immediately prior to the giving of such notice that we have or will become obligated to pay additional amounts with respect to such notes in excess of the additional amounts that would be payable were payments of interest on such notes subject to a 4.0% withholding tax as a result of any generally applicable change in or amendment to the laws or regulations of the Republic of Chile or any political subdivision or governmental authority thereof or therein having power to tax, or any generally applicable change in the application or official interpretation of such laws or regulations, which change or amendment occurs after the date of issuance of the notes, and
- (ii) such obligation cannot be avoided by us taking reasonable measures available to us;

provided, however, that the notice of redemption shall not be given earlier than 60 days before the earliest date on which we would be obligated to pay such additional amounts if a payment in respect of the notes were then due.

Before giving notice of redemption, we shall deliver to the trustee an officer's certificate stating that we are entitled to effect such redemption in accordance with the terms of the Indenture and stating (x) the facts relating thereto and (y) that we cannot avoid payment of the additional amounts by taking reasonable measures available to us. The statement shall be accompanied by a written opinion of counsel to the effect:

- (i) that we have or will become obligated to pay the additional amounts, and
- (ii) that all governmental approvals necessary for us to effect the redemption have been obtained and are in full force and effect or specifying any such necessary approvals that as of the date of such opinion have not been obtained.

Optional Redemption

Par Redemption

With respect to the 2030 notes, on and after February 7, 2030 (the date that is three months prior to the maturity date of the 2030 notes), or the 2030 notes par call date, or with respect to the 2050 notes, on and after November 7, 2049 (the date that is six months prior to the maturity date of the 2050 notes), or the 2050 notes par call date, we may at our option redeem the notes of the applicable series, at any time in whole or in part from time to time, at a redemption price equal to 100% of the principal amount of the notes of the applicable series to be redeemed, plus accrued and unpaid interest, if any, on the principal amount of the notes of such series being redeemed to the date of redemption. Notwithstanding the foregoing, payments of interest on the notes of any series that are due and payable on or prior to a date fixed for redemption of notes of such series will be payable to the holders of those notes registered as such at the close of business on the relevant record dates according to the terms and provisions of the Indenture.

Make-whole Redemption

Prior to the 2030 par call date with respect to the 2030 notes or the 2050 par call date with respect to the 2050 notes, we may at our option redeem notes of the applicable series, at any time in whole or in part from time to time, at a redemption price equal to the greater of (1) 100% of the then outstanding principal amount of the notes of such series to be redeemed, and (2) the sum of the present values of the remaining payments of principal and interest thereon as if redeemed on the 2030 par call date or the 2050 par call date, as applicable, discounted to the date of redemption on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at the applicable Treasury Rate plus 50 basis points with respect to each series of notes, in each case plus accrued and unpaid interest to the date of redemption. The redemption price shall be calculated by us and set forth in an officers' certificate delivered to the trustee.

Notwithstanding the foregoing, payments of principal and/or interest on the notes of any series that are due and payable on or prior to a date fixed for redemption of notes of such series will be payable to the holders of those notes registered as such at the close of business on the relevant record dates according to the terms and provisions of the Indenture.

“*Comparable Treasury Issue*” means the United States Treasury security or securities selected by an Independent Investment Banker as having a maturity (or interpolated maturity) comparable to the 2030 par call date or the 2050 par call date, as applicable, that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of a comparable maturity to the 2030 par call date or the 2050 par call date, as applicable.

“*Comparable Treasury Price*” means, with respect to the redemption date, (1) the average of four Reference Treasury Dealer Quotations for the redemption date, after excluding the highest and lowest Reference Treasury Dealer Quotations, or (2) if the Independent Investment Banker obtains fewer than four such Reference Treasury Dealer Quotations, the average of all such quotations.

“*Independent Investment Banker*” means one of the Reference Treasury Dealers.

“*Reference Treasury Dealer*” means Morgan Stanley & Co. LLC and Scotia Capital (USA) Inc. or any of their respective affiliates or successors which are primary United States government securities dealers and not less than three other leading primary United States government securities dealers in New York City reasonably designated by us; *provided* that if any of the foregoing cease to be a primary United States government securities dealer in New York City (a “Primary Treasury Dealer”), we will substitute therefor another Primary Treasury Dealer.

“*Reference Treasury Dealer Quotations*” means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by the Independent Investment Banker, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Independent Investment Banker by such Reference Treasury Dealer at or about 3:30 p.m., New York City time, on the third business day preceding such redemption date.

“*Treasury Rate*” means, with respect to any redemption date, the rate per annum equal to the semi-annual equivalent yield to maturity or interpolated maturity (on a day count basis) of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date.

Optional Redemption Procedures

We will give, or cause to be given, a notice of redemption to each holder of notes of the applicable series (which, in the case of global notes, will be DTC) as described under “—Notices” below, at least 10 days and not more than 60 days prior to the redemption date. Any redemption and notice thereof pursuant to the Indenture may, in our discretion, be subject to the satisfaction of a financing or other condition precedent. If any such condition precedent has not been satisfied, we shall provide written notice to the trustee prior to the close of business two Business Days prior to the redemption date. Upon receipt of such notice, the notice of redemption shall be rescinded or delayed, and the redemption of the notes shall be rescinded or delayed as provided in such notice. Upon receipt, the trustee shall provide such notice to each holder of the notes in the same manner in which the notice of redemption was given.

Unless we default in the payment of the redemption price, interest will cease to accrue on the notes of the applicable series to be redeemed on and after the redemption date.

If less than all the notes of a series are to be redeemed, the particular notes to be redeemed shall be selected by the trustee, such method as required by the rules of DTC, if applicable, by lot or by any means that the trustee shall deem fair and appropriate.

Modification of the Indenture

We and the trustee may, without the consent of the holders of notes of the applicable series, amend, waive or supplement the Indenture or the notes for certain specified purposes, including among other things:

- (i) to evidence our succession by another corporation, and the assumption by such party of our obligations;
- (ii) to add to our covenants or surrender any of our rights or powers for the benefit of all or any series of notes;
- (iii) to cure any ambiguity, defect or inconsistency in the Indenture;
- (iv) to provide for the issuance of any new series of securities, and/or add to the rights of any holders of any series of notes;
- (v) to provide for the appointment of a successor trustee;
- (vi) to add any additional Events of Default for the benefit of any or all series;
- (vii) to conform the text of the Indenture to any provision of this “Description of the Notes”; and
- (viii) to make any other change to the Indenture as shall not materially and adversely affect the interests of any holder of the notes of the applicable series.

In addition, with certain exceptions, the Indenture and the notes of a series may be modified by us and the trustee with the consent of the holders of a majority in aggregate principal amount of the notes of such series affected thereby then outstanding, but no such modification may be made without the consent of the holder of each outstanding note of such series affected by the modification which would:

- (i) change the maturity of any principal of, or any premium on, or any installment of interest on, any note of the applicable series, or reduce the principal amount thereof or the rate of interest or any premium (or additional amounts, if any) payable thereon, or change the method of computing the amount of principal thereof or interest or premium (or additional amounts, if any) payable thereon on any date, or change any place of payment where, or the coin or currency in which, the principal or interest (including additional amounts) on any note of the applicable series are payable, or amend the contractual right of holders to institute suit for the enforcement of any such payment on or after the date when due,
- (ii) reduce the percentage in aggregate principal amount of outstanding notes of the applicable series, where the consent of holders is required for any such modification or for any waiver of compliance with certain provisions of the Indenture or certain defaults thereunder and their consequences provided for in the Indenture, or
- (iii) modify provisions relating to waiver of certain defaults, waiver of certain covenants and the provisions summarized in this paragraph, except to increase any such percentage or to provide that certain other provisions of the Indenture cannot be modified or waived without the consent of the holder of each outstanding note of such series affected by the modification.

The Indenture provides that the notes of the applicable series owned by us or any of our affiliates shall be deemed not to be outstanding for, among other purposes, consent to any such modification.

Legal Defeasance and Covenant Defeasance

We may, at our option, at any time upon the satisfaction of certain conditions described below, elect to be discharged from our obligations with respect to the notes of a series (a “Legal Defeasance”). In general, upon a Legal Defeasance, we shall be deemed to have paid and discharged the entire indebtedness represented by the notes of such series and to have satisfied all of our obligations under the notes, except for:

- (i) the rights of holders of notes of such series to receive, solely from the trust fund established for such purposes as described below, payments in respect of the principal of, and interest, and additional amounts, if any, on the notes of such series when such payments are due,
- (ii) certain provisions relating to ownership, registration and transfer of the notes of the applicable series,
- (iii) the covenant relating to the maintenance of an office or agency in New York City,
- (iv) certain provisions relating to the rights, powers, trusts, duties and immunities of the trustee, and
- (v) the Legal Defeasance provisions of the Indenture.

In addition, we may, at our option, at any time, upon the satisfaction of certain conditions described below, elect to be released with respect to the notes of a series from the obligations and covenants of the Indenture, including those described above under the captions “Change of Control,” “Limitation on Liens,” “Limitations on Sale and Lease-Back Transactions,” “Consolidation, Merger, Sale or Conveyance” and “Periodic Reports” (“Covenant Defeasance”). Following such Covenant Defeasance, the occurrence of a breach or violation of any such covenant with respect to the notes of the applicable series will not constitute an Event of Default under the Indenture, and certain other events (not including, among other things, nonpayment of other obligations or certain bankruptcy and insolvency events) described under “Events of Default” also will not constitute Events of Default.

In order to exercise either Legal Defeasance or Covenant Defeasance with respect to the notes of the applicable series, we will be required to satisfy, among other conditions, the following:

- (i) we shall have irrevocably deposited with the trustee in trust cash or U.S. government obligations, or a combination thereof, sufficient, without reinvestment, in the opinion of an internationally recognized firm of independent public accountants, investment bank, appraisal or consulting firm, to pay and discharge the principal of, premium, if any, and each installment of interest on (including additional amounts) the notes of the applicable series on the stated maturity of such principal or installment of interest in accordance with the terms of the notes of the applicable series,
- (ii) in the case of a Legal Defeasance, we shall have delivered to the trustee an opinion of counsel stating that: (x) we have received from, or there has been published by, the Internal Revenue Service a ruling; or (y) since the date of the Indenture there has been a change in the applicable United States federal income tax statutes or regulations, in either case to the effect that, and based thereon such opinion shall confirm that, the beneficial owners of the notes of the applicable series will not recognize gain or loss for United States federal income tax purposes as a result of such deposit, defeasance and discharge and will be subject to United States federal income tax on the same amount, in the same manner and at the same times as would have been the case if such deposit, defeasance and discharge had not occurred,
- (iii) in the case of a Covenant Defeasance, we shall have delivered to the trustee an opinion of counsel to the effect that the beneficial owners of the notes of the applicable series will not recognize gain or loss for United States federal income tax purposes as a result of such deposit and Covenant Defeasance and will be subject to United States federal income tax on the same amount, in the same manner and at the same times as would have been the case if such deposit and Covenant Defeasance had not occurred,
- (iv) no Event of Default, or event which with notice or lapse of time or both would become an Event of Default, shall have occurred and be continuing with respect to the notes of the applicable series, and in the case of a Legal Defeasance, with respect to certain events of bankruptcy or insolvency, at any time during the period ending on the 121st day after the date of such deposit (it being understood that this condition shall not be deemed satisfied until the expiration of such period), and
- (v) we shall have delivered to the trustee an opinion of counsel and an officer’s certificate as to compliance with all conditions precedent provided for in the Indenture relating to such Legal Defeasance or Covenant Defeasance, as applicable.

The Trustee

The Bank of New York Mellon is the trustee under the Indenture and has been appointed by us as registrar, paying agent and transfer agent with respect to each series of notes. As trustee under the Indenture, The Bank of New York Mellon will perform only those duties that are specifically described in the Indenture unless an Event of Default under the Indenture occurs and is continuing. It is under no obligation to exercise any of its powers under the Indenture at the request of any holder of notes of the applicable series unless that holder offers reasonable indemnity to the trustee against the costs, expenses and liabilities which it might incur as a result. The address of the trustee is 240 Greenwich Street, Floor 7 East, New York, New York 10286, United States. So long as no Event of Default has occurred and is continuing, we may remove the trustee and appoint a new trustee; *provided*, that such new trustee qualifies to act as trustee under the terms and conditions of the Indenture.

Governing Law

The Indenture provides that it and the notes of each series will be governed by, and be construed in accordance with, the laws of the State of New York without giving effect to applicable principles of conflict of laws. We have irrevocably consented to the non-exclusive jurisdiction of any court of the State of New York or any United States federal court sitting in the Borough of Manhattan, The City of New York, New York, United States, and any appellate court from any of these courts, and have waived any immunity from the jurisdiction of these courts over any suit, action or proceeding that may be brought in connection with the Indenture and the notes of any series. We have appointed the Consul General of Chile in The City of New York, as initial authorized agent upon which all writs, process and summonses may be served in any suit, action or proceeding brought in connection with the Indenture or the notes of any series against us in any such court and have agreed that such appointment shall be irrevocable so long as any of the notes of such series remain outstanding or until the irrevocable appointment by us of a successor in The City of New York as its authorized agent for such purpose and the acceptance of such appointment by such successor.

General Information

The notes have been accepted for clearance and settlement through DTC, Euroclear and Clearstream. The CUSIP, ISIN and common code numbers for the notes are as follows:

| | Restricted 2030 Global Note | Regulation S 2030 Global Note | Restricted 2050 Global Note | Regulation S 2050 Global Note |
|--------------------|--|--|--|--|
| CUSIP | 29246Q AD7 | P37466 AR3 | 29246Q AE5 | P37466 AS1 |
| ISIN | US29246QAD79 | USP37466AR35 | US29246QAE52 | USP37466AS18 |
| Common Codes | 217187052 | 217187087 | 217186978 | 217187010 |

The validity of the claims of the holders of the notes to interest and repayment of principal will be subject to the statutory limitation period prescribed by the laws of the State of New York. It should be noted that under New York law, the prescription or statute of limitations for claims against debt is six years.

TAXATION

General

The following discussion summarizes certain Chilean tax and United States federal income tax consequences to beneficial owners arising from the purchase, ownership and disposition of the notes. The summary does not purport to be a comprehensive description of all potential Chilean tax and United States federal income tax considerations that may be relevant to a decision to purchase, own or dispose of the notes and is not intended as tax advice to any particular investor. This summary does not describe any tax consequences arising under the laws of any state, locality or other taxing jurisdiction other than Chile and the United States. As of this date, there is no applicable income tax treaty in effect between the United States and Chile. However, the United States and Chile have signed an income tax treaty that will enter into force once the treaty is ratified by both countries. There can be no assurance that the treaty will be ratified by either country. The following summary will assume that there is no applicable income tax treaty in effect between the United States and Chile.

Prospective purchasers of the notes should consult their own tax advisors as to the Chilean, United States or other tax consequences of the purchase, ownership and disposition of the notes, including, in particular, the application of the tax considerations discussed below to their particular situations, as well as the application of state, local, foreign or other tax laws.

Chilean Taxation Considerations

The following is a general summary of the material consequences under Chilean tax law, as currently in effect, of an investment in the notes made by a Foreign Holder (as defined below). It is based on the tax laws of Chile as in effect on the date of this offering memorandum, as well as regulations, rulings and decisions of Chile available on or before such date and now in effect. All of the foregoing is subject to change. Under Chilean law, provisions contained in statutes such as tax rates applicable to foreign investors, the computation of taxable income for Chilean purposes and the manner in which Chilean taxes are imposed and collected may be amended only by another law or international tax treaty. In addition, the Chilean tax authorities enact rulings and regulations of either general or specific application and interpret the provisions of Chilean tax law. Chilean tax law may not be applied retroactively against taxpayers who act in good faith relying on such rulings, regulations or interpretations, but Chilean tax authorities may change their rulings, regulations or interpretations prospectively. For purposes of this summary, the term "Foreign Holder" means either (i) in the case of an individual, a person who is not resident or domiciled in Chile (for purposes of Chilean taxation, (a) an individual holder is resident in Chile if he or she has stayed in Chile for more than 183 days within 12 consecutive months and (b) an individual is domiciled in Chile if he or she resides in Chile with the actual or presumptive intent of staying in Chile (such intention to be evidenced by circumstances such as the acceptance of employment in Chile or the relocation of one's family to Chile)); or (ii) in the case of a legal entity, a legal entity that is not organized under the laws of Chile, unless the notes are assigned to a branch or a permanent establishment of such entity in Chile.

Payments of interest or premium

Under the Chilean Income Tax Law (*Ley de Impuesto a la Renta*) payments of interest or premium made by us, if any, made to a Foreign Holder in respect of the notes will generally be subject to a Chilean withholding tax currently at the rate of 4%. However, pursuant to the thin capitalization rules provided by the Chilean Income Tax Law (the "Chilean Thin Capitalization Rules"), interest, premiums, remuneration for services, financial expenses and any other contractual surcharges paid, credited to an account or made available to entities related to us in respect of loans or liabilities (e.g., notes) during the year in which the indebtedness is considered to be excessive, are subject to a single tax of 35% that will be applied to us separately, to the extent paid to entities related to us. The 4% withholding tax already paid can be used as tax credit against the applicable 35% single tax. Our indebtedness will be considered to be excessive ("Excessive Indebtedness") when at the end of the corresponding fiscal year we have a "total annual indebtedness" with entities incorporated, domiciled, residing or established whether in a foreign country or in Chile, either related or not to us, that exceeds three times our tax equity, as calculated for Chilean tax purposes. Consequently, should the Chilean Thin Capitalization Rules apply, interest or premium paid to entities related to us with respect to debt that exceeds this Excessive Indebtedness ratio will be subject to a 35% single tax, applicable to us.

Under the Chilean Thin Capitalization rules, a lender or creditor, such as a holder of the notes, will be deemed to be related to the payor or debtor, if: (i) the beneficiary (i.e., lender or creditor) is incorporated, domiciled, resident or established in a territory or jurisdiction that meets criteria established by article 41 H of the Chilean Income Tax Law (harmful preferential tax regimes, as defined in the same section 41 H); or (ii) the beneficiary (i.e., lender or creditor) or debtor belongs to the same corporate group, or directly or indirectly, owns or participates in 10% or more of the capital or the profits of the other or if lender and debtor have a common partner or shareholder which, directly or indirectly, owns or participates in 10% or more of the capital or the profits of both, and that beneficiary is incorporated, domiciled, resident or established outside Chile; or (iii) the debt is guaranteed directly or indirectly by a related third party, under the terms mentioned in this paragraph, when such third party is established or resident outside Chile and is also the final beneficiary of the interests from the financing; or (iv) it refers to securities placed and acquired by independent entities and that are subsequently acquired or transferred to a related entity according to (i) to (iii) above; or (v) a party carries out one or more transactions with a third party who, in turn, carries out, directly or indirectly, with a related party of the first party, one or more operations similar or identical to those carried out with the first party, whatever the quality in which said third party and the parties intervene in such operations. The debtor will be required to issue a sworn statement in this regard in the form set forth by the Chilean tax authorities.

As described above, we have agreed, subject to specific exceptions and limitations, to pay additional amounts to the Foreign Holders of the notes in respect of the Chilean interest withholding tax in order that any interest or premium the Foreign Holder receives from us, net of the Chilean interest withholding tax, equals the amount which would have been received by such Foreign Holder in the absence of such Chilean interest withholding tax. If we pay additional amounts in respect of such Chilean withholding taxes, any refunds of such additional amounts will be for our account, as each holder of a note has assigned under the Indenture all rights it may have on those additional amounts to us. See “Description of the Notes—Payment of Additional Amounts.”

Payments of principal

Under existing Chilean law and regulations, a Foreign Holder will not be subject to any Chilean taxes in respect of payments of principal made by us with respect to the notes. Any other payment to be made by us (other than interest, premium or principal on the notes and except for some special exceptions granted by Chilean law and tax treaties subscribed by Chile and currently in force) will be subject to up to 35% withholding tax.

Capital gains

Capital gains realized by a Foreign Holder on the sale or other disposition of the notes will not be subject to Chilean income taxes.

Gift and Inheritance Tax

A Foreign Holder (other than a Chilean national) will not be liable for estate, gift, inheritance or similar taxes with respect to its holdings unless notes held by a Foreign Holder are either deemed to be located in Chile at the time of such Foreign Holder’s death, or, if the notes are not deemed to be located in Chile at the time of a Foreign Holder’s death, if such notes were purchased or acquired with cash obtained from Chilean sources. A Foreign Holder will not be liable for Chilean stamp, registration or similar taxes.

Stamp Tax

The issuance of the notes will be subject to a stamp tax at a rate of 0.0% of the aggregate principal amounts of the notes, benefitting from a temporary exemption until September 30, 2020 as established by Law No. 21,225, if the notes are issued prior to such date. A statement shall be made by us as to this rate. Interest payments that are deferred may be subject to stamp tax if such interest payments are defined as capitalized according to Chilean law. Until such tax (and any penalty) is paid, Chilean courts will not enforce any action brought with respect to the notes. We have agreed, subject to specific exceptions and limitations, to pay to the holders of the notes any present or future stamp, court or documentary taxes, charges or levies that arise in the Republic of Chile from the execution, delivery, enforcement or registration of the notes or any other document or instrument in relation thereto

and we have agreed to indemnify holders of notes for any such taxes, charges or similar levies paid by holders. See “Description of the Notes —Payment of Additional Amounts.”

U.S. Federal Income Tax Considerations to U.S. Holders

The following is a general summary of U.S. federal income tax considerations generally applicable to U.S. holders (as defined below) associated with the ownership and disposition of the notes. This summary is based on the Code, Treasury regulations promulgated thereunder, rulings, official pronouncements and judicial decisions, all as in effect on the date of this offering memorandum and all of which are subject to change, possibly with retroactive effect, and different interpretations. This summary addresses tax considerations only for holders that purchase the notes pursuant to this offering at the original issue price and that hold the notes as “capital assets” as defined in the Code (generally, property held for investment). Moreover, this summary is for general information only and does not address all of the tax considerations that may be relevant to specific investors in light of their particular circumstances or to investors subject to special treatment under U.S. federal income tax laws (such as banks, insurance companies, real estate investment trusts, regulated investment companies, tax-exempt entities, dealers in securities, traders in securities that elect to use a mark-to-market method of accounting, brokers, expatriates, entities treated as partnerships for U.S. federal income tax purposes and partners therein, persons who hold their notes as part of a straddle, hedge, conversion transaction or other integrated investment, U.S. holders whose functional currency is not the U.S. dollar, persons subject to the alternative minimum tax, accrual basis taxpayers required under Section 451(b) of the Code to conform the timing of income accruals with respect to the notes to their financial statements, persons deemed to sell the notes under the constructive sale provisions of the Code, or persons who tender their 2024 Notes pursuant to the Tender Offer and purchase the notes in this offering), all of whom may be subject to tax rules that differ significantly from those summarized below. The discussion below does not address U.S. federal estate and gift tax considerations, the Medicare tax or the effect of any state, local or non-U.S. tax law. We have not sought any ruling from the IRS, with respect to the statements made and the conclusions reached in this discussion, and there can be no assurance that the IRS will agree with such statements and conclusions.

HOLDERS OF THE NOTES ARE URGED TO CONSULT THEIR TAX ADVISORS AS TO THE PARTICULAR TAX CONSIDERATIONS TO THEM OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE NOTES, INCLUDING THE APPLICABILITY OF U.S. FEDERAL, STATE OR LOCAL TAX LAWS OR NON-U.S. TAX LAWS, ANY CHANGES IN APPLICABLE TAX LAWS AND ANY PENDING OR PROPOSED LEGISLATION OR REGULATIONS.

For purposes of this summary, a “U.S. holder” is a beneficial owner of a note that is, for U.S. federal income tax purposes:

- an individual who is a citizen or resident of the United States;
- a corporation (or any other entity that is treated as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States, any state thereof or the District of Columbia;
- an estate the income of which is subject to U.S. federal income tax, regardless of the source thereof; or
- a trust (1) if a court within the United States is able to exercise primary supervision over its administration and one or more U.S. persons have the authority to control all of its substantial decisions, or (2) if it has made a valid election to be treated as a U.S. person for U.S. federal income tax purposes.

If an entity or arrangement treated as a partnership acquires notes, the U.S. federal income tax treatment of a partner in the partnership generally will depend upon the status of the partner and the activities of the partnership. Partners of an entity treated as a partnership that is considering an investment in the notes should consult their tax advisers regarding the U.S. federal income tax consequences of acquiring, owning and disposing of notes.

Consequences to U.S. Holders

Payment of Interest and Additional Amounts

The amount of stated interest payments on a note will generally be taxable to a U.S. holder as ordinary interest income at the time it is accrued or received in accordance with the U.S. holder's method of accounting for tax purposes. While it is not anticipated that the notes will be issued with more than de minimis original issue discount ("OID"), if the notes are issued with OID in excess of a de minimis amount, a U.S. holder will be required to include the OID in ordinary income during the term of the notes on a constant yield accrual basis. The remainder of this discussion assumes that the notes are not issued with OID in excess of a de minimis amount.

In addition to interest on the notes, a U.S. holder will be required to include in income any additional amounts and any tax withheld from (i) the interest payments and (ii) additional amounts. U.S. holders may be entitled to deduct or credit this tax, subject to certain limitations (including that the election to deduct or credit foreign taxes applies to all of such U.S. holder's foreign taxes for a particular tax year). Interest income (including Chilean taxes withheld from the interest payments and any additional amounts) on a note generally will be considered foreign source income and generally should constitute "passive category income." U.S. holders may be denied a foreign tax credit for foreign taxes imposed with respect to the notes where the U.S. holder was entitled to a refund of the tax but did not seek to obtain the refund. The rules governing the foreign tax credit are complex. U.S. holders are urged to consult their tax advisors regarding the availability of the foreign tax credit or a deduction for foreign taxes under their particular circumstances.

Sale, Exchange, Redemption, Retirement or Other Dispositions

A U.S. holder will generally recognize gain or loss upon the sale, exchange, redemption, retirement or other taxable disposition of a note in an amount equal to the difference between the amount realized (less amounts received attributable to accrued interest or additional amounts, which will be taxed as such to the extent not previously included in income by the U.S. holder) and the U.S. holder's adjusted tax basis in the note at the time of such disposition. A U.S. holder's adjusted tax basis in a note generally will be the cost of the note to the U.S. holder. Any gain or loss recognized on a disposition of a note generally will be capital gain or loss, and such capital gain or loss will generally be long-term capital gain or loss if the U.S. holder has held the note for more than one year at the time of disposition. Certain non-corporate U.S. holders are eligible for preferential rates of U.S. federal income taxation in respect of long-term capital gains. The deductibility of capital losses is subject to limitations.

If a Chilean income tax is withheld on the sale or other disposition of notes, the amount of cash considered received will include the gross amount of the proceeds of that sale or other taxable disposition before deduction of the Chilean income tax. Capital gain or loss, if any, realized by a U.S. holder on the sale, exchange or other taxable disposition of our notes generally will be treated as U.S. source gain or loss for U.S. foreign tax credit purposes. Consequently, in the case of gain from the disposition of our notes that is subject to Chilean income tax, a U.S. holder may not be able to benefit from the foreign tax credit for that Chilean income tax (because the gain from the disposition would be U.S. source), unless the U.S. holder can apply the credit (subject to applicable limitations) against U.S. federal income tax payable on other income from foreign sources. Alternatively, a U.S. holder may take a deduction for the Chilean income tax if the U.S. holder does not take a credit for any foreign taxes paid or accrued during the taxable year. The foreign tax credit rules are complex, and U.S. holders should consult their own tax advisors regarding the foreign tax credit implications of the sale, exchange, redemption, retirement or other taxable disposition of the notes.

Specified Foreign Financial Assets

Certain U.S. holders are required to report information relating to an interest in the notes, subject to certain exceptions, by attaching a complete IRS Form 8938, Statement of Specified Foreign Financial Assets, with their tax return for each year in which they hold an interest in the notes. Substantial penalties can apply if a U.S. holder is required to submit such information to the IRS and fails to do so. U.S. holders are urged to consult their tax advisors regarding information reporting requirements relating to ownership of the notes.

PLAN OF DISTRIBUTION

Subject to the terms and conditions of the purchase agreement, each initial purchaser named below has severally agreed to purchase from us, and we have agreed to sell to that initial purchaser, the respective principal amounts of notes listed opposite such initial purchaser's name:

| Initial Purchaser | Principal Amount of 2030 Notes | Principal Amount of 2050 Notes |
|--------------------------------|---|---|
| Morgan Stanley & Co. LLC..... | U.S.\$250,000,000 | U.S.\$500,000,000 |
| Scotia Capital (USA) Inc. | U.S.\$250,000,000 | U.S.\$500,000,000 |
| Total | U.S.\$500,000,000 | U.S.\$1,000,000,000 |

The purchase agreement provides that the obligations of the several initial purchasers to purchase the notes offered hereby are subject to certain conditions precedent and that the initial purchasers will purchase all of the notes offered by this offering memorandum if any of these notes are purchased.

The initial purchasers may offer and sell the notes through any of their affiliates. In addition, after the initial offering, the initial purchasers may change the offering price and other selling terms without notice.

We have agreed to indemnify the initial purchasers against some specified types of liabilities, including liabilities under the Securities Act, and to contribute to payments the initial purchasers may be required to make in respect of any of these liabilities.

The notes have not been registered under the Securities Act. Each initial purchaser has agreed that it will offer or sell the notes only (i) in the United States to qualified institutional buyers in reliance on Rule 144A under the Securities Act or (ii) in offshore transactions in reliance on Regulation S under the Securities Act. The notes being offered and sold pursuant to Regulation S may not be offered, sold or delivered in the United States or to, or for the account or benefit of, any U.S. person, unless the notes are registered under the Securities Act or an exemption from the registration requirements thereof is available. Terms used above have the meanings given to them by Regulation S and Rule 144A under the Securities Act. See "Transfer Restrictions."

Until the expiration of forty (40) days after the commencement of the offering, any offer or sale of notes within the United States by a broker-dealer may violate the registration requirements of the Securities Act, unless such offer or sale is made pursuant to Rule 144A under the Securities Act or another available exemption from the registration requirements thereof.

The notes of each series are a new issue of securities with no established trading market. Application is expected to be made to admit the notes to listing in the Official List of the Luxembourg Stock Exchange and to trading on the Euro MTF of the Luxembourg Stock Exchange, in accordance with its rules. However, we cannot assure you that the listing application will be approved. The initial purchasers may make a market in any series of notes after completion of the offering, but will not be obligated to do so and may discontinue any market-making activities at any time without notice. We cannot assure you as to the liquidity of the trading market for the notes of any series or that an active public market for the notes of such series will develop. If an active public trading market for the notes of a series does not develop, the market price and liquidity of the notes of such series may be adversely affected.

In connection with the offering, the initial purchasers may purchase and sell the notes of any series in the open market. These transactions may include short sales, purchases to cover positions created by short sales and stabilizing transactions. Short sales involve the sale by the initial purchasers of a greater principal amount of notes than they are required to purchase in the offering. The initial purchasers may close out any short position by purchasing notes in the open market. A short position is more likely to be created if initial purchasers are concerned that there may be downward pressure on the price of the notes in the open market prior to the completion of the offering. Stabilizing transactions consist of various bids for or purchases of the notes made by the initial purchasers in the open market prior to the completion of the offering.

Purchases to cover a short position and stabilizing transactions may have the effect of preventing or slowing a decline in the market price of the notes. Additionally, these purchases, along with the imposition of the penalty bid, may stabilize, maintain or otherwise affect the market price of the notes. As a result, the price of the notes may be higher than the price that might otherwise exist in the open market. These transactions may be effected in the over-the-counter market or otherwise. The initial purchasers are not required to enter into any of these transactions and, if they commence any of such transactions, they may discontinue them at any time.

We expect to deliver the notes against payment for the notes on or about the date specified in the last paragraph of the cover page of this offering memorandum, which will be the third business day following the date of the pricing of the notes. Under Rule 15c6-1 of the Exchange Act, trades in the secondary market are required to settle in two business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade notes prior to the delivery of the notes hereunder will be required, by virtue of the fact that the notes initially will settle in T+3, to specify alternative settlement arrangements to prevent a failed settlement. Purchasers of the notes who wish to trade the notes prior to their date of delivery hereunder should consult their advisors.

We have agreed that for a period of 60 days after the date of this offering memorandum, we will not, without the prior written consent of the initial purchasers, offer, sell, contract to sell or otherwise dispose of in the international capital markets, except as provided in the purchase agreement, any of our debt securities (or guaranteed by us) that are substantially similar to the notes.

The initial purchasers are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. The initial purchasers and their respective affiliates have in the past performed commercial banking, investment banking and advisory services for us from time to time for which they have received customary fees and reimbursement of expenses and may, from time to time, engage in transactions with and perform services for us in the ordinary course of their business for which they may receive customary fees and reimbursement of expenses.

In the ordinary course of their various business activities, the initial purchasers and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve our securities and instruments. Morgan Stanley & Co. LLC and Scotia Capital (USA) Inc. are acting as dealer managers in the Tender Offer concurrent with this offering. Certain of the initial purchasers or their affiliates may hold some of the 2024 Notes that will be purchased in the Tender Offer with the proceeds of this offering. See "Use of Proceeds."

If any of the initial purchasers or their affiliates has a lending relationship with us, certain of those initial purchasers or their affiliates routinely hedge, and certain other of those initial purchasers or their affiliates may hedge, their credit exposure to us consistent with their customary risk management policies. Typically, the initial purchasers and their affiliates would hedge such exposure by entering into transactions, which consist of either the purchase of credit default swaps or the creation of short positions in our securities, including potentially the notes offered hereby. Any such credit default swaps or short positions could adversely affect future trading prices of the notes offered hereby. The initial purchasers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments including potentially the notes offered hereby.

Notice to Prospective Investors in the European Economic Area and the United Kingdom

The notes may not be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area or in the United Kingdom. For the purposes of the foregoing:

- (a) the expression “retail investor” means a person who is one (or more) of the following:
 - (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU, as amended, or MiFID II;
 - (ii) a customer within the meaning of Directive (EU) 2016/97, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or
 - (iii) not a qualified investor as defined in Regulation (EU) 2017/1129, or the Prospectus Regulation; and
- (b) the expression an “offer” includes the communication in any form and by any means of sufficient information on the terms of the offer and the notes to be offered so as to enable an investor to decide to purchase or subscribe for the notes.

MiFID II product governance / Professional investors and ECPs only target market

Solely for the purposes of each manufacturer’s product approval process, the target market assessment in respect of the notes has led to the conclusion that: (i) the target market for the notes is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the notes (a “distributor”) should take into consideration the manufacturers’ target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the notes (by either adopting or refining the manufacturers’ target market assessment) and determining appropriate distribution channels.

This offering memorandum has been prepared on the basis that any offer of the notes referred to herein in any Member State of the EEA will be made pursuant to an exemption under the Prospectus Regulation from the requirement to publish a prospectus for offers of the notes referred to herein. Accordingly, any person making or intending to make an offer in a Member State of the notes which are the subject of the offering contemplated in this offering memorandum may only do so in circumstances in which no obligation arises for us or any of the initial purchasers to publish a prospectus pursuant to Article 3 of the Prospectus Regulation, in each case, in relation to such offer. Neither us nor the initial purchasers have authorized, nor do they authorize, the making of any offer of notes in circumstances in which an obligation arises for us or the initial purchasers to publish a prospectus for such offer.

Notice to Prospective Investors in the United Kingdom

Each initial purchaser has represented and agreed that:

- (i) has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the notes in circumstances in which Section 21(1) of the FSMA does not apply to us; and
- (ii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the notes in, from or otherwise involving the United Kingdom.

See also “Notice to Prospective Investors in the European Economic Area and the United Kingdom” above.

Notice to Prospective Investors in Canada

The notes may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 *Prospectus Exemptions* or subsection 73.3(1) of the *Securities Act* (Ontario), and are permitted clients, as defined in National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*. Any resale of the notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this offering memorandum (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 of National Instrument 33-105 *Underwriting Conflicts*, or NI 33-105, the initial purchasers are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

Notice to Prospective Investors in Hong Kong

The notes may not be offered or sold in Hong Kong by means of any document other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "SFO") and any rules made under the SFO Ordinance; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that ordinance; and no advertisement, invitation or document relating to the notes may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under that ordinance.

Notice to Prospective Investors in Italy

The offer of the notes has not been registered with the *Commissione Nazionale per le Società e la Borsa* (Italian Securities and Exchange Commission, or the "CONSOB") pursuant to Italian securities legislation and, accordingly, the notes may not be offered, sold or distributed to the public in the Republic of Italy ("Italy") nor may copies of this offering memorandum or of any other document relating to the notes be distributed in Italy, except:

- (i) to *investitori qualificati* (qualified investors), as defined in Article 2, paragraph (e) of the Prospectus Regulation as implemented by Article 34-ter of CONSOB Regulation No. 11971 of May 14, 1999, as amended from time to time, (the "Issuers Regulation"); or
- (ii) in any other circumstances where an express exemption from compliance with the restrictions on offers to the public applies, as provided under Article 100 of the Italian Legislative Decree No. 58 of February 24, 1998, as amended from time to time, (the "Financial Services Act") and Article 34-ter of the Issuers Regulation.

Moreover, and subject to the foregoing, any offer, sale or delivery of the notes or distribution of copies of this offering memorandum or any other document relating to the notes in Italy under (i) or (ii) above must be:

- (i) made by an investment firm, bank or financial intermediary permitted to conduct such activities in Italy in accordance with the Financial Services Act, CONSOB Regulation No. 16190 of

29 October 2007, as amended from time to time, and Legislative Decree No. 385 of September 1, 1993, as amended from time to time (the “Banking Act”);

- (ii) in compliance with Article 129 of the Banking Act and the implementing guidelines of the Bank of Italy, as amended from time to time, pursuant to which the Bank of Italy may request information on the issue or the offer of securities in Italy; and
- (iii) in compliance with any other applicable laws and regulations or requirement imposed by the Bank of Italy, CONSOB or other Italian authority.

Any investor purchasing the notes in this offering is solely responsible for ensuring that any offer or resale of the notes it purchased in the offering occurs in compliance with applicable Italian laws and regulations.

Notice to Prospective Investors in Japan

The notes have not been and will not be registered under the Financial Instruments and Exchange Act, and the notes have not been offered or sold and will not be offered or sold, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan, except as pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and any other applicable laws, regulations and ministerial guidelines of Japan.

Notice to Prospective Investors in Singapore

This offering memorandum has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this offering memorandum or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the notes may not be circulated or distributed, nor may the notes be offered or sold, or be made the subject of an invitation for subscription or purchase, of such notes, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the “SFA”), (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (i) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (ii) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries’ rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the notes pursuant to an offer made under Section 275 of the SFA, except:

- (i) to an institutional investor under Section 274 of the SFA or to a relevant person (as defined in Section 275(2) of the SFA), or to any person arising from an offer referred to in Section 275(1A), or Section 276(4)(i)(B) of the SFA;
- (ii) where no consideration is or will be given for the transfer;
- (iii) where the transfer is by operation of law;
- (iv) as specified in Section 276(7) of the SFA; or

- (v) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

Notification under Section 309(B)(1)(c) of the SFA. The Company has determined that the Securities are (A) prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018) and (B) Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

Notice to Prospective Investors in Switzerland

This offering memorandum is not intended to constitute an offer or solicitation to purchase or invest in the notes described herein. The notes may not be publicly offered, sold or advertised, directly or indirectly, in, into or from Switzerland and will not be listed on the SIX Swiss Exchange or on any other exchange or regulated trading facility in Switzerland. Neither this offering memorandum nor any other offering or marketing material relating to the notes constitutes a prospectus as such term is understood pursuant to article 652a or article 1156 of the Swiss Code of Obligations, and neither this offering memorandum nor any other offering or marketing material relating to the notes may be publicly distributed or otherwise made publicly available in Switzerland.

Notice to Prospective Investors in Chile

The offer of the notes is subject to General Rule No. 336 of the CMF. The Notes being offered will not be registered under the Chilean Securities Market Law (*Ley de Mercado de Valores*) in the Securities Registry (*Registro de Valores*) or in the Foreign Securities Registry (*Registro de Valores Extranjeros*) both kept by the CMF and, therefore, the Notes are not subject to the oversight of the CMF. As unregistered securities in Chile, we are not required to disclose public information about the Notes in Chile. Accordingly, the Notes cannot and will not be publicly offered to persons in Chile unless they are registered in the corresponding Securities Registry. The Notes may only be offered in Chile in circumstances that do not constitute a public offering under Chilean law or in compliance with General Rule No. 336 of the CMF. Pursuant to the Chilean Securities Market Law, a public offering of securities is an offering that is addressed to the general public or to certain specific categories or groups thereof. Considering that the definition of public offering is quite broad, even an offering addressed to a small group of investors may be considered to be addressed to a certain specific category or group of the public and therefore be considered public under applicable law and, as such, subject to registration in Chile. However, pursuant to General Rule No.336 of the CMF, the Notes may be privately offered in Chile to certain “qualified investors” identified as such therein (which in turn are further described in General Rule No. 216, dated June 12, 2008, of the CMF).

CMF Rule 336 requires the following information to be provided to prospective investors in Chile:

1. Date of commencement of the offer: April 30, 2020. The offer of the Notes is subject to Rule (*Norma de Carácter General*) No. 336, dated June 27, 2012, issued by the CMF.
2. The subject matter of this offer are securities not registered with the Securities Registry (*Registro de Valores*), nor with the Foreign Securities Registry (*Registro de Valores Extranjeros*) both kept by CMF. As a consequence, the Notes are not subject to the oversight of the CMF.
3. Since the Notes are not registered in Chile, the issuer is not obliged to provide publicly available information about the Notes in Chile.
4. The Notes shall not be subject to public offering in Chile unless registered with the relevant Securities Registry kept by the CMF.

CMF Rule 336 further requires the following information to be included in the Spanish language:

Aviso a los Inversionistas Chilenos

La oferta de los bonos se acoge a la Norma de Carácter General N°336 de la Comisión para el Mercado Financiero. Los bonos que se ofrecen no están inscritos bajo la Ley de Mercado de Valores en el Registro de

Valores o en el Registro de Valores Extranjeros que lleva la Comisión para el Mercado Financiero, por lo que tales valores no están sujetos a la fiscalización de ésta. Por tratarse de valores no inscritos en Chile, no existe obligación por parte del emisor de entregar en Chile información pública respecto de estos valores. Los bonos no podrán ser objeto de oferta pública en Chile mientras no sean inscritos en el Registro de Valores correspondiente. Los bonos solo podrán ser ofrecidos en Chile en circunstancias que no constituyan una oferta pública o cumpliendo con lo dispuesto en la Norma de Carácter General N° 336 de la Comisión para el Mercado Financiero. De conformidad con la Ley de Mercado de Valores Chilena, se entiende por oferta pública de valores la dirigida al público en general o a ciertos sectores o a grupos específicos de éste. Considerando lo amplio de dicha definición, incluso una oferta dirigida a un pequeño grupo de inversionistas puede ser considerada como una oferta dirigida a ciertos sectores o a grupos específicos del público y por lo tanto considerada como pública y sujeta a inscripción en Chile bajo la ley aplicable. Sin embargo, en conformidad con lo dispuesto por la Norma de Carácter General N° 336, los bonos podrán ser ofrecidos privadamente a ciertos “inversionistas calificados,” identificados como tal en dicha norma (y que a su vez están descritos en la Norma de Carácter General N° 216 de la Comisión para el Mercado Financiero de fecha 12 de junio de 2008).

La siguiente información se proporciona a potenciales inversionistas de conformidad con la NCG 336:

1. La oferta de los bonos comienza el 30 de abril de 2020, y se encuentra acogida a la Norma de Carácter General N° 336, de fecha 27 de junio de 2012, de la CMF.
2. La oferta versa sobre valores no inscritos en el Registro de Valores o en el Registro de Valores Extranjeros que lleva la CMF, por lo tanto, tales valores no están sujetos a la fiscalización de esa Comisión.
3. Por tratarse de valores no inscritos en Chile, no existe la obligación por parte del emisor de entregar en Chile información pública respecto de los mismos.
4. Estos valores no podrán ser objeto de oferta pública en Chile mientras no sean inscritos en el Registro de Valores correspondiente.

Notice to Prospective Investors in Peru

The notes have not been and will not be approved by or registered with the Peruvian securities regulatory authority, the Superintendencia of the Securities Market (*Superintendencia del Mercado de Valores*).

Notice to Prospective Investors in Colombia

The notes will not be authorized by the Colombian Superintendencia of Finance (*Superintendencia Financiera de Colombia*) and will not be registered under the Colombian National Registry of Securities and Issuers (*Registro Nacional de Valores y Emisores*), and accordingly, the notes will not be offered or sold to persons in Colombia except in circumstances which do not result in a public offering under Colombian law.

Notice to Prospective Investors in China

The notes are not being offered or sold and may not be offered or sold, directly or indirectly, in the People's Republic of China (the “PRC”) (for such purposes, not including the Hong Kong and Macau Special Administrative Regions or Taiwan), except as permitted by the securities laws of the PRC.

Notice to Prospective Investors in the Dubai International Financial Centre

This offering memorandum relates to an Exempt Offer in accordance with the Markets Rules 2012 of the Dubai Financial Services Authority (“DFSA”). This offering memorandum is intended for distribution only to persons of a type specified in the Markets Rules 2012 of the DFSA. It must not be delivered to, or relied on by, any other person. The DFSA has no responsibility for reviewing or verifying any documents in connection with Exempt Offers. The DFSA has not approved this offering memorandum nor taken steps to verify the information set forth herein and has no responsibility for this offering memorandum. The notes to which this offering memorandum relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the

notes offered should conduct their own due diligence on the notes. If you do not understand the contents of this offering memorandum, you should consult an authorized financial advisor.

Notice to Prospective Investors in Taiwan

The notes have not been and will not be registered with the Financial Supervisory Commission of Taiwan pursuant to relevant securities laws and regulations and the notes may not be sold, issued or offered within Taiwan through a public offering or in a circumstance which constitutes an offer within the meaning of the Securities and Exchange Act of Taiwan requiring registration or approval of the Financial Supervisory Commission of Taiwan. No person or entity in Taiwan has been authorized to offer, sell, give advice regarding or otherwise intermediate the offering and sale of the notes in Taiwan.

Notice to Prospective Investors in the Republic of Korea

The notes have not been and will not be offered, delivered or sold directly or indirectly in Korea or to any resident of Korea except as otherwise permitted under applicable Korean laws and regulations.

TRANSFER RESTRICTIONS

The notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the notes are being offered hereby only (a) to “qualified institutional buyers” (as defined in Rule 144A under the Securities Act) (“QIBs”) in compliance with Rule 144A under the Securities Act and (b) in offers and sales that occur outside the United States to persons other than U.S. persons (“non-U.S. purchasers,” which term shall include dealers or other professional fiduciaries in the United States acting on a discretionary basis for non-U.S. beneficial owners (other than an estate or trust)), in offshore transactions meeting the requirements of Rule 903 of Regulation S. As used herein, the terms “offshore transactions,” “United States” and “U.S. person” have the respective meanings given to them in Regulation S.

Each purchaser of notes will be deemed to have represented and agreed with us and the initial purchasers as follows:

- (1) It is purchasing the notes for its own account or an account with respect to which it exercises sole investment discretion and that it and any such account is (a) a QIB, and is aware that the sale to it is being made in reliance on Rule 144A under the Securities Act or (b) a non-U.S. purchaser that is outside the United States (or a non-U.S. purchaser that is a dealer or other fiduciary as referred to above);
- (2) It understands that the notes are being offered in a transaction not involving any public offering in the United States within the meaning of the Securities Act, that the notes have not been and will not be registered under the Securities Act, and that the notes may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except as set forth below;
- (3) It understands and agrees that notes initially offered in the United States to QIBs will be represented by a global note and that notes offered outside the United States pursuant to Regulation S will also be represented by a global note;
- (4) It shall not resell or otherwise transfer any Rule 144A notes at any time or Regulation S notes for 40 days, except:
 - to Metro or any of its subsidiaries;
 - pursuant to a registration statement which has been declared effective under the Securities Act;
 - within the United States to a QIB in compliance with Rule 144A under the Securities Act;
 - outside the United States to non-U.S. purchasers in offshore transactions meeting the requirements of Rule 904 of Regulation S under the Securities Act; or
 - pursuant to another available exemption from the registration requirements of the Securities Act;
- (5) It agrees that it will give notice of any restrictions on transfer of such notes to each person to whom it transfers the notes;
- (6) It understands that the certificates evidencing the notes (other than the Regulation S global notes) will bear a legend substantially to the following effect unless otherwise agreed by us and the trustee:

THE SECURITIES EVIDENCED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR ANY STATE OR OTHER SECURITIES LAWS, AND NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE OFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED, OR OTHERWISE DISPOSED OF EXCEPT IN ACCORDANCE WITH THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF OR OF A

BENEFICIAL INTEREST HEREIN, THE HOLDER OF THIS SECURITY BY ITS ACCEPTANCE HEREOF (1) REPRESENTS THAT IT, AND ANY ACCOUNT FOR WHICH IT IS ACTING, (A) IS A “QUALIFIED INSTITUTIONAL BUYER” (WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT) OR (B) IS NOT A U.S. PERSON AND IS ACQUIRING THIS SECURITY IN AN “OFFSHORE TRANSACTION” PURSUANT TO RULE 903 OR 904 OF REGULATION S AND, WITH RESPECT TO (A) AND (B), EXERCISES SOLE INVESTMENT DISCRETION WITH RESPECT TO SUCH ACCOUNT, (2) AGREES FOR THE BENEFIT OF THE COMPANY THAT IT WILL NOT OFFER, SELL, PLEDGE OR OTHERWISE TRANSFER THIS SECURITY OR ANY INTEREST HEREIN, EXCEPT (A) (I) TO THE COMPANY OR ANY SUBSIDIARY THEREOF, (II) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BECOME EFFECTIVE UNDER THE SECURITIES ACT, (III) TO A QUALIFIED INSTITUTIONAL BUYER IN COMPLIANCE WITH RULE 144A UNDER THE SECURITIES ACT ACQUIRING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER IN A TRANSACTION COMPLYING WITH RULE 144A, (IV) IN AN OFFSHORE TRANSACTION COMPLYING WITH THE REQUIREMENTS OF RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, OR (V) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT (IF AVAILABLE), AND (B) IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES AND OTHER JURISDICTIONS, AND (3) AGREES THAT IT WILL GIVE TO EACH PERSON TO WHOM THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. AS USED HEREIN, THE TERMS “OFFSHORE TRANSACTION,” “UNITED STATES” AND “U.S. PERSON” HAVE THE RESPECTIVE MEANINGS GIVEN TO THEM BY REGULATION S UNDER THE SECURITIES ACT.

PRIOR TO THE REGISTRATION OF ANY TRANSFER IN ACCORDANCE WITH THE ABOVE PARAGRAPHS, THE COMPANY AND THE TRUSTEE RESERVE THE RIGHT TO REQUIRE THE DELIVERY OF SUCH LEGAL OPINIONS, CERTIFICATIONS, OR OTHER EVIDENCE AS MAY REASONABLY BE REQUIRED IN ORDER TO DETERMINE THAT THE PROPOSED TRANSFER IS BEING MADE IN COMPLIANCE WITH THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS. NO REPRESENTATION IS MADE AS TO THE AVAILABILITY OF ANY EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT.

THIS LEGEND MAY ONLY BE REMOVED AT THE OPTION OF THE ISSUER.

- (7) If it is a non-U.S. purchaser acquiring a beneficial interest in a Regulation S global note offered pursuant to this offering memorandum, it acknowledges and agrees that, until the expiration of the 40-day “distribution compliance period” within the meaning of Regulation S, any offer, sale, pledge or other transfer shall not be made by it in the United States or to, or for the account or benefit of, a U.S. person, except pursuant to Rule 144A to a QIB taking delivery thereof in the form of a beneficial interest in a Rule 144A note, and that each Regulation S note will contain a legend to substantially the following effect:

PRIOR TO EXPIRATION OF THE 40-DAY DISTRIBUTION COMPLIANCE PERIOD (AS DEFINED IN REGULATION S (“REGULATION S”) UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”)), THIS SECURITY MAY NOT BE REOFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES (AS DEFINED IN REGULATION S) OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, A U.S. PERSON (AS DEFINED IN REGULATION S), EXCEPT TO A QUALIFIED INSTITUTIONAL BUYER IN COMPLIANCE WITH RULE 144A UNDER THE SECURITIES ACT IN A TRANSACTION MEETING THE REQUIREMENTS OF THE INDENTURE REFERRED TO HEREIN.

THIS GLOBAL NOTE IS A TEMPORARY GLOBAL NOTE FOR PURPOSES OF REGULATION S UNDER THE SECURITIES. NEITHER THIS TEMPORARY GLOBAL NOTE NOR ANY

INTEREST HEREIN MAY BE OFFERED, SOLD OR DELIVERED, EXCEPT AS PERMITTED ABOVE.

- (8) It acknowledges that the foregoing restrictions apply to holders of beneficial interests in the notes, as well as holders of the notes;
- (9) It acknowledges that the trustee will not be required to accept for registration of transfer any notes acquired by it, except upon presentation of evidence satisfactory to Metro and the trustee that the restrictions set forth herein have been complied with; and
- (10) It acknowledges that prior to any proposed transfer of notes (other than pursuant to an effective registration statement or in respect of notes sold or transferred either pursuant to (a) Rule 144A or (b) Regulation S) the holder of such notes may be required to provide certifications relating to the manner of such transfer as provided in the Indenture;
- (11) It acknowledges that Metro, the trustee, the initial purchasers and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements and agrees that if any of the acknowledgments, representations or agreements deemed to have been made by its purchase of the notes are no longer accurate, it shall promptly notify Metro, the trustee and the initial purchasers.
- (12) If it is acquiring the notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such account and it has full power to make the foregoing acknowledgments, representations and agreements on behalf of each such account.
- (13) It acknowledges that (a) its purchase and holding of the note is not made on behalf of or with “plan assets” of any plan subject to Title I of ERISA, Section 4975 of the Code or any similar law or (b) its purchase and holding of the note will not result in a non-exempt prohibited transaction under Section 406 of ERISA, Section 4975 of the Code or any similar law.

LEGAL MATTERS

Certain U.S. legal matters in connection with this offering and the notes will be passed upon for us by Skadden, Arps, Slate, Meagher & Flom LLP, our U.S. counsel, and for the initial purchasers by Davis Polk & Wardwell LLP, U.S. counsel to the initial purchasers. Certain legal matters with respect to Chilean law in connection with this offering will be passed upon for us by Ried Fabres SpA and for the initial purchasers by Garrigues Chile SpA.

INDEPENDENT AUDITORS

The consolidated financial statements as of December 31, 2019 and 2018, and for the years ended December 31, 2019 and 2018 included in this Offering Memorandum have been audited by Deloitte Auditores y Consultores Limitada, independent auditors, as stated in their report appearing herein (which report expresses an unqualified opinion and includes an explanatory paragraph referring to the convenience translation of the financial statements from Spanish to English).

AVAILABLE INFORMATION

Rule 144 Information

We are not subject to the reporting requirements of the Securities Exchange Act of 1934, as amended, or the Exchange Act. For so long as any of the notes remain outstanding and are “restricted securities” within the meaning of Rule 144(a)(3) under the Securities Act, we agree to furnish upon the request of any holder of the notes, to the holder or beneficial owner or to each prospective purchaser designated by any such holder of the notes or interests therein who is a QIB within the meaning of Rule 144A(a)(1), information required by Rule 144A(d)(4) under the Securities Act, unless we either maintain the exemption from reporting under Rule 12g3-2(b) of the Securities Act or furnish the information to the SEC in accordance with Section 13 or 15 of the Exchange Act. Any such request may be made to us in writing at our main offices located at the address specified below under “—Principal Executive Offices.” We are also required periodically to furnish certain information, including quarterly and annual reports, to the CMF and to the *Bolsa de Comercio de Santiago, Bolsa de Valores*, or Bolsa, which will be available in Spanish for inspection on the Bolsa’s website at www.bolsadesantiago.com and on the CMF’s website at www.cmfchile.cl. The information available on or through these websites is not part of or incorporated by reference into this offering memorandum.

Clearing System

The notes have been accepted for clearance through Euroclear and Clearstream. For the Rule 144A 2030 notes, the ISIN number is US29246QAD79. For the Regulation S 2030 notes, the ISIN number is USP37466AR35. For the Rule 144A 2050 notes, the ISIN number is US29246QAE52. For the Regulation S 2050 notes, the ISIN number is USP37466AS18.

Principal Executive Offices

The address of our principal executive offices, which is the business address of our Board of Directors, is Avenida Libertador Bernardo O’Higgins 1414, Santiago, Chile, Postal Code 8320000.

Available Documentation

For so long as the notes are listed and admitted to trading on the Official List of the Luxembourg Stock Exchange and to trading on the Euro MTF Market of the Luxembourg Stock Exchange, copies of the following items will be available free of charge in physical form at the address identified in the immediately preceding paragraph:

- this offering memorandum;
- a copy of our current by-laws (*estatutos sociales*);
- our annual audited consolidated financial statements;
- our interim financial statements;
- a copy of the Indenture; and
- any other documents relating to the offering of the notes referred to herein.

The Indenture will further require that we furnish to the Trustee (as defined under “Description of the Notes”) all notices of meetings of the holders of notes and other reports and communications that are generally made available to holders of the notes. At our written request, the Trustee will be required under the Indenture to mail these notices, reports and communications received by it from us to all record holders of the notes promptly upon receipt. See “Description of the Notes.”

We will make available to the holders of the notes, at the corporate trust office of the Trustee at our sole expense, copies of the Indenture as well as this offering memorandum, and copies in English of our annual audited

consolidated financial statements and our quarterly unaudited consolidated financial statements. Information will also be available at the office of the Luxembourg Listing Agent (as defined under “Description of the Notes”).

Listing

Application is expected to be made to admit the notes to listing in the Official List of the Luxembourg Stock Exchange and to trading on the Euro MTF of the Luxembourg Stock Exchange, in accordance with its rules. This offering memorandum forms, in all material respects, the listing memorandum for admission to the Luxembourg Stock Exchange. We will be required to comply with any undertakings given by us from time to time to the Luxembourg Stock Exchange in connection with the notes, and to furnish all such information as the rules of the Luxembourg Stock Exchange may require in connection with the listing of the notes.

Authorization

The proposed offering of the notes was approved by our Board of Directors on March 9, 2020 and by Exempt Decree No. 131, dated April 27, 2020, issued by the Ministry of Finance and the Ministry of the Economy, Promotion and Tourism.

No Material Adverse Change

Other than as disclosed in this offering memorandum, there has been no material adverse change in our prospects since December 31, 2019, and there has been no significant change in our financial or trading position since December 31, 2019.

No Material Litigation

See “Business—Legal and Administrative Proceedings.”

Company Registration

We were created as a closely held stock corporation (*sociedad anónima cerrada*) and are registered in the Securities Registry of the CMF as a securities issuer under number 421.

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Empresa de Transporte de Pasajeros Metro S.A. and Subsidiaries
Consolidated Financial Statements
As of and for the years ended December 31, 2019 and 2018



EMPRESA DE TRANSPORTE DE PASAJEROS METRO S.A. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

As of and for the years ended December 31, 2019 and 2018

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- ✓ Notes to the Consolidated Financial Statements

ThCh\$ Figures expressed in thousands of Chilean Pesos

MCh\$ Figures expressed in millions of Chilean Pesos

US\$ Figures expressed in United States dollars

ThUS\$ Figures expressed in thousands of United States dollars

MUS\$ Figures expressed in millions of United States dollars

ThUF Figures expressed in thousands of Unidades de Fomento (inflation-adjusted units)

Ch\$ Figures expressed in Chilean pesos

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INDEPENDENT AUDITORS' REPORT

To the Chairman
and Directors of Empresa de Transporte de Pasajeros Metro S.A.

We have audited the accompanying consolidated financial statements of Empresa de Transporte de Pasajeros Metro S.A. and subsidiaries, which comprise the consolidated statements of financial position as of December 31, 2019 and 2018 and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with standards and instructions issued by the Financial Market Commission (CMF) as described in Note 2.1 to the consolidated financial statements; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

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Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Empresa de Transporte de Pasajeros Metro S.A. and its subsidiaries as of December 31, 2019 and 2018, and the results of their operations and their cash flows for the years then ended in accordance with standards and instructions issued by the Financial Market Commission (CMF), as described in Note 2.1 to the consolidated financial statements.

A handwritten signature in black ink that reads "Deloitte," with a comma at the end. The signature is written in a cursive, flowing style.

March 26, 2020
Santiago, Chile

Deloitte Auditores y Consultores Limitada

CONSOLIDATED FINANCIAL STATEMENTS

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Consolidated Statements of Financial Position
as of December 31, 2019 and 2018
(In thousands of Chilean pesos)

| ASSETS | NOTE | 12-31-2019 | 12-31-2018 |
|---|------|----------------------|----------------------|
| CURRENT ASSETS | | | |
| Cash and cash equivalents | 4 | 106,503,269 | 165,110,682 |
| Other current financial assets | 10 | 156,487,558 | 187,303,313 |
| Other current non-financial assets | 11 | 9,853,393 | 6,870,615 |
| Trade and other receivables current | 5 | 16,090,004 | 14,973,044 |
| Current inventories | 6 | 17,430,294 | 16,401,194 |
| Current tax assets | | 1,221,974 | 1,752,674 |
| Total current assets | | 307,586,492 | 392,411,522 |
| NON-CURRENT ASSETS | | | |
| Other non-current financial assets | 10 | 61,608,881 | 58,237,285 |
| Other non-financial assets, non-current | 11 | 31,403,969 | 24,812,750 |
| Accounts receivable, non-current | | 1,578,060 | 1,286,725 |
| Intangible assets other than goodwill | 7 | 8,376,304 | 6,392,116 |
| Property, plant and equipment | 8 | 4,867,401,435 | 4,705,488,071 |
| Investment property | 9 | 25,342,044 | 22,641,419 |
| Total non-current assets | | 4,995,710,693 | 4,818,858,366 |
| TOTAL ASSETS | | 5,303,297,185 | 5,211,269,888 |

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

Consolidated Statements of Financial Position, continued
as of December 31, 2019 and 2018
(In thousands of Chilean pesos)

| EQUITY AND LIABILITIES | NOTE | 12-31-2019 | 12-31-2018 |
|--|------|----------------------|----------------------|
| LIABILITIES | | | |
| CURRENT LIABILITIES | | | |
| Other current financial liabilities | 12 | 153.979.573 | 115.056.111 |
| Trade and other payables | 15 | 112.512.046 | 125.820.310 |
| Other short-term provisions | 19 | 623.810 | 795.662 |
| Employee benefits, current | 17 | 14.473.391 | 14.788.867 |
| Other current non-financial liabilities | 13 | 14.500.340 | 24.961.977 |
| Total current liabilities | | 296.089.160 | 281.422.927 |
| NON-CURRENT LIABILITIES | | | |
| Other financial liabilities, non-current | 12 | 2.072.205.775 | 2.059.719.311 |
| Non-current accounts payable | 15 | 1.424.782 | 1.130.140 |
| Due to related companies, non-current | 14 | 22.515.130 | 3.500.000 |
| Employee benefits, non-current | 17 | 13.087.241 | 12.797.234 |
| Other non-financial liabilities, non-current | 13 | 49.763.434 | 54.793.619 |
| Total non-current liabilities | | 2.158.996.362 | 2.131.940.304 |
| Total liabilities | | 2.455.085.522 | 2.413.363.231 |
| EQUITY | | | |
| Share capital | 20 | 3.712.166.008 | 3.455.533.978 |
| Accumulated deficit | 20 | -886.493.888 | -690.995.637 |
| Other reserves | 20 | 22.550.188 | 33.378.961 |
| Equity attributable to owners of parent | | 2.848.222.308 | 2.797.917.302 |
| Non-controlling interests | 20 | -10.645 | -10.645 |
| Total equity | | 2.848.211.663 | 2.797.906.657 |
| Total equity and liabilities | | 5.303.297.185 | 5.211.269.888 |

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

Consolidated Statements of Comprehensive Income by Function

For the years ended December 31, 2019 and 2018

(In thousands of Chilean pesos)

| CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME BY FUNCTION | NOTE | 01-01-2019 | 01-01-2018 |
|--|------|--------------|--------------|
| | | 12-31-2019 | 12-31-2018 |
| Revenue | 21 | 416.323.955 | 388.852.814 |
| Cost of sales | 21 | -379.123.771 | -328.189.648 |
| Gross profit | | 37.200.184 | 60.663.166 |
| Other income by function | 21 | 31.085.517 | 3.227.877 |
| Administrative expenses | 21 | -44.362.296 | -44.426.907 |
| Other expenses by function | 21 | -42.917.256 | -1.862.850 |
| Other income (expenses) | 21 | 95.106 | 13.697.843 |
| Finance income | 21 | 10.311.414 | 8.905.844 |
| Finance costs | 21 | -87.038.317 | -63.967.097 |
| Foreign currency translation differences | 21 | -73.372.712 | -123.478.609 |
| Loss from inflation-adjusted units | 21 | -26.499.891 | -28.484.104 |
| Loss before taxes | | -195.498.251 | -175.724.837 |
| Income tax expense | | | |
| Loss from continued operations | | -195.498.251 | -175.724.837 |
| Profit (loss) from discontinued operations | | | |
| Net loss | | -195.498.251 | -175.724.837 |
| NET LOSS ATTRIBUTABLE TO: | | | |
| Owners of parent | | -195.498.251 | -175.724.837 |
| Non-controlling interests | | - | - |
| Net loss | | -195.498.251 | -175.724.837 |

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

Consolidated Statements of Comprehensive Income by Function, continued

For the years ended December 31, 2019 and 2018

(In thousands of Chilean pesos)

| STATEMENTS OF COMPREHENSIVE INCOME | NOTE | 01-01-2019 | 01-01-2018 |
|---|------|---------------|---------------|
| | | 12-31-2019 | 12-31-2018 |
| Net loss | | (195,498,251) | (175,724,837) |
| Actuarial loss on defined benefit plans | 21 | (600,013) | (150,190) |
| Total other comprehensive income that will not be reclassified to profit or loss for the period, before taxes | 21 | (600,013) | (150,190) |
| Components of other comprehensive income that will be reclassified to profit or loss for the period, before taxes | | - | - |
| Income (loss) from exchange rate differences, before taxes | | - | - |
| Loss on cash flow hedges, before taxes | 21 | (10,228,760) | - |
| Total other comprehensive (loss) income that will be reclassified to profit or loss for the period, before taxes | 21 | (10,228,760) | - |
| Other comprehensive (loss) income before taxes | 21 | (10,828,773) | (150,190) |
| Income taxes related to components of other comprehensive income that will be reclassified to profit or loss for the period | | - | - |
| Total other comprehensive (loss) income | 21 | (10,828,773) | (150,190) |
| Total comprehensive (loss) income | | (206,327,024) | (175,875,027) |

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

Consolidated Statements of Changes in Equity
For the years ended December 31, 2019 and 2018
(In thousands of Chilean pesos)

| Items | Share capital | Other Reserves | | | | | Retained earnings (accumulated deficit) | Equity attributable to owners of parent | Non-controlling interests | Total net equity |
|---|---------------|-----------------------|---------------------|------------------|---|----------------------|--|---|---------------------------|------------------|
| | | Other sundry reserves | Revaluation surplus | Cash flow hedges | Reserves for actuarial gain (loss) on defined benefit plans | Total Other Reserves | | | | |
| Opening balance 01-01-2019 | 3.455.533.978 | 30.336.377 | 3.042.584 | - | - | 33.378.961 | -690.995.637 | 2.797.917.302 | -10.645 | 2.797.906.657 |
| Loss | - | - | - | - | - | - | -195.498.251 | -195.498.251 | - | -195.498.251 |
| Other comprehensive income | - | - | - | -10.228.760 | -600.013 | -10.828.773 | -195.498.251 | -10.828.773 | - | -10.828.773 |
| Comprehensive income | - | - | - | -10.228.760 | -600.013 | -10.828.773 | -195.498.251 | -206.327.024 | - | -206.327.024 |
| Equity issuance | 256.632.030 | - | - | - | - | - | - | 256.632.030 | - | 256.632.030 |
| Closing balance 12-31-2019 | 3.712.166.008 | 30.336.377 | 3.042.584 | -10.228.760 | -600.013 | 22.550.188 | -886.493.888 | 2.848.222.308 | -10.645 | 2.848.211.663 |
| Opening balance 01-01-2018 | 3.082.361.491 | 30.336.377 | 3.042.584 | - | - | 33.378.961 | -515.120.610 | 2.600.619.842 | -10.645 | 2.600.609.197 |
| Loss | - | - | - | - | - | - | -175.724.837 | -175.724.837 | - | -175.724.837 |
| Other comprehensive income | - | - | - | - | -150.190 | -150.190 | - | -150.190 | - | -150.190 |
| Comprehensive income | - | - | - | - | -150.190 | -150.190 | -175.724.837 | -175.875.027 | - | -175.875.027 |
| Equity issuance | 373.172.487 | - | - | - | - | - | - | 373.172.487 | - | 373.172.487 |
| Increase (decrease) through transfers and other changes | - | - | - | - | 150.190 | 150.190 | -150.190 | - | - | - |
| Closing balance 12-31-2018 | 3.455.533.978 | 30.336.377 | 3.042.584 | - | - | 33.378.961 | -690.995.637 | 2.797.917.302 | -10.645 | 2.797.906.657 |

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

Consolidated Statements of Cash Flows

For the years ended December 31, 2019 and 2018

(In thousands of Chilean pesos)

| Consolidated Statements of Cash Flows (direct method) | 01-01-2019 12-31-2019 | 01-01-2018 12-31-2018 |
|--|--------------------------|--------------------------|
| Net cash flows provided by operating activities | | |
| Collection from sales of assets and service renderings | 403,306,009 | 375,021,318 |
| Other collections for operating activities | 25,102,405 | 13,479,111 |
| Payments to suppliers for the provision of goods and services | (202,906,920) | (166,030,269) |
| Payments to, and on behalf of, employees | (99,261,379) | (92,545,045) |
| Other payments for operating activities | (7,462,139) | (6,795,315) |
| Net cash flows provided by operating activities | 118,777,976 | 123,129,800 |
| Cash flows provided by (used in) investing activities | | |
| Sales of property, plant and equipment | - | 812,040 |
| Purchases of property, plant and equipment | (318,974,727) | (372,473,580) |
| Purchases of intangible assets | (24,200) | (17,618) |
| Other collections to acquire equity or debt instruments of other entities | 398,341,187 | 462,118,234 |
| Other payments to acquire equity or debt instruments of other entities | (367,527,561) | (492,186,342) |
| Interest paid | (20,917,544) | (31,427,607) |
| Net cash flows used in investing activities | (309,102,845) | (433,174,873) |
| Net cash flows provided by financing activities | | |
| Amount from shares issued | 256,632,030 | 373,172,487 |
| Loans from related entities - Contribution from the Chilean Treasury | 19,015,130 | 3,500,000 |
| Amounts from long-term loans | 17,414,786 | 53,515,563 |
| Other collections of cash | 10,510,451 | 9,865,323 |
| Repayment of loans | (83,547,800) | (48,044,845) |
| Interest paid | (87,776,927) | (69,948,816) |
| Other cash outflows | (722,089) | (1,107,458) |
| Net cash flows provided by (used in) financing activities | 131,525,581 | 320,952,254 |
| Net increase (decrease) in cash and cash equivalents before effect of changes in the exchange rate | (58,799,288) | 10,907,181 |
| Effects of variations in the exchange rate on cash and cash equivalents | 191,875 | 1,963,383 |
| Net (decrease) increase in cash and cash equivalents | (58,607,413) | 12,870,564 |
| Cash and cash equivalents at the beginning of the period | 165,110,682 | 152,240,118 |
| Cash and cash equivalents at the end of the period | 106,503,269 | 165,110,682 |

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019 AND 2018

(In thousands of Chilean pesos)

1. Company Profile

Empresa de Transporte de Pasajeros Metro S.A., (hereinafter also referred to as the Company) is a Chilean state-owned company created by Law 18,772 on January 28, 1989 as the legal successor to the Dirección General de Metro, as a result of which all the assets and liabilities of the latter were transferred to the Company.

The Company is a stock corporation bound by the principles applicable to open stock corporations, and has its registered office at 1414 Avenida Libertador Bernardo O'Higgins, Santiago, Chile.

The Company is registered on the Register of Securities under number 421 and is subject to the supervision of the Financial Market Commission (referred to as CMF).

The Company's corporate purpose is to carry out all the activities associated with passenger transportation in metropolitan railways or other complementary electrical vehicles, and the provision of ground transportation services by buses or vehicles of any technology, as well as activities related to such line of business.

These Consolidated Financial Statements are presented in thousands of Chilean pesos (unless expressly stated otherwise) since this is the functional currency of the primary economic environment in which the Company operates.

2. Summary of significant accounting policies

The main accounting policies adopted in preparing these Consolidated Financial Statements, as required by IAS 1, are based on International Financial Reporting Standards (hereinafter "IFRS") (with the exception of the application of International Public Sector Accounting Standard 21 as discussed in the following paragraph) in effect as of December 31, 2019, and have been applied on a consistent basis to all accounting periods presented in the Consolidated Financial Statements.

2.1. Basis of preparation

The Consolidated Financial Statements comprise the Consolidated Statements of Financial Position as of December 31, 2019 and 2018; the Consolidated Statements of Comprehensive Income for the years ended December 31, 2019 and 2018 and the Consolidated Statements of Changes in Equity and the Consolidated Statements of Cash Flows for the years then ended, prepared in accordance with the standards and instructions issued by the Financial Market Commission (CMF). These standards and instructions require the Company to comply with the International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB)), except for certain IFRS standards as follows: through Ruling No. 6158 dated March 5, 2012, the Company was authorized by the Financial Market Commission to exceptionally apply International Public Sector Accounting Standard 21 (hereinafter "IPSAS 21"), instead of IAS 36. Please see Note 2.8 for further details regarding this exception.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019 AND 2018

The Management of the Company is responsible for the information contained in these Consolidated Financial Statements, which have been approved by the Board of Directors on March 26, 2020, with the Management being authorized to publish them.

The Consolidated Financial Statements have been prepared on the basis of historical cost. In general, the historical cost is based on the fair value of the consideration given in exchange for the goods and services. Fair value is the price that would be received for selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether this price is observable or estimated using another valuation technique. The Company considers the characteristics of the assets and liabilities if the market participants take those characteristics into consideration at the time of fixing the price of the asset or liability at the measurement date.

The preparation of these Consolidated Financial Statements, in accordance with IFRS, requires the use of certain critical accounting estimates, necessary for the quantification of certain assets, liabilities, income and expenses.

It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3 "Management's Estimates and Accounting Criteria."

2.2. Basis of consolidation

The Consolidated Financial Statements include the financial statements of the Parent Company and of the entities controlled by the Company. Control is achieved when the Company has:

Power over the investee.

Exposure, or rights, to variable returns from involvement with the investee.

The ability to use power over the investee to affect the amount of those returns.

The Company evaluated control based on all facts and circumstances and the conclusion is re-evaluated if there is an indication that a change has occurred in at least one of the three conditions detailed above.

Empresa de Transporte Suburbano de Pasajeros S.A. (Transub S.A.), Sociedad Metro SpA and Sociedad Metro Emisora de Medios de Pago S.A. (MetroPago S.A.) are consolidated from the date on which control of these entities was transferred to the Company. Consolidation includes the financial statements of the Parent company and its subsidiaries, which comprises all assets, liabilities, income, expenses and cash flows of the subsidiaries, once adjustments and eliminations for intra-group transactions have been made.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019 AND 2018

The non-controlling interest in the consolidated subsidiaries is presented under shareholders' equity, in "Non-controlling interests," in the Consolidated Statement of Financial Position and in "Income (loss) attributable to non-controlling interest" in the Consolidated Statements of Comprehensive Income.

Empresa de Transporte Suburbano de Pasajeros S.A. is in an organizational and start-up period, has not yet registered any activity since its inception to the present date and was consolidated under the instructions of General Ruling No.1819 issued by the Financial Market Commission on November 14, 2006.

On April 26, 2019, the Company "Metro Emisora de Medios de Pago S.A" (MetroPago S.A.) was incorporated by means of a public deed, under Taxpayer ID Number 77,057,498-6 and is governed by the regulations of the Chilean Corporations Act.

On May 30, 2019, the ex-Superintendency of Banks and Financial Institutions, now Financial Market Commission, authorized the existence of MetroPago S.A. as a special corporation, in accordance with Title XIII of Act No. 18,046 (the Chilean Corporations Act). The extract of the deed of incorporation of this company was registered on page 57735, under No. 28465, of the Registry of Commerce for the year 2019 of the Santiago Real Estate Registrar. Also, the extract of the deed of incorporation was published in the Official Gazette on July 26, 2019.

The Company's sole purpose is to issue its own payment cards with provision of funds under the terms authorized by Act No. 20,950 and the other regulations governing the issuance of payment cards with provision of funds. In addition, this company may perform activities supplementary to the performance of its line of business. These activities must be authorized by the Financial Market Commission or the agency that succeeds or replaces it.

This company is in an organizational and start-up stage, since it requires authorization from the Financial Market Commission (CMF) for registration in the CMF's Single Register of Payment Card Issuers.

The financial statements of Metro Pago S.A. are prepared in accordance with accounting standards and instructions issued by the Financial Market Commission because due to the nature of its business, this company is regulated and supervised by both those regulatory agencies. As a result, the financial statements of this subsidiary were prepared on a comprehensive basis that considers accounting bases other than those applied by Metro S.A. However, due to the stage the subsidiary is in, there were no significant differences between such other comprehensive basis and the framework under which the Company and its other subsidiaries report.

The participation percentages in the entities which are consolidated by the Company are as follows:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019 AND 2018

| Tax ID No.: | Company name | Ownership percentage | | | | | |
|--------------|----------------|----------------------|----------|--------|------------|----------|--------|
| | | 12-31-2019 | | | 12-31-2018 | | |
| | | Direct | Indirect | Total | Direct | Indirect | Total |
| 96.850.680-3 | Transub S.A. | 66.66 | - | 66.66 | 66.66 | - | 66.66 |
| 76.920.952-2 | Metro SpA. | 100.00 | - | 100.00 | 100.00 | - | 100.00 |
| 77.057.498-6 | MetroPago S.A. | 99.00 | 1.00 | 100.00 | - | - | - |

The ownership in these subsidiaries is not subject to joint control.

The Company does not have ownership interests in joint ventures or in associates.

Non-controlling interests - Non-controlling interests in the Consolidated Statement of Financial Position are presented, within equity, separately from the equity of the owners of the parent company.

2.3. Foreign currency transactions

2.3.1. Functional and presentation currency

Items included in the Consolidated Financial Statements are measured using the currency of the primary economic environment in which the reporting entity operates (the "functional currency"). The Company's functional currency is the Chilean peso. All information is presented in thousands of Chilean pesos (ThCh\$) rounded to the nearest unit.

2.3.2. Transactions and balances in foreign currency and indexation units

Foreign currency and indexation unit transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign currency gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the comprehensive income statement, unless other accounting standards dictate, such as in the case of cash flow hedges where such effects may be recorded in equity.

Exchange rate differences affecting financial assets classified as measured at fair value through profit or loss are presented as part of the profit or loss .

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019 AND 2018

2.3.3. Foreign currency translations

Assets and liabilities in foreign currency and in Unidades de Fomento (an inflation-linked unit of account used in Chile referred to as UF), are presented at the following exchange and translation rates:

| Date | USD | EUR | UF |
|------------|--------|--------|-----------|
| 12-31-2019 | 748.74 | 839.58 | 28,309.94 |
| 12-31-2018 | 694.77 | 794.75 | 27,565.79 |
| 12-31-2017 | 614.75 | 739.15 | 26,798.14 |

US\$ = US dollar

EUR = Euro

UF = Unidad de Fomento (an inflation-linked unit of account)

2.4. Property, plant and equipment

All property, plant and equipment are initially stated at acquisition cost, plus all costs directly attributable to bringing the asset to the condition necessary for it to be capable of operating for its intended use.

Subsequently they are stated at historical cost less accumulated depreciation and impairment losses, which, if any, are recorded in the consolidated statement of comprehensive income.

Costs include expenditure directly attributable to the acquisition of assets and the capitalized interest incurred during the construction and development period.

The cost of constructed assets includes the cost of materials and direct labor costs; any other cost directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management; and the costs of dismantling and removing the items and restoring the site in which they are located.

Work in progress is reclassified as operating assets under property, plant and equipment once the testing period has been completed and the assets are available for use, at which point their depreciation begins.

Costs of additions, modernization or improvements that represent an increase in productivity, capacity, efficiency or extension of the useful lives of assets are capitalized as an increase of the cost of the corresponding assets.

Periodic expenses for maintenance, conservation and repair are recognized directly in profit or loss as costs of the period in which they are incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019 AND 2018

Major maintenance costs of rolling stock, which includes among other things, replacement of parts and pieces, are capitalized as an asset that is independent from the main asset, if it is probable that future economic benefits related to the costs are received.

Depreciation of property, plant and equipment items is calculated using the straight-line method to allocate costs over their estimated economic useful lives, except in the case of certain technical components identified in rolling stock, which are depreciated on the basis of cycles and kilometers traveled.

Amortization (depreciation) of property, plant and equipment according to IAS 16 must be recorded separately for each significant part that makes up a final property, plant and equipment item. In the case of rolling stock, the Company separately depreciates the significant components of a property, plant and equipment item that have different useful lives than the rest of the items that form it.

Residual values, where they are defined, and useful lives of assets are reviewed and adjusted prospectively in each statement of financial position, so that the remaining useful lives are consistent with the asset's current service use and effective use.

An item of property, plant and equipment is derecognized upon disposal or upon its permanent decommission and when no future economic benefits are expected from its use or disposal.

Gains and losses on the sale of property, plant and equipment are calculated by comparing the income obtained to the carrying amount and are included in the consolidated statement of comprehensive income.

At least once a year the Company evaluates the existence of possible impairment of property, plant and equipment, in accordance with IPSAS 21, as described in Note 2.8.

The effects of the impairment analysis are recognized directly in profit or loss.

2.5. Investment property

The Company's investment property includes real estate (land and buildings) held to earn rentals or for capital appreciation as a result of possible future increases in their market prices.

The Company has commercial stores, land and buildings leased under operating leases.

Investment property that corresponds to land and buildings are valued using the cost model.

Reclassification of a property within, or outside of, the investment property category requires performing an assessment of whether the involved property meets, or has ceased to meet, the definition of investment property, and this must be backed up by observable evidence that a change in use has occurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019 AND 2018

As of the date of issuance of these financial statements, no such reclassification has been made as no item has begun to meet or ceased to meet the definition of investment property and therefore, there has been no substantial impact resulting therefrom on these financial statements.

The estimated useful lives of investment property are detailed as follows:

| Type of asset | Useful life |
|-------------------|---------------------|
| Commercial stores | 68 years on average |
| Other buildings | 88 years on average |

2.6. Intangible assets other than goodwill

2.6.1. Easements

Easements are presented at historical cost. If easements have indefinite useful lives, they are not subject to amortization. However, indefinite useful life assets are subject to review at each reporting period, to determine whether the determination of indefinite useful life is still applicable. These assets are subject to annual impairment testing.

2.6.2. Computer software

Licenses for information technology programs acquired are capitalized on the basis of the costs incurred to acquire them and prepare them for use. Such costs are amortized over their estimated useful lives.

Expenses related to in-house developing and maintaining computer programs do not qualify for capitalization and are expensed when incurred.

2.7. Finance income and expenses

Finance income consists of interest from investing cash and cash equivalents, from derivative transactions and other finance income, and is recognized in the Consolidated Statement of Comprehensive Income over the term of the financial instrument, using the effective interest method in the case of assets at amortized cost and fair value in the case of derivative transactions.

Finance costs, both interest and expenses on bank borrowings and bonds, among others (those recorded on an amortized cost basis) are recognized in the Consolidated Statement of Comprehensive Income over the term of the debt using the effective interest method. Costs of interest incurred in the construction of any asset qualified as property, plant and equipment, are capitalized over the period necessary to complete the asset for its intended use. Other interest costs are recorded as an expense in the consolidated statement of comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019 AND 2018

2.8. Losses due to impairment of non-financial assets

Since the Company is a state-owned entity, its business model is focused on serving the public and puts emphasis on providing social benefits. It has an operating, services and infrastructure operation model, which means that its main source of income is established through a technical fare determined by the authority that does not cover recovery of its assets.

This business model defined by its shareholders, the Ministry of Finance and the Corporación de Fomento de la Producción, referred to as CORFO, goes against the concept of economic profitability of assets, as per IAS 36, where the value in use corresponds to the present value of estimated future cash flows expected to be obtained from the operation of the assets.

Therefore, the Company formally requested authorization from the Financial Market Commission to apply IPSAS 21, a standard specific rule for State-owned entities which hold non-cash-generating assets instead of IAS 36. Through Ruling 6158 dated March 5, 2012 the Financial Market Commission authorized the Company to apply IPSAS 21 to assess the impairment of its assets.

The application of this standard allows the Consolidated Financial Statements to present the economic and financial reality of the Company.

This standard defines the value in use of a non-cash generating asset as the present value of the asset's remaining service potential. The present value of the remaining service potential of the asset is determined using the Depreciated Replacement Cost Approach or the Restoration Cost Approach.

However, under specific circumstances in which certain assets lose their service potential, the loss of value is recognized directly in profit or loss.

2.9. Financial assets

The Company classifies its financial assets in accordance with IFRS 9, in the following valuation categories: at amortized cost, at fair value through profit or loss, at fair value in other comprehensive income. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

2.9.1. Financial assets at amortized cost

A financial asset must be measured at amortized cost, if the following two conditions are met:

- (a) The financial asset is held within a business model whose purpose is to hold the financial assets to obtain contractual cash flows and
- (b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest..

In accordance with "IFRS 7 Financial Instruments: Disclosures," we consider that the carrying value of the assets, measured at amortized cost, is a reasonable approximation of fair value. Therefore, as indicated in IFRS 7, it is not necessary to make disclosures regarding the fair value of each asset.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019 AND 2018

2.9.2. Financial assets at fair value through other comprehensive income.

A financial asset should be measured at fair through other comprehensive income, if the following two conditions are met:

- (a) The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and
- (b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest.

2.9.3. Financial assets at fair value through profit or loss

A financial asset should be measured at fair value through profit or loss, unless measured at amortized cost or at fair value through other comprehensive income.

When a derivative financial instrument is not designated as a hedging instrument, all changes in fair value are recognized immediately in profit or loss.

Derecognition of financial assets

The Company and its subsidiaries derecognize a financial asset only when the contractual rights on the financial assets' cash flows have expired, or when all the risks and rewards of ownership of the financial asset are substantially transferred to some other entity. If the Company does not transfer substantially all the risks and rewards of ownership and continues to exercise control over the transferred asset, the asset is accounted for and an associated liability is recorded for the amounts that must be paid. If the Company substantially retains all the risks and rewards of ownership of the financial asset, the Company still recognizes the financial asset and also a liability for the received cash flows.

2.10. Inventories

Inventories correspond to spare parts required for the operations and which are estimated to be used or consumed during one year.

Inventories are initially valued at their acquisition cost, subsequently valued at the lower of cost value or net realizable value. Cost is determined using the weighted average purchase price.

Spare parts classified as inventory are adjusted to their net realizable value, and their technological obsolescence is recognized with a direct charge to profit or loss.

2.11. Trade and other receivables

Trade accounts receivable are recognized initially at fair value (nominal value which includes an implicit interest rate, if applicable) and subsequently at amortized cost by the effective interest method, less the provision for impairment. The provision is established for expected credit losses over the life of the asset, at each balance sheet date, applying the simplified approach for trade accounts receivable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019 AND 2018

The Company is using the expected loss model, which contains historical collection information for each tranche/stratification of its accounts receivable for the last three years (using a matrix where the provision is stratified by maturity or default per days) and additionally includes the expected losses projected by the statistical calculation of "a forward look," which takes into account the most relevant macroeconomic factors that affect uncollectibility, and the projection is based on the probability of each scenario.

Trade receivables are presented net of an allowance for uncollectible accounts and a provision is recognized as a charge to the Consolidated Statement of Comprehensive Income.

2.12. Cash and cash equivalents

Cash and cash equivalents include cash, checking account balances, term deposits and other highly liquid short-term investments with original maturities of three months or less and with no restrictions on their use and with insignificant risk of a change in their fair value .

2.13. Share capital

The Company's share capital are the Series A and Series B common shares.

2.14. Trade and other payables

Suppliers and other accounts payable are initially recognized at their fair value net of directly attributable costs. They are subsequently valued at amortized cost.

2.15. Financial liabilities

Financial liabilities are classified either as financial liability "at fair value through profit and loss" or as "other financial liabilities."

Financial liabilities at fair value through profit or loss (FVTPL):

Financial liabilities are classified at fair value through profit or loss when they are held for trading or are designated at fair value through profit and loss.

IFRS 9 largely preserves the existing requirements of IAS 39 for the classification of financial liabilities. However, under IAS 39 all changes in the fair value of liabilities designated as FVTPL are recognized in profit or loss, whereas under IFRS 9 these changes in fair value are generally presented as follows:

- i) the amount of the change in fair value that is attributable to changes in the liability 's credit risk is presented in the other comprehensive income; and
- ii) the remaining amount of the change in fair value is presented in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019 AND 2018

b) Other financial liabilities:

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. They are subsequently measured at amortized cost using the effective interest rate method, in which interest expense is recognized on the basis of effective interest rate.

The effective interest rate corresponds to the method of calculating the amortized cost of a financial asset or liabilities and of allocating the interest income (expense) over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash flows receivable or payable (including all costs on points paid or received that are an integral part of the effective interest rate, transaction costs and other premiums or discounts) over the expected life of the financial instrument. All the Company's long-term financial liabilities are accounted for under this method.

Derivative Financial Instruments

The Company uses derivative financial instruments to manage its exposure to volatility risks in interest rates and exchange rates, including the use of foreign currency forward contracts and interest rate swaps. See Note 23 for a detailed explanation of derivative financial instruments.

Derivatives are initially recognized at fair value on the date on which the derivative contract is entered into and are subsequently remeasured at fair value at each reporting period end. The resulting gain or loss is recognized immediately in profit or loss, unless the derivative is designated and is effective as a hedging instrument, in which case the timing for recognizing it in profit or loss will depend on the nature of the hedging relationship.

Hedge accounting.

The Company designates certain derivatives as hedging instruments against the foreign exchange risk and as cash flow hedges against the inflation risk.

At the beginning of the hedging relationship, the Company documents the relationship between the hedging instrument and the hedged item, as well as the risk management objectives and the Company's strategy to carry out various hedging transactions. In addition, at the beginning of the hedge and on an ongoing basis, the Company documents whether the hedging instrument is effective to offset changes in the hedged item's fair value or cash flows attributable to the hedged risk, which occurs when the hedging relationship meets the following effectiveness requirements:

- ✓ There is an economic relationship between the hedged item and the hedging instrument;
- ✓ The effect of credit risk does not dominate the value changes that result from that economic relationship; and
- ✓ The hedge ratio is the same as that resulting from the quantity of the hedged item that the entity actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019 AND 2018

If the hedge ratio of a hedging relationship fails to meet the hedge effectiveness requirement, but the risk management objective for that designated hedging relationship remains unchanged, the Company will adjust the hedge ratio of the hedging relationship (this is referred to in IFRS 9 as "rebalancing the hedge relationship") so that it complies with hedge effectiveness requirement again.

Cash flow hedges - (cross currency swap and forward - exchange rate and inflation)

The effective portion of changes in the fair value of derivatives that are designated and considered as cash flow hedges is recognized in other comprehensive income and recorded in the line "Cash flow hedge reserve" in equity, limited to the cumulative change in the fair value of the hedged item from the inception of the hedge. The gain or loss relating to the ineffective portion of the hedging instrument is immediately recognized in profit or loss and is included in "Other profits (losses)."

The amounts previously recognized in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods in which the hedged item is recognized in profit or loss.

The Company discontinues hedge accounting only when the hedging relationship (or a part of it) fails to meet the classification requirements (after rebalancing the hedge relationship, if applicable). This includes instances where the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively. Any gain or loss recognized in other comprehensive income and accumulated in equity until that date remains in equity and is recognized when the forecasted transaction is finally recognized in profit or loss. When the forecasted transaction is no longer expected to occur, the gain or loss accumulated in equity is recognized immediately in profit or loss.

Embedded derivatives

The Company and its subsidiaries have established a procedure that enables them to check for embedded derivatives in financial and non-financial contracts. In case there is an embedded derivative, and if the host contract is not accounted for at fair value, there is a determination of whether the characteristics and risks of some portion of the contract's cash flows are not closely related to the host contract, in which case such portion is required to be separately recorded.

To date, the analyses carried out indicate that there are no embedded derivatives in the contracts of the Company and its subsidiaries that are required to be accounted for separately.

2.16. Income tax and deferred taxes

The income tax provision is determined through the application of the tax rate on the net taxable profit for the period, after applying the permitted tax deductions, plus variations in deferred tax assets and liabilities and tax credits.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019 AND 2018

Differences between the carrying amount of the assets and liabilities and their tax base generate deferred tax assets or liabilities balances, which are calculated using the tax rates that are expected to be in force when the assets and liabilities are realized.

The tax system applicable to the Company as of January 1, 2017, as it is a stock corporation with no connection to final taxpayers, is the first category tax (the Chilean corporate income tax) for the profits it obtains from operating its business. According to the Chilean Income Tax Act (Act No. 824) this tax has a rate of 25%.

The deferred tax rate is measured using the tax rates expected to be applicable to the temporary differences in the period when they are reversed using tax rates that by enactment or substantial enactment will be applicable to the Company at the reporting date.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized, (See Note 18).

2.17. Employee benefits

2.17.1. Accrued vacations

The Company recognizes accrued vacation expenses using the accrual method.

2.17.2. Severance indemnity payments

The Company has created provisions for its obligations to pay severance indemnity payments to all employees whose contracts and collective agreements state that they are entitled to this benefit in all cases.

The liability recognized is the present value of that obligation plus/minus adjustments on actuarial profits or losses and discounted debt service. The present value of the obligation is determined by discounting estimated outgoing cash flows, at a market interest rate for long-term debt instruments that approximates the term of the termination benefits obligation up to their expiration date.

2.17.3. Incentive bonuses

The Company has an annual incentive bonus plan for achieving objectives, based on the individual conditions of each employment contract. These incentives consist of a percentage of the applicable monthly salary and are accrued on the basis of the estimated amount to be paid.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019 AND 2018

2.18. Provisions

The Company recognizes provisions when:

- ✓ It has a present obligation, whether legal or constructive, as a result of past events;
- ✓ It is probable that an outflow of resources will be necessary to settle the obligation; and
- ✓ The amount of the obligation can be estimated reliably.

The amount recognized as a provision must be the best estimate of the disbursement necessary to pay the present obligation at the end of the reporting period.

2.19. Classification of balances (current and non-current)

In the Consolidated Statements of Financial Position, balances are classified as current when the maturity is equal to twelve months or less from the cut-off date of the Consolidated Financial Statements and as non-current, when it is in excess of that period.

2.20. Revenue and Expense Recognition

The Company recognizes revenue from the following main sources:

- ✓ Passenger transportation service
- ✓ Sales channel
- ✓ Lease of stores, and commercial and advertising spaces
- ✓ Lease at inter-modal terminals
- ✓ Lease of spaces for telephone and fiber optic antennas
- ✓ Lease of land
- ✓ Advisory services

The income is measured based on the consideration specified in the contracts with customers. The Company recognizes revenue when performance obligations are satisfied..

Revenue from passenger transportation service: The Company has a contract in place with the Ministry of Transport and Telecommunications of Chile to provide public passenger transportation services in Santiago.

Passenger transportation service revenue is recognized at fair value (as represented by a technical fee established by regulation), and is recorded daily based on use (number of trips) when a user passes the Bip card through the turnstile. This number of pass-throughs is multiplied by the technical fare.

Revenue sales channel - Santiago Metro maintains a contract with the Ministry of Transport and Telecommunications of Chile, providing services of issuance and post sale and provision of a marketing network and uploading the means of access to the transportation system public passengers of Santiago. These revenues are recognized monthly and are equivalent to a total percentage of collections for transport fees charged as discussed in the previous paragraph. Consequently, revenues are recognized over time when the performance obligation is met.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019 AND 2018

Revenue from lease of stores, and commercial and advertising spaces: Revenue from operating leases are recognized monthly on an accrual basis.

Revenue from lease at intermodal terminals: Intermodal terminal revenue is recognized monthly on an accrual basis.

Revenue from lease space for telephone and fiber optic antennas: This kind of revenue is recognized monthly on an accrual basis.

Revenue from lease of land: Revenue from lease of land is recognized monthly on an accrual basis.

Revenue from advisory services: Metro de Santiago provides advisory services to foreign public and private companies that are developing railway systems. This revenue is recognized over time in the financial statements based on the hours incurred in the advisory services project, based on the percentage of completion method. .

Expenses include both losses and expenses that arise in the ordinary activities of the Company. Expenses also include cost of sales, salaries and depreciation. In general, expenses represent an outflow or decrease in assets such as cash and cash equivalents, inventory or property, plant and equipment.

2.21. Lease agreements

The Company as lessor

The Company has a contract with the characteristics of a financial lease, which has been accounted for as established in IFRS 16 "Leases." Finance leases are leases where the lessor transfers substantially all the risks and rewards incidental to ownership of the asset to the lessee. Contracts that do not meet the requirements of a finance lease are classified as operating leases, i.e. a lease is an operating lease whenever the lessor retains a significant part of the risks and rewards incidental to ownership of the leased assets.

In the case of finance leases, at the inception date, the Company recognizes the assets held under finance leases and presents them as an account receivable, equal in value to the net investment in the lease. The net investment in the lease is calculated as the sum of the present value of the lease payments.

Subsequently, the Company recognizes the finance income over the term of the lease, based on a model that reflects a constant rate of return on the net financial investment made in the lease.

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The Company as lessee

The Company evaluates whether a contract is or contains a lease at the inception of the contract. If the contract does contain a lease, the Company recognizes a right-of-use asset and a lease liability. The start date of the lease is that on which the lessor makes the asset available to the lessee for the lessee to use it.

The valuation of the right to use the asset includes the following items:

- ✓ The amount of the initial valuation of the lease liability
- ✓ Any lease payment made to the lessor prior to the start date or on the start date.
- ✓ Any initial direct cost incurred by the lessee.
- ✓ An estimate of the costs that the Company will incur in dismantling and withdrawing or restoring the asset.

Subsequently, the right-of-use asset will be accounted for in accordance with IAS 16 “Properties, plants and equipment.”

The lease liability is initially measured at the present value of the lease payments payable over the lease term, discounted at the rate implicit in the lease if that can be readily determined. If that rate cannot be readily determined, the lessee shall use their incremental borrowing rate.

2.22. New IFRS and interpretations issued by the IFRS Interpretations Committee (IFRIC).

New standards, amendments to standards and interpretations that are mandatory for the first time for periods beginning on January 1, 2019.

| New IFRS | Mandatory effective date |
|--|--|
| IFRS 16 — Leases | Annual periods beginning on or after January 1, 2019 |
| IFRS Amendments | Mandatory effective date |
| Prepayment Features with Negative Compensation (Amendments to IFRS 9) | Annual periods beginning on or after Tuesday, January 01, 2019 |
| Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28) | Annual periods beginning on or after Tuesday, January 01, 2019 |
| Annual Improvements 2015-2017 cycle (amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23) | Annual periods beginning on or after Tuesday, January 01, 2019 |
| Plan Amendment, Curtailment or Settlement (Amendment to IAS 19) | Annual periods beginning on or after Tuesday, January 01, 2019 |
| New Interpretations | Mandatory effective date |
| IFRIC 23 Uncertainty over Income Tax Treatments | Annual periods beginning on or after Tuesday, January 01, 2019 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019 AND 2018

Management assessed the impact of the application of IFRS 16 by analyzing the lease contracts and also the service contracts, in order to evaluate whether they were in the scope of and, if so, the effects on the financial statements of the transition to IFRS 16. .

Under this evaluation, those contracts which met the definition of a lease under IFRS 16 resulted in the Company recognizing an asset for right of use and also a liability in regards to all the installments payable for those leases.

In accordance with the provisions of IFRS 16, the Company analyzed the contracts in force as of December 31, 2019. This review process considered the formal aspects and in addition the information provided by the Project Chiefs in order to determine whether or not such contracts in force were in the scope of IFRS 16 and, if so, the effects on the financial statements of the transition to IFRS 16.

Once the review was completed, the Company concluded that there are no significant contracts falling under the scope of IFRS 16, since the contracts involve low-value leases, over which IFRS 16 provides a practical expedient as to application which the Company has adopted. However, the Company is constantly evaluating new contracts to which IFRS 16 could be applied.

Impact of application of Amendments, New Interpretations

The application of the amendments and new interpretations did not have a significant impact on the amounts reported in these Consolidated Financial Statements. However, they may affect the accounting for future transactions or arrangements.

The following new standards and interpretations have been issued but their application date is not yet mandatory:

| New IFRS | Mandatory effective date |
|---|---|
| IFRS 17 — Insurance Contracts | Annual periods beginning on or after January 01, 2021 |
| IFRS Amendments | Mandatory effective date |
| Sale or Contributions of assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) | Effective date indefinitely postponed |
| Definition of a Business (Amendments to IFRS 3) | Annual periods beginning on or after Wednesday, January 1, 2020 |
| Definition of Material (Amendments to IAS 1 and IAS 8) | Annual periods beginning on or after Wednesday, January 1, 2020 |
| Reference interest rate reform (amendment IFRS 9, IAS 39 and IFRS 7) | Annual periods beginning on or after Wednesday, January 1, 2020 |
| Revised Conceptual Framework for Financial Reporting | Annual periods beginning on or after Wednesday, January 1, 2020 |

Management considers that the future application of these standards and amendments and interpretations is not expected to have a significant effect on the Consolidated Financial Statements.

3. Management's estimates and accounting criteria

The estimates and criteria used by management are continuously assessed and are based on historical experience and other factors, including the expectation of occurrence of future events that are considered reasonable based on the circumstances.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019 AND 2018

The most relevant management estimates and accounting criteria are detailed as follows:

3.1. Severance indemnity payments

The Company recognizes a liability for the agreed upon obligations for severance payments using an actuarial methodology that considers factors such as the discount rate, effective turnover and other factors inherent to the Company. Any change in these factors and assumptions, shall have an impact on the carrying amount of the severance obligation.

The Company determines the discount rate at the end of each year considering the market conditions as of the valuation date. This interest rate is used to determine the present value of estimated future cash outflows to be required to settle the severance obligation. When determining interest rates, the Company considers representative rates of financial instruments that are denominated in the currency in which the obligation is expressed and which have expiry terms that are close to the payment terms of such obligation.

Actuarial gains and losses arise from variances between estimated and actual performance of actuarial assumptions and/or the modification of established actuarial assumptions, which are reported directly in Other Comprehensive Income for the period.

3.2. Useful life of property, plant and equipment

Property, plant and equipment and intangible assets with finite useful lives are depreciated using the straight-line method on the basis of an estimated useful life. Such estimate takes into consideration technical aspects, nature and conditions of use of those assets and might vary significantly as a consequence of technological innovations or other variables, which will imply adjusting the remaining useful lives, and recognizing higher or lower depreciation, as applicable. Likewise, residual values are determined based on technical aspects that might vary in accordance with the specific conditions of each asset.

3.3. Litigation and other contingencies

The Company has various types of lawsuits for which it is not possible to determine exactly the economic effects that these may have on the Consolidated Financial Statements. In cases where the Administration and the lawyers expect an unfavorable result and where such results may be estimated reliably, provisions have been made with a charge to expense based on estimates of the most likely amount to be paid.

3.4. Measurements and/or valuations at fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Company uses the assumptions that market participants would use when establishing the price of the asset or liability under current market conditions, including assumptions regarding risk. To measure fair value the following must be determined:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019 AND 2018

- a) The actual asset or liability to be measured.
- b) For a non-financial asset, the highest and best use of the asset and if the asset is used in combination with other assets or in an independent manner.
- c) The market in which an orderly transaction would take place for the asset or liability; and
- d) The appropriate valuation technique(s) to be used when measuring fair value. The valuation technique(s) used must maximize the use of relevant observable entry data and minimize non-observable entry data.

To determine the expected loss model of IFRS 9 (simplified model), the Company and its subsidiary have introduced variables in the simplified model so that they can measure fair value based on historical data, percentages of recoverability of accounts receivable and macroeconomic variables.

Market value hierarchies for items at fair value:

Each of the market values for the financial instruments is supported by a methodology for calculation and entry of information. Each of them has been analyzed to determine at which of the following levels they can be allocated:

Level 1, corresponds to methodologies using market units (without adjustment) in active markets and considering the same assets and liabilities valued.

Level 2, corresponds to methodologies using market trading data, not included in Level 1, which are observable for the assets and liabilities valued, whether directly (prices) or indirectly (derived from prices).

Level 3, corresponds to methodologies using valuation techniques, which include data on the assets and liabilities valued, which are not supported by observable market data, where it would have a significant effect.

The Company measures and/or assesses all financial instruments at fair value upon initial measurement; financial instruments are subsequently measured at amortized cost, except for derivative transactions, cross currency swaps (CCS), forwards and interest rate swaps (IRS), which continue to be measured at fair value after their initial recognition.

The Company hierarchically classifies its measurement of fair value under level 2, as established in IFRS 13, and the costs of transactions attributable to those instruments are recognized in income as they are incurred.

The changes in the fair value for the Interest Rate Swap (IRS) are considered as components of the net profit or loss of the year, while for the Cross Currency Swap (CCS) and forward, the changes in the fair value are initially recorded in equity .

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019 AND 2018

The valuation techniques used to measure the fair value of assets and liabilities are:

The valuation techniques used by the Company are appropriate in the circumstances and over which there exists sufficient available data to measure fair value, maximizing the use of relevant observable variables and minimizing the use of unobservable variables. The specific technique used by the Company to value and or measure the fair value of its assets (derivative financial instruments) is discounted cash flow, based on market curves.

Entry data for fair value measurement:

Level 1:

- ✓ Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2:

- ✓ Quoted prices for identical or similar assets in markets that are not active.
- ✓ Variables other than quoted prices that are observable for the asset, for example: Interest rates, observable yield curves at commonly quoted intervals and implicit volatilities.

Level 3:

- ✓ Unobservable inputs.

Items where gains (losses) are recognized on fair value measurements.

Fair value measurement gains (losses) in Interest Rate Swaps (IRS) are recognized as Other Gains (Losses) in profit or loss, while for Cross Currency Swaps (CCS) and forward they are recognized in equity.

Fair value measurement for assets and liabilities

Measurement of fair value requires the determination of the asset or liability to measure (derivative financial instruments). The Company uses the assumptions that market participants would use when establishing the price of the asset or liability under current market conditions, including assumptions regarding risk at the date of the measurement. Should there be restrictions on the asset or payment of any liability, they would be taken into account.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019
AND 2018**

The detail and classification of financial assets as of December 31, 2019 and 2018 is as follows:

| 12-31-2019 | Amortized Cost ThCh\$ | Assets at Fair value through profit or loss ThCh\$ | Assets at Fair value through equity ThCh\$ | Total ThCh\$ |
|----------------------------------|-----------------------------|--|--|--------------------|
| Trade and other receivables | 17,668,064 | - | - | 17,668,064 |
| Cash and cash equivalents | 101,741,543 | 4,761,726 | - | 106,503,269 |
| Cash and banks | - | 4,761,726 | - | 4,761,726 |
| Term deposits | 99,295,250 | - | - | 99,295,250 |
| Repurchase agreements | 2,446,293 | - | - | 2,446,293 |
| Other financial assets | 201,414,717 | 273,997 | 16,407,725 | 218,096,439 |
| Term deposits | 151,649,628 | - | - | 151,649,628 |
| Derivative transactions | - | 273,997 | 16,407,725 | 16,681,722 |
| Financial lease | 2,156,039 | - | - | 2,156,039 |
| Promissory notes receivable | 678,522 | - | - | 678,522 |
| Advertising receivables | 46,925,199 | - | - | 46,925,199 |
| Other financial assets | 5,329 | - | - | 5,329 |
| Total financial assets | 320,824,324 | 5,035,723 | 16,407,725 | 342,267,772 |

| 12-31-2018 | Amortized Cost ThCh\$ | Assets at Fair value through profit or loss ThCh\$ | Assets at Fair value through equity ThCh\$ | Total ThCh\$ |
|----------------------------------|-----------------------------|--|--|--------------------|
| Trade and other receivables | 16,259,769 | - | - | 16,259,769 |
| Cash and cash equivalents | 163,592,097 | 1,518,585 | - | 165,110,682 |
| Cash and banks | - | 1,518,585 | - | 1,518,585 |
| Term deposits | 148,658,483 | - | - | 148,658,483 |
| Repurchase agreements | 14,933,614 | - | - | 14,933,614 |
| Other financial assets | 237,296,031 | 8,244,567 | - | 245,540,598 |
| Term deposits | 183,001,269 | - | - | 183,001,269 |
| Derivative transactions | - | 8,244,567 | - | 8,244,567 |
| Financial lease | 1,838,732 | - | - | 1,838,732 |
| Promissory notes receivable | 665,620 | - | - | 665,620 |
| Advertising receivables | 51,783,963 | - | - | 51,783,963 |
| Other financial assets | 6,447 | - | - | 6,447 |
| Total financial assets | 417,147,897 | 9,763,152 | - | 426,911,049 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019 AND 2018

The detail and classification of financial liabilities as of December 31, 2019 and 2018 is as follows:

| 12-31-2019 | Amortized Cost ThCh\$ | Liabilities at Fair value through profit or loss ThCh\$ | Liabilities at Fair value through equity ThCh\$ | Total ThCh\$ |
|------------------------------------|--------------------------|--|--|----------------------|
| Interest-bearing loans | 2,221,979,112 | - | - | 2,221,979,112 |
| Trade and other payables | 113,936,828 | - | - | 113,936,828 |
| Derivative transactions | - | 46,026 | 4,157,464 | 4,203,490 |
| Other financial liabilities | 2,746 | - | - | 2,746 |
| Total financial liabilities | 2,335,918,686 | 46,026 | 4,157,464 | 2,340,122,176 |

| 12-31-2018 | Amortized Cost ThCh\$ | Liabilities at Fair value through profit or loss ThCh\$ | Liabilities at Fair value through equity ThCh\$ | Total ThCh\$ |
|------------------------------------|--------------------------|--|--|----------------------|
| Interest-bearing loans | 2,171,840,271 | - | - | 2,171,840,271 |
| Trade and other payables | 126,950,450 | - | - | 126,950,450 |
| Derivative transactions | - | 2,906,557 | - | 2,906,557 |
| Other financial liabilities | 28,594 | - | - | 28,594 |
| Total financial liabilities | 2,298,819,315 | 2,906,557 | - | 2,301,725,872 |

4. Cash and cash equivalents

Balances of cash and cash equivalents are detailed as follows:

| Item | Currency | 12-31-2019 ThCh\$ | 12-31-2018 ThCh\$ |
|--|----------|----------------------|----------------------|
| Cash | | | |
| Cash on hand | Ch\$ | 36,501 | 125,150 |
| | USD | 5,212 | 7,247 |
| | Euros | - | 3,380 |
| Bank | Ch\$ | 4,714,824 | 1,378,595 |
| | USD | 5,189 | 4,213 |
| Total cash | | 4,761,726 | 1,518,585 |
| Term deposits | | | |
| Term deposits | Ch\$ | 92,702,109 | 133,152,535 |
| | USD | 6,593,141 | 15,505,948 |
| Total term deposits | | 99,295,250 | 148,658,483 |
| Repurchase agreements | | | |
| Repurchase agreements | Ch\$ | 2,446,293 | 11,806,167 |
| | USD | - | 3,127,447 |
| Total repurchase agreements | | 2,446,293 | 14,933,614 |
| Total cash and cash equivalents | | 106,503,269 | 165,110,682 |
| Subtotal by currency | Ch\$ | 99,899,727 | 146,462,447 |
| | USD | 6,603,542 | 18,644,855 |
| | Euros | - | 3,380 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019 AND 2018

Cash equivalents represent short-term highly liquid investments such as term deposits and fixed income investments –repurchase agreements- that are easily convertible into cash, and are subject to insignificant risk of changes in value, which are maintained to comply with short-term payment commitments. The detail for the years 2019 and 2018 is as follows:

Term deposits

| Type of investment | Currency of origin | Principal in domestic origin in thousands | Annual average rate | Average days to maturity | Principal in domestic currency ThCh\$ | Accrued interest in domestic currency ThCh\$ | Carrying amount 12-31-2019 ThCh\$ |
|--------------------|--------------------|---|---------------------|--------------------------|--|---|--------------------------------------|
| Term deposits | Ch\$ | 92.529.152 | 2,17% | 19 | 92.529.152 | 172.957 | 92.702.109 |
| | USD | 8.801,24 | 2,62% | 22 | 6.589.840 | 3.301 | 6.593.141 |
| Total | | | | | 99.118.992 | 176.258 | 99.295.250 |

| Type of investment | Currency of origin | Principal in domestic origin in thousands | Annual average rate | Average days to maturity | Principal in domestic currency ThCh\$ | Accrued interest in domestic currency ThCh\$ | Carrying amount 12-31-2018 ThCh\$ |
|--------------------|--------------------|---|---------------------|--------------------------|--|---|--------------------------------------|
| Term deposits | Ch\$ | 132.920.188 | 2,99% | 25 | 132.920.188 | 232.347 | 133.152.535 |
| | USD | 22.273,87 | 2,72% | 18 | 15.475.217 | 30.731 | 15.505.948 |
| Total | | | | | 148.395.405 | 263.078 | 148.658.483 |

Repurchase agreements

| Code | Date | | Counterparty | Original currency | Contractual amount ThCh\$ | Annual rate % | Maturity amount ThCh\$ | Instrument identification | Carrying amount 12-31-2019 ThCh\$ |
|--------------|-----------|----------|------------------------|-------------------|------------------------------|---------------|---------------------------|---------------------------|--------------------------------------|
| | Beginning | End | | | | | | | |
| CRV | 12-27-19 | 01-02-20 | ITAU CORREDOR DE BOLSA | Ch\$ | 1.000.000 | 1,96% | 1.000.320 | PROMISSORY NOTE NR | 1.000.213 |
| CRV | 12-30-19 | 01-03-20 | ITAU CORREDOR DE BOLSA | Ch\$ | 446.000 | 1,96% | 446.098 | PROMISSORY NOTE NR | 446.025 |
| CRV | 12-30-19 | 01-06-20 | ITAU CORREDOR DE BOLSA | Ch\$ | 1.000.000 | 1,96% | 1.000.385 | CORPBANC BONUS | 1.000.055 |
| Total | | | | | 2.446.000 | | 2.446.803 | | 2.446.293 |

| Code | Date | | Counterparty | Original currency | Contractual amount ThCh\$ | Annual rate % | Maturity amount ThCh\$ | Instrument identification | Carrying amount 12-31-2018 ThCh\$ |
|--------------|-----------|----------|----------------------------|-------------------|------------------------------|---------------|---------------------------|---------------------------|--------------------------------------|
| | Beginning | End | | | | | | | |
| CRV | 12-28-18 | 01-02-19 | ITAU CORREDOR DE BOLSA | Ch\$ | 800.000 | 2,30% | 800.307 | PROMISSORY NOTE NR | 800.184 |
| CRV | 12-21-18 | 01-02-19 | BCI CORREDOR DE BOLSA S.A. | Ch\$ | 5.100.000 | 2,50% | 5.105.100 | PROMISSORY NOTE NR | 5.104.250 |
| CRV | 12-28-18 | 01-03-19 | ITAU CORREDOR DE BOLSA | Ch\$ | 1.000.000 | 2,30% | 1.000.460 | PROMISSORY NOTE NR, PDBC | 1.000.230 |
| CRV | 12-27-18 | 01-04-19 | ITAU CORREDOR DE BOLSA | Ch\$ | 4.900.000 | 2,30% | 4.903.005 | PROMISSORY NOTE NR | 4.901.503 |
| CRV | 12-28-18 | 01-03-19 | BCI CORREDOR DE BOLSA S.A. | USD | 695.690 | 2,10% | 695.013 | PROMISSORY NOTE R | 694.891 |
| CRV | 12-27-18 | 01-03-19 | BANCO DE CHILE | USD | 2.428.428 | 2,45% | 2.433.052 | BCP | 2.432.556 |
| Total | | | | | 14.924.118 | | 14.936.937 | | 14.933.614 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019 AND 2018

5. Trade and other receivables, current

As of December 31, 2019 and 2018, this item consists of the following:

| Trade and Other Receivables, Gross | 12-31-2019 ThCh\$ | 12-31-2018 ThCh\$ |
|---|------------------------------|------------------------------|
| Trade debtors and other accounts receivable, gross | 16,743,890 | 15,584,946 |
| Trade receivables, gross (*) | 10,521,935 | 9,088,968 |
| Sales channel accounts receivable, gross | 3,783,958 | 4,474,084 |
| Other receivables, gross | 2,437,997 | 2,021,894 |

| Trade and Other Receivables, Net | 12-31-2019 ThCh\$ | 12-31-2018 ThCh\$ |
|---|------------------------------|------------------------------|
| Trade and other receivables, net | 16,090,004 | 14,973,044 |
| Trade receivables, net | 9,868,049 | 8,477,066 |
| Sales channel accounts receivable, net | 3,783,958 | 4,474,084 |
| Other receivables, net | 2,437,997 | 2,021,894 |

(*) Effective as of July 1, 2018, a contract was made with Massiva S.A., lasting a period of 10 years, which establishes a minimum annual guaranteed income (MAG) payable during the term of the contract.

As of December 31, 2019 and 2018, the analysis of net trade and accounts receivable by age and expiration date is detailed below:

| Trade receivables, net | 12-31-2019 ThCh\$ | 12-31-2018 ThCh\$ |
|--------------------------------------|------------------------------|------------------------------|
| Aged 3 months | 4,231,606 | 2,711,980 |
| Aged more than 3 months up to 1 year | 5,113,450 | 5,548,940 |
| Aged more than 1 year | 522,993 | 216,146 |
| | 9,868,049 | 8,477,066 |

| Sales Channel Accounts Receivable, net | 12-31-2019 ThCh\$ | 12-31-2018 ThCh\$ |
|---|------------------------------|------------------------------|
| Aged 3 months | 3,685,763 | 4,160,380 |
| Aged more than 3 months up to 1 year | 71,664 | 302,020 |
| Aged more than 1 year | 26,531 | 11,684 |
| Total | 3,783,958 | 4,474,084 |

| Other Receivables, net | 12-31-2019 ThCh\$ | 12-31-2018 ThCh\$ |
|-------------------------------------|------------------------------|------------------------------|
| With 3 months maturity | 1,974,972 | 547,072 |
| With 3 months up to 1 year maturity | 463,025 | 1,474,822 |
| Total | 2,437,997 | 2,021,894 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019 AND 2018

Movements as of December 31, 2019 and 2018 in the impairment provision are as follows:

| Past due and outstanding trade receivables with impairment | ThCh\$ |
|--|----------------|
| Balance as of December 31, 2017 | 752,768 |
| Increase for the period | 164,800 |
| Decrease for the period | (169,197) |
| Write-offs for the period | (136,469) |
| Balance as of December 31, 2018 | 611,902 |
| Increase for the period | 175,305 |
| Decrease for the period | (131,821) |
| Write-offs for the period | (1,500) |
| Balance as of December 31, 2019 | 653,886 |

The Company establishes a provision based on an expected loss for trade receivables.

The Company only uses the provision method and no direct write-offs, for better control of this item. Once pre-judicial and judicial collection measures have been exhausted, the assets are written-off against the provision recorded.

6. Inventories

This item comprises the following:

| Classes of inventories | 12-31-2019 | 12-31-2018 |
|---|-------------------|-------------------|
| | ThCh\$ | ThCh\$ |
| Inventories and stock | 2,083,438 | 1,674,937 |
| Spare parts and accessories for maintenance | 14,721,017 | 14,350,329 |
| Imports in transit and other | 625,839 | 375,928 |
| Total | 17,430,294 | 16,401,194 |

As of December 2019 and 2018, inventory consumption was charged to the Consolidated Statement of Comprehensive Income in the cost of sales line item, in the amount of ThCh\$ 8,761,987 and ThCh\$9,324,023, respectively.

As of December 2019, the write-offs of inventories amount to ThCh\$ 37,868. As of the same period of the previous year they amounted to ThCh\$ 529. Based on the analysis carried out by the Technical Management for the stock of spare parts, maintenance accessories and supplies presented in this group, no objective evidence of impairment was found for this asset class.

During the year, the Company records no inventory items subject to pledge or guarantee.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019 AND 2018

7. Intangible assets other than goodwill

Intangible assets other than goodwill correspond to licenses and software and transit easements. They are accounted for using the acquisition cost and subsequently they are carried at cost net of accumulated amortization and impairment losses, if any.

Licenses and software are amortized using the straight-line method over the applicable useful life, which is generally estimated at four years. For easements, since the contracts are established with no expiry date, easements are considered to have indefinite useful life, and therefore they are not amortized.

At the balance sheet date, the Company found no objective evidence of impairment for this type of asset.

The items within the Consolidated Statement of Comprehensive Income that include amortization of intangible assets with finite useful lives are in the cost of sales and administrative expenses line items.

There are no intangible assets with ownership restrictions or that provide security for any liabilities of the Company.

a) Intangible assets other than goodwill for the years 2019 and 2018, are as follows:

| Item | 12-31-2019 | | | 12-31-2018 | | |
|-----------------------|---------------------------|---------------------------------|-------------------------------|---------------------------------|---------------------------------|-------------------------------|
| | Intangible assets, ThCh\$ | Accumulated amortization ThCh\$ | Intangible assets, net ThCh\$ | Intangible assets, gross ThCh\$ | Accumulated amortization ThCh\$ | Intangible assets, net ThCh\$ |
| Licenses and Software | 9,200,644 | (5,170,569) | 4,030,075 | 6,533,324 | (4,471,100) | 2,062,224 |
| Easements | 4,346,229 | - | 4,346,229 | 4,329,892 | - | 4,329,892 |
| Total | 13,546,873 | (5,170,569) | 8,376,304 | 10,863,216 | (4,471,100) | 6,392,116 |

b) Movements of intangible assets other than goodwill for the year ended as of December 31, 2019, are as follows:

| Movements | Licenses and Software ThCh\$ | Easements ThCh\$ | Total intangible assets, net ThCh\$ |
|-------------------------------|------------------------------|------------------|-------------------------------------|
| Opening balance 01-01-2019 | 2,062,224 | 4,329,892 | 6,392,116 |
| Additions | 30,001 | 16,337 | 46,338 |
| Transfers | 2,637,319 | - | 2,637,319 |
| Amortization | (699,469) | - | (699,469) |
| Closing balance 12-31-2019 | 4,030,075 | 4,346,229 | 8,376,304 |
| Average remaining useful life | 4 years | Indefinite | |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019 AND 2018

Movements of intangible assets other than goodwill for the year ended as of December 31, 2018, are as follows:

| Movements | Licenses and Software | Easements | Total intangible assets, net |
|-------------------------------|--------------------------|------------|------------------------------------|
| | ThCh\$ | ThCh\$ | ThCh\$ |
| Opening balance 01-01-2018 | 1,699,561 | 4,236,078 | 5,935,639 |
| Additions | 198,498 | 93,814 | 292,312 |
| Transfers | 549,115 | - | 549,115 |
| Amortization | (384,950) | - | (384,950) |
| Closing balance 12-31-2018 | 2,062,224 | 4,329,892 | 6,392,116 |
| Average remaining useful life | 3 years | Indefinite | |

8. Property, plant and equipment

a) Property, plant and equipment items comprise the following:

| Property, plant and equipment | 12-31-2019 ThCh\$ | 12-31-2018 ThCh\$ |
|--|----------------------|----------------------|
| Classes of property, plant and equipment, net | | |
| Property, plant and equipment, net | 4,867,401,435 | 4,705,488,071 |
| Works in progress, net | 495,582,298 | 1,436,411,396 |
| Land, net | 132,899,647 | 132,620,404 |
| Civil works, net | 2,670,687,286 | 1,916,968,710 |
| Buildings, net | 167,366,517 | 111,266,828 |
| Rolling stock, net | 1,006,350,544 | 807,013,830 |
| Electrical equipment, net | 354,825,762 | 262,608,816 |
| Machinery and equipment, net | 21,210,182 | 23,294,181 |
| Other, net | 18,479,199 | 15,303,906 |
| Classes of property, plant and equipment, gross | | |
| Property, plant and equipment, gross | 5,675,209,325 | 5,407,739,528 |
| Works in progress, gross | 495,582,298 | 1,436,411,396 |
| Land, gross | 132,899,647 | 132,620,404 |
| Civil works, gross | 2,886,832,809 | 2,101,706,180 |
| Buildings, Gross | 189,893,979 | 130,851,477 |
| Rolling stock, gross | 1,321,524,848 | 1,080,002,565 |
| Electrical equipment, gross | 586,742,886 | 467,357,214 |
| Machinery and equipment, gross | 43,253,659 | 43,486,386 |
| Other, gross | 18,479,199 | 15,303,906 |
| Classes of accumulated depreciation and impairment, Property, plant and equipment | | |
| Total accumulated depreciation and impairment, Property, plant and equipment | 807,807,890 | 702,251,457 |
| Accumulated depreciation of civil works | 216,145,523 | 184,737,470 |
| Accumulated depreciation of buildings | 22,527,462 | 19,584,649 |
| Accumulated depreciation of rolling stock | 315,174,304 | 272,988,735 |
| Accumulated depreciation of electrical equipment | 231,917,124 | 204,748,398 |
| Accumulated depreciation of machinery and equipment | 22,043,477 | 20,192,205 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019 AND 2018

b) The detail of movements in property, plant and equipment for 2019 and 2018, is as follows

| 2019 movements | Works in progress | Land | Civil works | Buildings | Rolling stock | Electrical equipment | Machinery and equipment | Other | Property, plant and equipment, net |
|---|-------------------|-------------|---------------|-------------|---------------|----------------------|-------------------------|------------|------------------------------------|
| Opening balance at January 1, 2019 | 1,436,411,396 | 132,620,404 | 1,916,968,710 | 111,266,828 | 807,013,830 | 262,608,816 | 23,294,181 | 15,303,906 | 4,705,488,071 |
| Additions | 149,173,750 | 279,243 | 99,598,163 | 148,348 | 17,076,527 | 47,074,075 | 1,297,408 | 82,151 | 314,729,665 |
| Transfers | (1,090,002,848) | - | 709,478,821 | 59,289,688 | 236,425,093 | 77,912,378 | 1,219,109 | - | (5,677,759) |
| Spare parts transfer | - | - | - | - | - | - | - | 3,093,142 | 3,093,142 |
| Derecognition or sales | - | - | (20,574,176) | (275,659) | (8,730,945) | (2,945,508) | (1,867,391) | - | (34,393,679) |
| Depreciation expenses | - | - | (34,784,232) | (3,062,688) | (45,433,961) | (29,823,999) | (2,733,125) | - | (115,838,005) |
| Total movements | (940,829,098) | 279,243 | 753,718,576 | 56,099,689 | 199,336,714 | 92,216,946 | (2,083,999) | 3,175,293 | 161,913,364 |
| Closing balance as of December 31, 2019 | 495,582,298 | 132,899,647 | 2,670,687,286 | 167,366,517 | 1,006,350,544 | 354,825,762 | 21,210,182 | 18,479,199 | 4,867,401,435 |

| 2018 movements | Works in progress | Land | Civil works | Buildings | Rolling stock | Electrical equipment | Machinery and equipment | Other | Property, plant and equipment, net |
|---|-------------------|-------------|---------------|-------------|---------------|----------------------|-------------------------|------------|------------------------------------|
| Opening balance at January 1, 2018 | 1,157,111,593 | 120,662,471 | 1,925,737,534 | 113,577,576 | 779,374,981 | 286,157,192 | 24,535,587 | 16,286,386 | 4,423,443,320 |
| Additions | 336,592,039 | 12,956,156 | 9,038,190 | 18,606 | 14,657,494 | (355,514) | 1,121,933 | - | 374,028,904 |
| Transfers | (57,292,236) | - | 6,520,574 | 137,269 | 49,544,364 | 378,238 | 162,676 | - | (549,115) |
| Spare parts transfer | - | - | - | - | - | - | - | (884,222) | (884,222) |
| Derecognition or sales | - | (998,223) | (72) | - | (55,775) | (90,739) | (34,599) | (98,258) | (1,277,666) |
| Depreciation expenses | - | - | (24,327,516) | (2,466,623) | (36,507,234) | (23,480,361) | (2,491,416) | - | (89,273,150) |
| Total movements | 279,299,803 | 11,957,933 | (8,768,824) | (2,310,748) | 27,638,849 | (23,548,376) | (1,241,406) | (982,480) | 282,044,751 |
| Closing balance as of December 31, 2018 | 1,436,411,396 | 132,620,404 | 1,916,968,710 | 111,266,828 | 807,013,830 | 262,608,816 | 23,294,181 | 15,303,906 | 4,705,488,071 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019 AND 2018

c) The useful lives of the main assets are as follows:

| Item | Estimated useful life in years |
|---------------|--------------------------------|
| Road network | 60 |
| Stations | 100 |
| Tunnels | 100 |
| Rolling stock | 41 |

d) Written-off assets

The social unrest that broke out in October 2019 hit Metro hard with mass fare-dodging evasions at most of the stations. The demonstrations later on turned into riots that inflicted damage to Metro facilities, mainly equipment and infrastructure. The Company suspended operations across the entire network effective October 18, 2019 as it was unable to ensure minimum service, its strategy being to little by little get the service up and running again as repair and reconstruction work allowed providing security conditions to both passengers and Metro workers.

On October 21, 2019 it was reported that some stations on the network, mainly on Lines 1, 4, 4A and 5, had sustained serious damages on the systems required for operation, on trains and on tracks. Since repairing those damages called for a thorough study to assess their impact on operations, the Company suspended operations across the entire network effective October 18, 2019 but only for the following two days. On Monday, October 21, Metro opened its gates again with 18 working stations, expecting to restore the entire network in accordance with technical reconstruction and repair schedules, according to which 82% of the network would be operational by the end of 2019. The second phase, spanning the period from January to April 2020 with the reopening of 18 stations, concluded with over 95% of the network being operational. The third phase is scheduled to conclude at the end 2020 and by then 100% of the network is expected to be operational.

Although this took a toll on Metro's operation and cut revenue, it did not undermine the company's ability to meet its obligations. Sufficient provisions covered the upcoming maturities of loans and bonds, both domestic and international, as well as payments to suppliers, and therefore such events are not expected to cause cash flow complications.

An October 23 report indicated that 118 out of a total of 136 stations had sustained damages. In 25 of those stations, the damages were caused by fires, and 7 stations were completely torched and therefore were not able to operate. Also, 93 stations sustained multiple damages, in particular on turnstiles, tracks and equipment to support the service. In regards to the trains, 13 sustained damages of varying seriousness on Lines 1 and 4, and 7 trains were torched.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019 AND 2018

On October 24, 2019 the Company posted on its corporate website a Fact of Interest to the Market indicating that it holds several types of insurance policies, all of which were duly registered with the Financial Market Commission (CMF). These insurance policies were purchased chiefly to provide coverage for property and equity, life and disability and civil liability. Fire insurance was taken only for corporate buildings called "CCA" and "SEAT", workshops, garages and five intermodal stations on the Santiago Metro network; the other facilities and trains are not insured, given the high costs of premiums and low number of claims (as per Metro's history).

As of October 24, 2019, the estimation of damages stood at the equivalent of 376 million US dollars.

To address the technical, construction, budgeting and accounting issues derived from the social unrest, the corporate Management authorized the Projects Division, Business Division, Passenger Transportation Division and the Engineering Management to assess the damages and report all partially or totally destroyed assets to Planning Management and Development, which is the area in charge of coordinating this process. This information was used to prepare minutes of damaged assets, which are backed up by memos and both internal and external technical reports issued by the managers and/or deputy managers that use the damaged assets.

As a result of this process, 6 evaluations of damaged assets were prepared: i) System and Equipment, ii) Rolling stock, iii) Stations, iv) Vertical transportation, v) Charge and toll network, and vi) Technological support, which contained a detail of all the damaged assets, accounting balances on the SAP system, purchase value, net value, derecognition value, total useful life, residual useful life and/or percentage of write-off of each asset.

| Type of Asset | Minutes No. | Amount of Assets | Amount (MCh\$) |
|-------------------------|-------------|------------------|----------------|
| Systems and Equipment | 38 | 321 | 18,182 |
| Rolling stock | 30 | 13 | 8,714 |
| Stations | 34 | 272 | 5,114 |
| Vertical Transportation | 37 | 75 | 1,350 |
| Cargo network and toll | 33 | 153 | 958 |
| Technological Support | 36 | 86 | 4 |
| Total | | | 34,322 |

The Administration and Finance Management receives these minutes and prepares the financial reports relating to each set of minutes, which is validated by the Accounting department; later on this documentation is signed off by the General Administration Deputy Manager, by the Head of the Accounting Department, by the Administration and Finance Manager and finally by the General Manager. After this signed off documentation is obtained, the involved assets are then written off, where applicable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019 AND 2018

As of November 25, 2019, 101 out of the 136 stations were operational, representing 74% of the network. In addition, all the lines are operational (L1, L2, L3, L4, L4A, L5 and L6). From the point of view of the extension in kilometers, 92% of the total network was operational.

On the other hand, the Rating Agencies maintained the international risk classification of "A +" granted by Standard & Poor's and "A" by Fitch Ratings.

In the case of the local risk classification, both Feller Rate and Humphreys maintained the "AA +" classification. The fact that the rating agencies maintained their risk classification is explained basically by the backing given by the owner of the Company, which is the State of Chile, and by the critical role played by Metro in the system of public transportation in the metropolitan region.

As of December 31, 2019, 111 out of the 136 stations are operational, representing 82% of the network. In addition, all the lines are operational (L1, L2, L3, L4, L4A, L5 and L6). From the point of view of the extension in kilometers, 92% of the total network is operational.

| Lines | Non-Operating Stations (as of December 31) | | |
|-------|--|--|--|
| 1 | Baquedano | | |
| 2 | Los Héroes (only for transfer) | | |
| 3 | Cardenal Caro | | |
| 4 | Macul Trinidad | Los Quillayes Elisa Correa | Protectora de Infancia San Jose de la Estrella |
| 4A | Santa Julia | La Granja | San Ramón |
| 5 | Plaza Maipú Santiago Bueras Del Sol Monte Tabor | Barrancas Cumming Baquedano L5 Las Parcelas | Nuble (only for transfer) Pedrero Laguna Sur |
| 6 | Nuble (only for transfer) | | |

Property, plant and equipment worth ThCh\$ 34,322,243 had to be written off following the damage these assets sustained amid the violent riots that broke out on October 18, 2019. The following table provides a detail of the assets written off and the amounts (ThCh\$) involved:

| Classes of property, plant and equipment, | Property, plant and equipment, gross | Accumulated depreciation of the value of property, plant and equipment | Written off property, plant and equipment, net |
|---|--------------------------------------|--|--|
| Buildings | 378,450 | (119,590) | 258,860 |
| Electrical equipment | 5,342,671 | (2,424,655) | 2,918,016 |
| Machinery and equipment | 2,251,809 | (394,773) | 1,857,035 |
| Rolling stock | 11,955,797 | (3,241,641) | 8,714,156 |
| Civil works | 23,950,197 | (3,376,021) | 20,574,176 |
| Total | 43,878,924 | (9,556,680) | 34,322,243 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019 AND 2018

e) Investment projects

As of December 31, 2019, the estimated balance to be executed for the authorized projects that are part of the Company's expansion plan amounts to approximately MCh\$438,737, composed, by investment type, of: MCh\$238,608 in Civil Works, MCh\$175,078 in Systems and Equipment and MCh\$25,051 in Rolling Stock, with scheduled end in the year 2026.

As of December 31, 2018, the estimated balance to be executed for the authorized projects that are part of the Company's expansion plan amounts to approximately MCh\$342,971, composed of investment type in: MCh\$108,956 Civil Works, MCh\$82,919 Systems and Equipment and MCh\$151,096 Rolling Stock, with term in the year 2026.

f) Spare parts and accessories

As of December 31, 2019, spare parts and accessories and maintenance materials amounted to ThCh\$20,000,286 (ThCh\$17,871,203 in 2018). These amounts include spare parts that have remained idle for over four years, which resulted in an allowance for obsolescence of ThCh\$2,643,866 during the 2019 period and 2018 year.

g) Other disclosures

1. The property, plant and equipment that is fully amortized and is still in use is ThCh\$26,589,292 as of December 31, 2019 (ThCh\$24,659,873 in 2018).
2. There are no material property, plant and equipment items that have been removed and not classified, that are recorded as held for sale in accordance with IFRS 5.
3. The Company revalued the useful life of rolling stock NS74.

h) Financing costs

During 2019, capitalized borrowing costs associated with property, plant and equipment amounted to ThCh\$16,016,181 (ThCh\$32,116,945 in 2018).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019 AND 2018

9. Investment property

Investment property corresponds mainly to commercial stores, land and buildings that are held by the Company to be exploited under operating leases.

Investment property is measured using the cost model.

The total investment property amounts to ThCh\$25,342,044 as of December 31, 2019 (ThCh\$22,641,419 in 2018).

| Investment property | Commercial stores | Land | Buildings | Total |
|----------------------------------|-------------------|----------------|------------------|-------------------|
| Balance as of 01-01-2019 | 13,781,411 | 607,816 | 8,252,192 | 22,641,419 |
| Transfers | 3,040,440 | - | - | 3,040,440 |
| Write-offs (*) | (12,453) | - | (740) | (13,193) |
| Depreciation | (231,982) | - | (94,640) | (326,622) |
| Balances as of 12-31-2019 | 16,577,416 | 607,816 | 8,156,812 | 25,342,044 |

| Investment property | Commercial stores | Land | Buildings | Total |
|----------------------------------|-------------------|----------------|------------------|-------------------|
| Balance 01-01-2018 | 13,982,989 | 607,816 | 8,346,832 | 22,937,637 |
| Depreciation | (201,578) | - | (94,640) | (296,218) |
| Balances as of 12-31-2018 | 13,781,411 | 607,816 | 8,252,192 | 22,641,419 |

(*) These are the stores damaged by the riots that began October 18, 2019; they are reported in the minutes of damaged assets.

As established by IAS 40, an estimate of fair value must be disclosed for investment properties valued at the Cost Model. For this purpose, we have determined such calculation using internal valuations, based on discounted future projected cash flows. It is estimated that as of December 31, 2019, this fair value amounts to ThCh\$167,476,262 (ThCh\$125,895,646 in 2018).

Investment property has been classified as a Level 3 fair value, based on the inputs for the valuation technique used (see Note 3.4) as follows:

| Item | 12-31-2019 ThCh\$ | 12-31-2018 ThCh\$ |
|-------------------|----------------------|----------------------|
| Commercial stores | 102,641,404 | 77,614,269 |
| Land | 53,639,961 | 39,851,927 |
| Buildings | 11,194,897 | 8,429,450 |
| Total | 167,476,262 | 125,895,646 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019 AND 2018

Income and expenses from investment property as of December 2019 and 2018 is as follows:

| Investment property income and expenses | 01-01-2019 | 01-01-2018 |
|---|------------------|------------------|
| | 12-31-2019 | 12-31-2018 |
| | ThCh\$ | ThCh\$ |
| Commercial stores | 5,831,237 | 5,590,615 |
| Land | 2,891,332 | 2,735,135 |
| Buildings | 767,759 | 747,578 |
| Total rental income | 9,490,328 | 9,073,328 |
| Commercial stores (real estate tax) | (155,449) | (154,159) |
| Land (real estate tax) | (46,424) | (47,073) |
| Buildings (real estate tax) | (113,884) | (117,871) |
| Commercial stores (depreciation) | (231,983) | (201,274) |
| Buildings (depreciation) | (60,129) | (60,129) |
| Total lease expenses | (607,869) | (580,506) |

The Company has not established liens, mortgages or other kind of security to provide the investment property as collateral.

Lease contracts generally establish the obligation to maintain and repair properties. Therefore, expenses are borne by the lessees, except for expenses for the payment of property taxes, which are borne by the lessor.

The future cash flow projections associated with commercial stores, land and buildings, based on a discount rate of 3.86% as of December 2019 (4.89% as of December 2018), are the following:

| Item | 12-31-2019 | 12-31-2018 |
|--------------------------------|--------------------|--------------------|
| | ThCh\$ | ThCh\$ |
| Commercial stores | | |
| Up to 1 year | 4,210,888 | 3,997,483 |
| More than 1 year up to 5 years | 15,335,648 | 17,359,763 |
| More than 5 years | 90,399,774 | 61,526,501 |
| Land | | |
| Up to 1 year | 2,087,907 | 1,955,717 |
| More than 1 year up to 5 years | 7,603,957 | 8,493,042 |
| More than 5 years | 44,823,408 | 30,101,054 |
| Buildings | | |
| Up to 1 year | 554,418 | 534,544 |
| More than 1 year up to 5 years | 2,019,139 | 2,321,350 |
| More than 5 years | 11,902,315 | 8,227,332 |
| Total | 178,937,454 | 134,516,786 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019 AND 2018

10. Other financial assets, current and non-current

Other current and non-current financial assets are detailed below:

| Item | 12-31-2019 | | 12-31-2018 | |
|---|--------------------|-----------------------|--------------------|-----------------------|
| | Current ThCh\$ | Non-current ThCh\$ | Current ThCh\$ | Non-current ThCh\$ |
| Financial investments, more than three months | 151,649,628 | - | 183,001,269 | - |
| Derivative transactions | 4,601,090 | 12,080,632 | 4,244,173 | 4,000,394 |
| Financial lease | 236,840 | 1,919,199 | 57,871 | 1,780,861 |
| Promissory notes receivable | - | 678,522 | - | 665,620 |
| Advertising receivable (*) | - | 46,925,199 | - | 51,783,963 |
| Other accounts receivable | - | 5,329 | - | 6,447 |
| Total | 156,487,558 | 61,608,881 | 187,303,313 | 58,237,285 |

(*) Effective as of July 1, 2018, a contract was made with Massiva S.A., lasting a period of 10 years, which establishes a minimum annual guaranteed (MAG) income payable during the term of the contract.

Financial investments, over 3 months

Term deposits

| Type of investment | Currency of origin | Principal in domestic origin in thousands | Annual average rate | Average days to maturity | Principal in domestic currency ThCh\$ | Accrued interest in domestic currency ThCh\$ | Carrying amount 12-31-2019 ThCh\$ |
|--------------------|--------------------|---|---------------------|--------------------------|--|---|---|
| Term deposits | Ch\$ | 151,028,183 | 2.31% | 63 | 151,028,183 | 621,445 | 151,649,628 |
| Total | | | | | 151,028,183 | 621,445 | 151,649,628 |

| Type of investment | Currency of origin | Principal in domestic origin in thousands | Annual average rate | Average days to maturity | Principal in domestic currency ThCh\$ | Accrued interest in domestic currency ThCh\$ | Carrying amount 12-31-2018 ThCh\$ |
|--------------------|--------------------|---|---------------------|--------------------------|--|---|---|
| Term deposits | Ch\$ | 177,585,521 | 3.21% | 77 | 177,585,521 | 996,658 | 178,582,179 |
| | USD | 6,299.10 | 2.84% | 38 | 4,376,430 | 42,660 | 4,419,090 |
| Total | | | | | 181,961,951 | 1,039,318 | 183,001,269 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019 AND 2018

Expected liquidity analysis (by maturity) Derivative assets as of 12-31-2019

| Tax ID No.: | Name | Country | Currency | Nominal rate | Type of amortization | Current | | | | Non-current | | | | | | |
|--------------|--------------|---------|----------|--------------|----------------------|------------------|----------------|------------------|---------|-------------------|--------------|----------------------|-------------------|------------------|-------------------|--------------|
| | | | | | | Count | Tax ID No.: | Name | Country | Currency | Nominal rate | Type of amortization | Total current | | Total non-current | |
| | | | | | | | | | | | | | Up to 90 days | 90 days - 1 year | 1 to 3 years | Over 5 years |
| | | | | | | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | | | |
| 61.219.000-3 | Metro S.A. | Chile | USD | 4.75000% | maturity | 432,709 | - | 432,709 | - | 549,735 | - | 549,735 | 549,735 | | | |
| 61.219.000-3 | Metro S.A. | Chile | USD | 4.75000% | maturity | 432,709 | - | 432,709 | - | 779,471 | - | 779,471 | 779,471 | | | |
| 61.219.000-3 | Metro S.A. | Chile | USD | 4.75000% | maturity | 432,709 | - | 432,709 | - | 1,519,466 | - | 1,519,466 | 1,519,466 | | | |
| 61.219.000-3 | Metro S.A. | Chile | USD | 4.75000% | maturity | 432,709 | - | 432,709 | - | 1,447,597 | - | 1,447,597 | 1,447,597 | | | |
| 61.219.000-3 | Metro S.A. | Chile | USD | 4.75000% | maturity | 432,709 | - | 432,709 | - | 1,025,405 | - | 1,025,405 | 1,025,405 | | | |
| 61.219.000-3 | Metro S.A. | Chile | USD | 4.75000% | maturity | 432,709 | - | 432,709 | - | 1,192,407 | - | 1,192,407 | 1,192,407 | | | |
| 61.219.000-3 | Metro S.A. | Chile | USD | 4.75000% | maturity | 432,709 | - | 432,709 | - | 1,192,392 | - | 1,192,392 | 1,192,392 | | | |
| 61.219.000-3 | Metro S.A. | Chile | USD | 4.75000% | maturity | 432,709 | - | 432,709 | - | 1,152,887 | - | 1,152,887 | 1,152,887 | | | |
| 61.219.000-3 | Metro S.A. | Chile | USD | 4.75000% | maturity | 576,947 | - | 576,947 | - | 2,871,854 | - | 2,871,854 | 2,871,854 | | | |
| 61.219.000-3 | Metro S.A. | Chile | USD | 4.75000% | maturity | 288,474 | - | 288,474 | - | 349,418 | - | 349,418 | 349,418 | | | |
| 61.219.000-3 | Metro S.A. | France | USD | 4.19000% | half-yearly | 123,384 | 150,613 | 273,997 | - | - | - | - | - | | | |
| | Total | | | | | 4,450,477 | 150,613 | 4,601,090 | - | 12,080,632 | - | 12,080,632 | 12,080,632 | | | |

Derivative assets as of 12-31-2018

| Tax ID No.: | Name | Country | Currency | Nominal rate | Type of amortization | Current | | | | Non-current | | | | | | |
|--------------|--------------|---------|----------|--------------|----------------------|------------------|-------------|------------------|---------|------------------|--------------|----------------------|------------------|------------------|-------------------|--------------|
| | | | | | | Count | Tax ID No.: | Name | Country | Currency | Nominal rate | Type of amortization | Total current | | Total non-current | |
| | | | | | | | | | | | | | Up to 90 days | 90 days - 1 year | 1 to 3 years | Over 5 years |
| | | | | | | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | | | |
| 61.219.000-3 | Metro S.A. | Chile | USD | 4.75000% | maturity | 401,519 | - | 401,519 | - | 287,261 | - | 287,261 | (287,261) | | | |
| 61.219.000-3 | Metro S.A. | Chile | USD | 4.75000% | maturity | 401,519 | - | 401,519 | - | (57,552) | - | (57,552) | (57,552) | | | |
| 61.219.000-3 | Metro S.A. | Chile | USD | 4.75000% | maturity | 401,519 | - | 401,519 | - | 657,975 | - | 657,975 | 657,975 | | | |
| 61.219.000-3 | Metro S.A. | Chile | USD | 4.75000% | maturity | 401,519 | - | 401,519 | - | 607,324 | - | 607,324 | 607,324 | | | |
| 61.219.000-3 | Metro S.A. | Chile | USD | 4.75000% | maturity | 401,519 | - | 401,519 | - | 202,936 | - | 202,936 | 202,936 | | | |
| 61.219.000-3 | Metro S.A. | Chile | USD | 4.75000% | maturity | 401,519 | - | 401,519 | - | 347,956 | - | 347,956 | 347,956 | | | |
| 61.219.000-3 | Metro S.A. | Chile | USD | 4.75000% | maturity | 401,519 | - | 401,519 | - | 359,245 | - | 359,245 | 359,245 | | | |
| 61.219.000-3 | Metro S.A. | Chile | USD | 4.75000% | maturity | 401,519 | - | 401,519 | - | 313,433 | - | 313,433 | 313,433 | | | |
| 61.219.000-3 | Metro S.A. | Chile | USD | 4.75000% | maturity | 535,359 | - | 535,359 | - | 1,677,903 | - | 1,677,903 | 1,677,903 | | | |
| 61.219.000-3 | Metro S.A. | Chile | USD | 4.75000% | maturity | 267,680 | - | 267,680 | - | (216,565) | - | (216,565) | (216,565) | | | |
| 61.219.000-3 | Metro S.A. | France | USD | 4.19000% | half-yearly | 228,982 | - | 228,982 | - | 395,000 | - | 395,000 | 395,000 | | | |
| | Total | | | | | 4,244,173 | - | 4,244,173 | - | 3,605,394 | - | 3,605,394 | 4,000,394 | | | |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019 AND 2018

Finance lease

On August 1, 2004 and through July 31, 2034, the Company leased out to Enel Distribución Chile S.A. (Ex ChilectraS.A.) each and every one of the components of the SEAT Rectification Substations, Vicente Valdés and the 20 KV networks up to their arrival to the verifying spots. The useful life of the assets has the same duration as the respective lease contract, therefore and in accordance with IFRS 16, it is a finance lease. For that reason, machinery and equipment was derecognized from property, plant and equipment and was recognized as a right to collect payments for lease, calculated at the present value of the lease payments.

The present value of the lease payments receivable is projected until the year 2034, considering a discount rate of 10% that is expressed in the respective lease agreement.

Metro S.A. issues an annual invoice to Enel Distribución Chile S.A., during the first 15 days of July, which shall be paid 30 days after that invoice is received. The payments that the tenant makes are divided into two parts, one that represents the financial burden and another which reduces the existing principal of the obligation. The total financial burden is distributed among the years that constitute the term of the lease.

There are no amounts of unsecured residual values accrued in favor of the lessor.

There is no accumulated provision for minimum payments on uncollectible leases.

There are no contingent leases recognized as income for the year.

| Outstanding future minimum lease payments | 12-31-2019 | | | 12-31-2018 | | |
|---|--------------------------|--------------------|-------------------------|--------------------------|--------------------|-------------------------|
| | Gross Amount ThCh\$\$ | Interest ThCh\$ | Current Value ThCh\$ | Gross Amount ThCh\$\$ | Interest ThCh\$ | Current Value ThCh\$ |
| Up to 1 year | 236,840 | - | 236,840 | 219,769 | 161,897 | 57,871 |
| More than 1 year up to 5 years | 1,184,200 | 765,364 | 418,836 | 1,098,842 | 710,196 | 388,646 |
| More than 5 years | 2,131,559 | 631,196 | 1,500,363 | 1,977,914 | 585,699 | 1,392,215 |
| Total | 3,552,599 | 1,396,560 | 2,156,039 | 3,296,525 | 1,457,792 | 1,838,732 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019 AND 2018

11. Other non-financial assets, current and non-current

Other current and non-current non-financial assets are detailed below:

| Other non-financial assets, current | 12-31-2019 ThCh\$ | 12-31-2018 ThCh\$ |
|---|------------------------------|------------------------------|
| Pre-paid expenses | 99,215 | 68,913 |
| Advance payments to suppliers and personnel | 6,482,194 | 5,516,348 |
| Bonus for collective bargaining | 2,512,757 | - |
| Other accounts receivable | 759,227 | 1,285,354 |
| Total | 9,853,393 | 6,870,615 |

| Other non-financial assets, non-current | 12-31-2019 ThCh\$ | 12-31-2018 ThCh\$ |
|--|------------------------------|------------------------------|
| Funds allocated to pay for expropriations of new lines | 13,794,166 | 14,964,451 |
| VAT credit | 9,903,699 | 7,197,689 |
| Investment land under lease contracts | 1,018,037 | 991,623 |
| Advance for severance indemnities and other loans to personnel | 2,233,755 | 1,658,987 |
| Bonus for collective bargaining | 4,454,312 | - |
| Total | 31,403,969 | 24,812,750 |

12. Other financial liabilities, current and non-current

This item comprises the following:

| Item | 12-31-2019 | | 12-31-2018 | |
|-------------------------|---------------------------|-------------------------------|---------------------------|-------------------------------|
| | Current ThCh\$ | Non-current ThCh\$ | Current ThCh\$ | Non-current ThCh\$ |
| Interest-bearing loans | 71,407,756 | 407,673,720 | 45,616,568 | 425,286,270 |
| Bonds | 78,368,327 | 1,664,529,309 | 66,532,986 | 1,634,404,447 |
| Derivative transactions | 4,203,490 | - | 2,906,557 | - |
| Other | - | 2,746 | - | 28,594 |
| Total | 153,979,573 | 2,072,205,775 | 115,056,111 | 2,059,719,311 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019 AND 2018

Half-yearly and equivalent interest-bearing loans as of 12-31-2019 (on an accrual basis)

| Tax ID No. | Name | Country | Tax ID No. | Name | Country | Currency | Nominal and effective rate | Current | | | | Non-current | | | | Total non-current |
|--------------|------------------|---------|--------------|------------------------------|---------|----------|----------------------------|----------------|-------------------|-------------------|--------------------|--------------------|--------------------|--------------------|------------|-------------------|
| | | | | | | | | Maturity | | Total, current | | Maturity | | Total, current | | |
| | | | | | | | | Up to 90 days | 90 days - 1 year | 12-31-2019 | 12-31-2019 | 1 to 3 years | 3 to 5 years | Over 5 years | 12-31-2019 | |
| ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | | | | | | | | | |
| 61.219.000-3 | Metro S.A. Chile | Chile | 59.046.320-5 | BNP Paribas | France | USD | 4.40% | - | 45,040,705 | 45,040,705 | 98,502,014 | 65,668,009 | 89,458,258 | 253,628,281 | | |
| 61.219.000-3 | Metro S.A. Chile | Chile | O-E | Natixis Bank | France | USD | 0.90% | 692,841 | 2,498,358 | 3,191,199 | 9,523,196 | 4,572,599 | 5,059,072 | 19,154,867 | | |
| 61.219.000-3 | Metro S.A. Chile | Chile | O-E | Natixis Bank | France | Euros | 2.00% | 8,689 | 57,681 | 66,370 | 170,074 | 7,197 | - | 177,271 | | |
| 61.219.000-3 | Metro S.A. Chile | Chile | O-E | Sumitomo Mitsui Banking Corp | Japan | USD | 3.41% | - | 23,109,482 | 23,109,482 | 67,356,650 | 44,904,434 | 22,452,217 | 134,713,301 | | |
| Total | | | | | | | | 701,530 | 70,706,226 | 71,407,756 | 175,551,934 | 115,152,239 | 116,969,547 | 407,673,720 | | |

Half-yearly and equivalent interest-bearing loans as of 12-31-2018 (on an accrual basis)

| Tax ID No. | Name | Country | Tax ID No. | Name | Country | Currency | Nominal and effective rate | Current | | | | Non-current | | | | Total non-current |
|--------------|------------------|---------|--------------|------------------------------|---------|----------|----------------------------|-------------------|-------------------|-------------------|--------------------|--------------------|--------------------|--------------------|------------|-------------------|
| | | | | | | | | Maturity | | Total, current | | Maturity | | Total, current | | |
| | | | | | | | | Up to 90 days | 90 days - 1 year | 12-31-2018 | 12-31-2018 | 1 to 3 years | 3 to 5 years | Over 5 years | 12-31-2018 | |
| ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | | | | | | | | | |
| 61.219.000-3 | Metro S.A. Chile | Chile | 59.046.320-5 | BNP Paribas | France | USD | 5.20% | 14,943,983 | 16,433,799 | 31,377,782 | 95,843,637 | 56,951,928 | 105,703,788 | 258,499,353 | | |
| 61.219.000-3 | Metro S.A. Chile | Chile | O-E | Natixis Bank | France | USD | 0.67% | 1,490,668 | 1,473,014 | 2,963,672 | 8,836,753 | 5,328,258 | 6,554,736 | 20,719,747 | | |
| 61.219.000-3 | Metro S.A. Chile | Chile | O-E | Natixis Bank | France | Euros | 2.00% | 31,651 | 31,255 | 62,906 | 178,685 | 51,630 | - | 230,315 | | |
| 61.219.000-3 | Metro S.A. Chile | Chile | O-E | Sumitomo Mitsui Banking Corp | Japan | USD | 4.37% | - | 11,212,208 | 11,212,208 | 62,501,509 | 41,667,673 | 41,667,673 | 145,836,855 | | |
| Total | | | | | | | | 16,466,292 | 29,150,276 | 45,616,568 | 167,360,584 | 103,999,489 | 153,926,197 | 425,286,270 | | |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019 AND 2018

Interest-bearing loans:

- ✓ Loan from Natixis Bank (financial protocol of the French Government to the Chilean government) in the amount of US\$87,793,769.88. As of December 31, 2019 it has been fully used, leaving a principal balance of US\$29,822,455.03 (US\$34,062,109.03 in 2018).
- ✓ Loan from Natixis Bank (financial protocol of the French Government to the Chilean government) in the amount of €1,573,093.76. As of December 31, 2019 it has been fully used, leaving a principal balance of Euros 289,796.26 (Euros 368,450.20 in 2018).
- ✓ Buyer Credit Agreement for Extension Projects on Line 5 to Maipú and Extension of Line 1 to Los Dominicos, with a syndicate of international banks headed by BNP Paribas, in the amount of US\$260,000,000.00. This financing is not guaranteed by the Government. As of December 31, 2019 it has been fully used, leaving a principal balance of US\$14,991,645.25 (US\$29,983,290.50 in 2018).
- ✓ Buyer Credit Agreement for Extension Projects on Lines 3 and 6, with a syndicate of international banks headed by BNP Paribas S.A., of US\$550,000,000.00 signed on December 18, 2014. On October 26, 2016, the Company agreed with the bank to reduce the authorized amount to US\$450,000,000.00. This financing is not guaranteed by the Government. As of December 31, 2019 US\$405,961,579.11 have been used, leaving a principal balance of US\$382,592,470.71 (US\$385,099,856.32 in 2018).

This agreement requires, in each calendar year, a debt to equity ratio equal to or less than 1.70 times and a minimum equity of ThCh\$700 million. Please note that as of December 31, 2019 the debt to equity ratio is 0.86 times and the equity is MCh\$2,848.

- ✓ Financial Loan Agreement for Extension Projects on Lines 3 and 6, with a syndicate of international banks headed by Sumitomo Mitsui Banking, in the amount of US\$250,000,000.00 signed on December 18, 2014. On October 26, 2016, the Company agreed with the bank on reducing the authorized amount to US\$225,000,000.00. This financing is not guaranteed by the Government. As of December 31, 2019 it has been fully used, leaving a principal balance of US\$209,906,666.67 (US\$224,900,000.00 in 2018).

This agreement requires, in each calendar year, a debt to equity ratio equal to or less than 1.70 times and a minimum equity of ThCh\$700 million. Please note that as of December 31, 2019 the debt to equity ratio is 0.86 times and the equity is MCh\$2,848.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019 AND 2018

Bonds payable

The Company's domestic and foreign bonds as of 12-31-2019 (on an accrual basis)

| Series | Tax ID No. Debtor | Name Debtor | Country Debtor | Tax ID No. Bank | Banco RTB (*) and payer | Country Debtor | Currency | Nominal rate | Nominal effective of amortization | Type | current | | | Non-current | | | | | | | |
|--------|-------------------|-------------|----------------|-----------------|-------------------------|----------------|----------|--------------|-----------------------------------|-------------|---------------|------------------|---------------|--------------|--------------|---------------|---------------|--|--------------|--|-------------------|
| | | | | | | | | | | | Maturity | | Total current | | Maturity | | 3 to 5 years | | Over 5 years | | Total non-current |
| | | | | | | | | | | | Up to 90 days | 90 days - 1 year | 12-31-2019 | 1 to 3 years | 3 to 5 years | Over 5 years | 12-31-2019 | | | | |
| A | 61.219.000-3 | Metro S.A. | Chile | 97.080.000-K | Banco Bice | Chile | UF | 5.6% | 6.3% | half-yearly | 5,092,483 | 2,972,544 | 8,065,027 | 28,239,165 | 32,697,981 | 14,473,784 | 75,410,930 | | | | |
| B | 61.219.000-3 | Metro S.A. | Chile | 97.080.000-K | Banco Bice | Chile | UF | 5.6% | 5.9% | half-yearly | 1,486,272 | 1,869,394 | 3,355,666 | 14,119,583 | 16,348,990 | 7,653,946 | 38,122,519 | | | | |
| C | 61.219.000-3 | Metro S.A. | Chile | 97.080.000-K | Banco Bice | Chile | UF | 5.5% | 5.5% | half-yearly | 4,956,080 | 2,830,994 | 7,787,074 | 16,985,964 | 31,140,934 | 31,077,357 | 79,204,255 | | | | |
| D | 61.219.000-3 | Metro S.A. | Chile | 97.004.000-5 | Banco de Chile | Chile | UF | 5.5% | 5.1% | half-yearly | 5,097,752 | 2,830,994 | 7,928,746 | 16,985,964 | 21,232,455 | 48,292,902 | 86,511,321 | | | | |
| E | 61.219.000-3 | Metro S.A. | Chile | 97.004.000-5 | Banco de Chile | Chile | UF | 5.5% | 4.9% | half-yearly | 1,321,131 | 2,430,553 | 3,751,684 | 11,890,175 | 11,394,751 | 40,049,727 | 63,334,653 | | | | |
| F | 61.219.000-3 | Metro S.A. | Chile | 97.004.000-5 | Banco de Chile | Chile | UF | 5.5% | 5.0% | half-yearly | 2,018,055 | 896,482 | 2,914,537 | 8,068,333 | 5,378,889 | 30,762,662 | 44,209,884 | | | | |
| G | 61.219.000-3 | Metro S.A. | Chile | 97.080.000-K | Banco Bice | Chile | UF | 4.5% | 3.1% | half-yearly | 2,221,373 | 1,321,130 | 3,542,503 | 10,569,045 | 7,926,783 | 53,171,648 | 71,667,476 | | | | |
| H | 61.219.000-3 | Metro S.A. | Chile | 97.036.000-K | Banco Santander | Chile | UF | 4.3% | 4.5% | half-yearly | 2,942,077 | 2,830,994 | 5,773,071 | - | - | - | - | | | | |
| I | 61.219.000-3 | Metro S.A. | Chile | 97.036.000-K | Banco Santander | Chile | UF | 4.7% | 4.8% | half-yearly | 5,235,793 | 3,667,420 | 8,906,213 | 22,004,522 | 14,669,682 | 28,925,476 | 65,599,680 | | | | |
| J | 61.219.000-3 | Metro S.A. | Chile | 97.036.000-K | Banco Santander | Chile | UF | 4.5% | 4.5% | half-yearly | 3,774,655 | 4,376,610 | 8,151,265 | 22,647,929 | 15,098,620 | 67,605,254 | 105,351,803 | | | | |
| K | 61.219.000-3 | Metro S.A. | Chile | 97.004.000-5 | Banco de Chile | Chile | UF | 3.8% | 4.0% | half-yearly | 1,610,499 | - | 1,610,499 | - | - | 143,722,122 | 143,722,122 | | | | |
| L | 61.219.000-3 | Metro S.A. | Chile | 97.004.000-5 | Banco de Chile | Chile | UF | 3.8% | 3.8% | maturity | 998,044 | 211,430 | 1,209,474 | - | - | - | 42,159,452 | | | | |
| M | 61.219.000-3 | Metro S.A. | Chile | 97.080.000-K | Banco Bice | Chile | UF | 2.8% | 2.5% | maturity | 7,261,218 | - | 993,040 | - | - | 115,547,302 | 115,547,302 | | | | |
| | 61.219.000-3 | Metro S.A. | Chile | 97.080.000-K | Deutsche Bank T | USA | USD | 4.8% | 4.9% | maturity | 7,261,218 | - | 7,261,218 | - | - | 371,574,642 | 371,574,642 | | | | |
| | 61.219.000-3 | Metro S.A. | Chile | 97.080.000-K | Deutsche Bank T | USA | USD | 5.0% | 5.2% | maturity | 8,111,350 | - | 8,111,350 | - | - | 362,113,270 | 362,113,270 | | | | |
| | 61.219.000-3 | Metro S.A. | Chile | 97.080.000-K | Deutsche Bank T | USA | USD | 5.0% | 5.2% | maturity | 52,129,782 | 26,238,545 | 78,368,327 | 151,510,680 | 155,889,085 | 1,357,129,544 | 1,664,529,309 | | | | |

The Company's domestic and foreign bonds as of 12-31-2018 (on an accrual basis)

| Series | Tax ID No. Debtor | Name Debtor | Country Debtor | Tax ID No. Bank | Banco RTB (*) and payer | Country Debtor | Currency | Nominal rate | Nominal effective of amortization | Type | current | | | Non-current | | | | | | | |
|--------|-------------------|-------------|----------------|-----------------|-------------------------|----------------|----------|--------------|-----------------------------------|-------------|---------------|------------------|---------------|--------------|--------------|---------------|---------------|--|--------------|--|-------------------|
| | | | | | | | | | | | Maturity | | Total current | | Maturity | | 3 to 5 years | | Over 5 years | | Total non-current |
| | | | | | | | | | | | Up to 90 days | 90 days - 1 year | 12-31-2018 | 1 to 3 years | 3 to 5 years | Over 5 years | 12-31-2018 | | | | |
| A | 61.219.000-3 | Metro S.A. | Chile | 97.080.000-K | Banco Bice | Chile | UF | 5.6% | 6.3% | half-yearly | 5,106,067 | 2,894,408 | 8,000,475 | 17,366,448 | 31,838,487 | 29,605,690 | 78,810,625 | | | | |
| B | 61.219.000-3 | Metro S.A. | Chile | 97.080.000-K | Banco Bice | Chile | UF | 5.6% | 5.9% | half-yearly | 1,447,204 | 1,846,902 | 3,294,106 | 8,683,224 | 15,919,244 | 19,306,272 | 39,908,740 | | | | |
| C | 61.219.000-3 | Metro S.A. | Chile | 97.080.000-K | Banco Bice | Chile | UF | 5.5% | 5.5% | half-yearly | 4,963,753 | 2,756,579 | 7,720,332 | 16,539,474 | 20,674,343 | 45,411,840 | 82,625,657 | | | | |
| D | 61.219.000-3 | Metro S.A. | Chile | 97.004.000-5 | Banco de Chile | Chile | UF | 5.5% | 5.1% | half-yearly | 4,136,860 | 1,837,720 | 5,974,580 | 16,539,474 | 11,026,316 | 62,441,784 | 90,007,574 | | | | |
| E | 61.219.000-3 | Metro S.A. | Chile | 97.004.000-5 | Banco de Chile | Chile | UF | 5.5% | 4.9% | half-yearly | 1,286,404 | 1,741,301 | 3,027,705 | 10,934,430 | 7,718,421 | 46,506,158 | 65,159,009 | | | | |
| F | 61.219.000-3 | Metro S.A. | Chile | 97.004.000-5 | Banco de Chile | Chile | UF | 5.5% | 5.0% | half-yearly | 2,008,692 | 872,917 | 2,881,609 | 6,983,334 | 5,237,500 | 32,736,233 | 44,959,067 | | | | |
| G | 61.219.000-3 | Metro S.A. | Chile | 97.080.000-K | Banco Bice | Chile | UF | 4.5% | 3.1% | half-yearly | 2,196,700 | 1,266,406 | 3,463,106 | 9,004,826 | 7,718,421 | 56,352,873 | 73,076,120 | | | | |
| H | 61.219.000-3 | Metro S.A. | Chile | 97.036.000-K | Banco Santander | Chile | UF | 4.3% | 4.5% | half-yearly | 2,972,905 | 2,756,579 | 5,729,484 | 5,492,137 | - | - | 5,492,137 | | | | |
| I | 61.219.000-3 | Metro S.A. | Chile | 97.036.000-K | Banco Santander | Chile | UF | 4.7% | 4.8% | half-yearly | 5,254,094 | 3,571,018 | 8,825,112 | 22,052,610 | 14,284,077 | 35,228,709 | 70,938,901 | | | | |
| J | 61.219.000-3 | Metro S.A. | Chile | 97.036.000-K | Banco Santander | Chile | UF | 4.5% | 4.5% | half-yearly | 3,774,655 | 4,376,610 | 8,151,265 | 22,647,929 | 15,098,620 | 73,145,128 | 109,899,478 | | | | |
| K | 61.219.000-3 | Metro S.A. | Chile | 97.004.000-5 | Banco de Chile | Chile | UF | 3.8% | 4.0% | half-yearly | 1,568,166 | - | 1,568,166 | - | - | 139,688,410 | 139,688,410 | | | | |
| L | 61.219.000-3 | Metro S.A. | Chile | 97.004.000-5 | Banco de Chile | Chile | UF | 3.8% | 3.8% | maturity | 971,810 | 205,872 | 1,177,682 | - | - | 41,034,893 | 41,034,893 | | | | |
| M | 61.219.000-3 | Metro S.A. | Chile | 97.080.000-K | Banco Bice | Chile | UF | 2.8% | 2.5% | half-yearly | 6,737,822 | - | 6,737,822 | - | - | 112,733,235 | 112,733,235 | | | | |
| | 61.219.000-3 | Metro S.A. | Chile | 97.080.000-K | Deutsche Bank T | USA | USD | 4.8% | 4.9% | maturity | 7,526,675 | - | 7,526,675 | - | - | 344,245,879 | 344,245,879 | | | | |
| | 61.219.000-3 | Metro S.A. | Chile | 97.080.000-K | Deutsche Bank T | USA | USD | 5.0% | 5.2% | maturity | 46,177,152 | 20,355,834 | 66,532,986 | 135,022,072 | 129,118,549 | 1,357,129,544 | 1,634,404,447 | | | | |

(*) RTB: Representative of Bondholders.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019 AND 2018

On July 31, 2001, December 5, 2001, August 9, 2002, December 3, 2003, June 23, 2004 and September 14, 2005, the Company issued Series A to G bonds in the domestic market, all calculated on the basis of a 360-day year, at a 25-year term with 10 years of grace period for the principal payment, with half-yearly interest payments and without early redemption.

On September 3, 2008, the Company placed Series H and I bonds in the domestic market, calculated on the basis of a 360-day year, with a 12-year term and 7 years of grace period for series H and a 21-year term with 10 years of grace period for Series I, with half-yearly interest payments and early redemption.

On November 18, 2009, the Company placed Series J bonds in the domestic market, calculated on the basis of a 360-day year, at a 25-year term with 10 years of grace period, with half-yearly payment of interest and without early redemption.

On October 6, 2011, the Company placed series K bonds in the domestic market, calculated on the basis of a 360-day year, at a 21-year term with 16 years of grace period for principal payment, with half-yearly interest payments and allowing early redemption.

On May 24, 2012, the Company placed Series L bonds in the domestic market, calculated on the basis of a 360-day year, at a 21-year term with 21 years of grace period for principal payment, with payment of half-yearly interest and allowing early redemption.

On February 4, 2014, the Company placed a bond in the international market for MUS\$500 with a 4.846% interest rate for placement. The bond's coupon rate is 4.75%, calculated on the basis of a 360-day year, at 10-year term with 10 years of grace period for principal payment, with payment of half-yearly interest and allowing early redemption.

On September 29, 2016, the Company issued Series M bonds in the domestic market, calculated on the basis of a 360-day year, at a 30-year term with 26 years of grace period for principal payment, with payment of half-yearly interest and allowing early redemption.

On January 25, 2017, the Company placed a bond in the international market for MUS\$500 with a 5.151% interest rate for placement. The bond's coupon rate is 5.00%, calculated on the basis of a 360-day year, at 30-year term with 30 years of grace period for principal payment, with payment of half-yearly interest and allowing early redemption.

The Series A and B bonds are guaranteed by the State, in accordance with Law Decree 1,263 and Laws No, 18,196, 18,382 and 19,702, in Exempt Decree 117 issued by the Ministries of Finance and Economy and of Development and Reconstruction, and Supreme Decree 389 issued by the Ministry of Finance, both on April 20, 2001.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019 AND 2018

The Series C bonds are guaranteed by the State, in accordance with Law Decree 1,263 and Laws No, 18,196, 18,382 and 19,774, in Exempt Decree 274 issued by the Ministries of Finance and Economy and of Development and Reconstruction, and Supreme Decree 363 issued by the Ministry of Finance, both on May 13, 2002.

The Series D and E bonds are guaranteed by the State, in accordance with Law Decree 1,263 and Laws No, 18,196 and 19,847, Exempt Decree 222 dated April 29, 2003 issued by the Ministries of Finance and Economy and of Development and Reconstruction, and Supreme Decree 356 issued by the Ministry of Finance on May 7, 2003.

The Series F bonds are guaranteed by the State, in accordance with Law Decree 1,263 and Laws No, 18,196 and 19,847. The authorization to issue and guarantee bonds in the domestic market was authorized by Supreme Decree 1,024, dated November 11, 2003 issued by the Ministries of Finance and Economy and of Development and Reconstruction.

The Series G bonds are guaranteed by the State, in accordance with Law Decree 1,263 and Laws No, 18,196 and 19,847. The authorization to issue and guarantee bonds in the domestic market was authorized by Supreme Decree 592, dated May 11, 2005 issued by the Ministries of Finance and Economy and of Development and Reconstruction.

The Series H, I, J, K, L, M and International bonds are not guaranteed, notwithstanding the creditors' general pledge right set forth in Chilean law.

The Company is not subject to any financial or other restrictive covenants under the instruments governing its Series A to G bonds. For the Series H, I, J, K and L bonds, the Company is required during each calendar year to maintain a debt/equity ratio that is lower than 1,7, equity in excess of ThCh\$700 million and an interest coverage ratio greater than 1.0. Those covenants are calculated and determined using the consolidated financial statements prepared as of December 31 of each calendar year and presented to the CMF. International bonds are not subject to related restrictions or covenants.

Series M bonds require in each calendar year a debt to equity ratio equal to or less than 1.70 times and a minimum equity of ThCh\$700 million.

Please note that as of December 31, 2019 the debt to equity ratio was 0.86 times, the equity was ThCh\$2,848 million and the interest coverage was 1.44 times, calculated as established by the agreement for those bond issuances.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019 AND 2018

Expected liquidity analysis (by maturity)
Derivative liabilities as of 12-31-2019

| Tax ID No.: | Name | Country | Tax ID No.: | Name | Country | Currency | Nominal rate | Type of amortization | Current | | |
|--------------|------------|---------|--------------|---------------------------|---------|----------|--------------|----------------------|---------------|------------------|----------------|
| | | | | | | | | | Maturity | | Total, current |
| | | | | | | | | | Up to 90 days | 90 days - 1 year | |
| | | | ThCh\$ | ThCh\$ | ThCh\$ | | | | | | |
| 61.219.000-3 | Metro S.A. | Chile | 97.004.000-5 | Banco de Chile | Chile | UF | 3.66% | maturity | 304,349 | - | 304,349 |
| 61.219.000-3 | Metro S.A. | Chile | 97.032.000-8 | Bilbao Vizcaya Argentaria | Chile | UF | 3.59% | maturity | 296,823 | - | 296,823 |
| 61.219.000-3 | Metro S.A. | Chile | 97.036.000-K | Banco Santander | Chile | UF | 3.51% | maturity | 281,841 | - | 281,841 |
| 61.219.000-3 | Metro S.A. | Chile | 97.036.000-K | Banco Santander | Chile | UF | 3.41% | maturity | 276,140 | - | 276,140 |
| 61.219.000-3 | Metro S.A. | Chile | 97.036.000-K | Banco Santander | Chile | UF | 3.44% | maturity | 283,227 | - | 283,227 |
| 61.219.000-3 | Metro S.A. | Chile | 97.036.000-K | Banco Santander | Chile | UF | 3.51% | maturity | 286,099 | - | 286,099 |
| 61.219.000-3 | Metro S.A. | Chile | 97.004.000-5 | Banco de Chile | Chile | UF | 3.45% | maturity | 281,805 | - | 281,805 |
| 61.219.000-3 | Metro S.A. | Chile | 97.032.000-8 | Bilbao Vizcaya Argentaria | Chile | UF | 3.50% | maturity | 285,497 | - | 285,497 |
| 61.219.000-3 | Metro S.A. | Chile | 97.004.000-5 | Banco de Chile | Chile | UF | 3.50% | maturity | 365,244 | - | 365,244 |
| 61.219.000-3 | Metro S.A. | Chile | 97.004.000-5 | Banco de Chile | Chile | UF | 3.73% | maturity | 206,492 | - | 206,492 |
| 61.219.000-3 | Metro S.A. | Chile | 59.046.320-5 | BNP Paribas | France | USD | 1.56% | half-yearly | 46,026 | - | 46,026 |
| | | | | Total | | | | | 2,913,543 | - | 2,913,543 |

Derivative liabilities as of 12-31-2018

| Tax ID No.: | Name | Country | Tax ID No.: | Name | Country | Currency | Nominal rate | Type of amortization | Current | | |
|--------------|------------|---------|--------------|---------------------------|---------|----------|--------------|----------------------|---------------|------------------|----------------|
| | | | | | | | | | Maturity | | Total, current |
| | | | | | | | | | Up to 90 days | 90 days - 1 year | |
| | | | ThCh\$ | ThCh\$ | ThCh\$ | | | | | | |
| 61.219.000-3 | Metro S.A. | Chile | 97.004.000-5 | Banco de Chile | Chile | UF | 3.66% | maturity | 296,349 | - | 296,349 |
| 61.219.000-3 | Metro S.A. | Chile | 97.032.000-8 | Bilbao Vizcaya Argentaria | Chile | UF | 3.59% | maturity | 289,021 | - | 289,021 |
| 61.219.000-3 | Metro S.A. | Chile | 97.036.000-K | Banco Santander | Chile | UF | 3.51% | maturity | 274,433 | - | 274,433 |
| 61.219.000-3 | Metro S.A. | Chile | 97.036.000-K | Banco Santander | Chile | UF | 3.41% | maturity | 268,881 | - | 268,881 |
| 61.219.000-3 | Metro S.A. | Chile | 97.036.000-K | Banco Santander | Chile | UF | 3.44% | maturity | 275,782 | - | 275,782 |
| 61.219.000-3 | Metro S.A. | Chile | 97.036.000-K | Banco Santander | Chile | UF | 3.51% | maturity | 278,578 | - | 278,578 |
| 61.219.000-3 | Metro S.A. | Chile | 97.004.000-5 | Banco de Chile | Chile | UF | 3.45% | maturity | 274,398 | - | 274,398 |
| 61.219.000-3 | Metro S.A. | Chile | 97.032.000-8 | Bilbao Vizcaya Argentaria | Chile | UF | 3.50% | maturity | 277,992 | - | 277,992 |
| 61.219.000-3 | Metro S.A. | Chile | 97.004.000-5 | Banco de Chile | Chile | UF | 3.50% | maturity | 355,643 | - | 355,643 |
| 61.219.000-3 | Metro S.A. | Chile | 97.004.000-5 | Banco de Chile | Chile | UF | 3.73% | maturity | 201,064 | - | 201,064 |
| 61.219.000-3 | Metro S.A. | Chile | 59.046.320-5 | BNP Paribas | France | USD | 1.95% | half-yearly | 114,416 | - | 114,416 |
| | | | | Total | | | | | 2,906,557 | - | 2,906,557 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019 AND 2018

Forward:

| Tax ID No.: | Name | Country | Tax ID No.: | Name | Country | Currency | Notional amount | Fair value | | |
|--------------|------------|---------|--------------|------------------|---------|----------|----------------------|----------------|------------------|------------------|
| | | | | | | | | Maturity | | Total, current |
| | | | | | | | | Up to 90 days | 90 days - 1 year | 12-31-2019 |
| | | | | | | | | ThCh\$ | ThCh\$ | ThCh\$ |
| 61.219.000-3 | Metro S.A. | Chile | 97.036.000-K | Banco Santander | Chile | USD | 12,500,000.00 | 225,500 | - | 225,500 |
| 61.219.000-3 | Metro S.A. | Chile | 97.018.000-1 | Banco Scotiabank | Chile | USD | 4,750,000.00 | 85,500 | - | 85,500 |
| 61.219.000-3 | Metro S.A. | Chile | 97.018.000-1 | Banco Scotiabank | Chile | USD | 947,665.77 | 16,556 | - | 16,556 |
| 61.219.000-3 | Metro S.A. | Chile | 97.018.000-1 | Banco Scotiabank | Chile | USD | 3,244,671.56 | - | 57,625 | 57,625 |
| 61.219.000-3 | Metro S.A. | Chile | 97.018.000-1 | Banco Scotiabank | Chile | USD | 10,843,858.60 | - | 196,382 | 196,382 |
| 61.219.000-3 | Metro S.A. | Chile | 97.018.000-1 | Banco Scotiabank | Chile | USD | 16,500,162.60 | - | 256,413 | 256,413 |
| 61.219.000-3 | Metro S.A. | Chile | 97.018.000-1 | Banco Scotiabank | Chile | USD | 18,608,554.30 | - | 301,272 | 301,272 |
| 61.219.000-3 | Metro S.A. | Chile | 97.018.000-1 | Banco Scotiabank | Chile | USD | 7,813,387.28 | - | 129,546 | 129,546 |
| 61.219.000-3 | Metro S.A. | Chile | 97.036.000-K | Banco Santander | Chile | USD | 1,271,201.34 | - | 21,153 | 21,153 |
| Total | | | | | | | 76,479,501.45 | 327,556 | 962,391 | 1,289,947 |

Rollforward of financial liabilities derived from financing activities.

| Item | Balance as of 12-31-2018 | Cash flows from financing activities | | Changes that have no effect on cash flow from financing activities | | Balance as of 12-31-2019 |
|-------------------------|--------------------------|--------------------------------------|----------------------|--|-------------------|--------------------------|
| | | From | Used | Exchange rate differences | Other | |
| Interest-bearing loans | 470,902,838 | 17,414,786 | (64,141,002) | 37,251,146 | 17,653,708 | 479,081,476 |
| Bonds | 1,700,937,433 | - | (99,863,287) | 78,764,224 | 63,059,266 | 1,742,897,636 |
| Derivative transactions | 2,906,557 | - | (7,320,438) | - | 8,617,371 | 4,203,490 |
| Other | 28,594 | - | - | - | (25,848) | 2,746 |
| Total | 2,174,775,422 | 17,414,786 | (171,324,727) | 116,015,370 | 89,304,497 | 2,226,185,348 |

13. Other non-financial liabilities, current and non-current

Other current and non-current non-financial liabilities are detailed below:

| Current | 12-31-2019 ThCh\$ | 12-31-2018 ThCh\$ |
|----------------------------------|----------------------|----------------------|
| Real estate tax | 5,950,106 | 5,082,556 |
| Deferred income (*) | 824,165 | 759,859 |
| Deferred advertising income (**) | 6,256,693 | 5,013,831 |
| Guarantees received | 1,469,376 | 14,105,731 |
| Total | 14,500,340 | 24,961,977 |

| Non-Current | 12-31-2019 ThCh\$ | 12-31-2018 ThCh\$ |
|----------------------------------|----------------------|----------------------|
| Deferred income (*) | 2,838,235 | 3,009,656 |
| Deferred advertising income (**) | 46,925,199 | 51,783,963 |
| Total | 49,763,434 | 54,793,619 |

(*) Corresponds to advances on operating leases.

(**) Effective as of July 1, 2018, a contract was made with Massiva S.A., lasting a period of 10 years, which establishes a minimum annual guaranteed income (MAG) payable during the term of the contract.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019 AND 2018

14. Balances and transactions with related parties

Documents and accounts receivable:

As of December 31, 2019 and 2018, the Company records no outstanding balances of receivables from related parties.

Documents and accounts payable:

These are contributions received from the Government of Chile for network expansion projects. As of December 31, 2019, contributions pending capitalization amounted to ThCh\$22,515,130 (ThCh\$ 3,500,000 in 2018).

Transactions:

Year 2019

The Company received ThCh\$275,647,160 in contributions from the Chilean Treasury.

On September 27, 2018, ThCh\$ 96,614,721 was capitalized, which required issuing and selling 3,427,269,280 ordinary shares.

On December 30, ThCh\$ 160,017,309 was capitalized, which required issuing and selling 6,045,232,679 ordinary shares. (Note 20 provides a detail of capitalizations).

The outstanding balance to be capitalized amounts to ThCh \$ 22,515,130 as of December 31, 2019, and consists of contributions received during the years 2019 and 2018.

Year 2018

The Company received ThCh\$376,672,487 in contributions from the Chilean Treasury.

On September 24, 2018, ThCh\$ 97,500,000 was capitalized, which required issuing and selling 3,320,844,687 ordinary shares.

On December 28, ThCh\$ 275,672,487 was capitalized, which required issuing and selling 10,109,002,111 ordinary shares. (Note 20 provides a detail of capitalizations).

The outstanding balance to be capitalized amounts to ThCh \$ 3,500,000 as of December 31, 2018, composed of contributions received during the year 2018.

As detailed in Note 12 to the financial statements, the Chilean Treasury is guarantor of certain bank loans and bonds issued by the Company.

Key management personnel

The key personnel of Metro S.A. are those persons with authority and responsibility for planning, directing and controlling the entity's activities. The Company has determined that the key management personnel are the Directors, General Manager and Managers of the Company's different areas (principal executives).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019 AND 2018

The expense for compensation received by key management personnel is detailed as follows:

Directors' income are as follows:

| Directors' income | 01-01-2019 | 01-01-2018 |
|------------------------|----------------|----------------|
| | 12-31-2019 | 12-31-2018 |
| | ThCh\$ | ThCh\$ |
| Fixed remuneration | 204,185 | 166,846 |
| Variable remunerations | 8,089 | 45,620 |
| Total | 212,274 | 212,466 |

Board of Directors' expenses

During 2019, there were no airplane ticket expenses (airplane ticket expenses amounted to ThCh\$534 in 2018).

During 2019, there were no travel and lodging expenses (travel and lodging expenses amounted to ThCh\$910 in 2018).

Remunerations of the General Manager and Other Managers:

During 2019, the compensation paid to the General Manager was ThCh\$248,680 (ThCh\$229,086 as of December 31, 2018) and compensation paid to Other Managers (19 most senior executives) was ThCh\$2,952,292 (ThCh\$2,764,838 paid to the 18 most senior executives as of December 31, 2018).

15. Trade and other payables

This item comprises the following:

| Current Liabilities | 12-31-2019 | 12-31-2018 |
|--|--------------------|--------------------|
| | ThCh\$ | ThCh\$ |
| Debts for purchases or services received | 66,647,224 | 81,078,971 |
| Accounts payable to Transantiago system | 6,857,044 | 8,254,913 |
| Withholdings | 3,638,385 | 3,223,693 |
| Supplier of property, plant and equipment | 32,532,904 | 27,543,656 |
| Megaproject contract withholding | 1,825,616 | 4,707,124 |
| Other payables | 777,788 | 778,868 |
| Accounts payable to AVO (Americo Vespucio Oriente) | 233,085 | 233,085 |
| Total | 112,512,046 | 125,820,310 |

| Non-Current Liabilities | 12-31-2019 | 12-31-2018 |
|--|------------------|------------------|
| | ThCh\$ | ThCh\$ |
| Megaproject contract withholding | - | 390,845 |
| Accounts payable to AVO (Americo Vespucio Oriente) | 1,424,782 | 739,295 |
| Total | 1,424,782 | 1,130,140 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019 AND 2018

16. Segment information

The Company reports segment information in accordance with IFRS 8 "Operating Segments". IFRS 8 stipulates that this Standard must be applied by entities with capital stock or debt securities which are publicly traded or by entities that are in the process of issuing securities to be traded in public markets.

Metro S.A. is a corporation that must follow the rules for publicly-traded corporations in Chile. Its corporate purpose is to carry out all the activities associated with passenger transportation in metropolitan trains or other supplementary electrical systems, and surface transportation by bus or vehicles of any technology, as well as activities that supplement this line of business. In this regard, the Company may incorporate, or have an interest in, companies, and carry out any act or operation related to its line of business, whose main income corresponds to the transportation of passengers.

Services are provided using a common technological and administrative infrastructure. The current activities consist in the provision of services in a national environment, and have a common environment in terms of economic and political conditions.

The Company manages its operations and presents its financial information as one single operating segment: transportation of passengers in the city of Santiago, Chile, considering that all other areas of business are derived from this main line of business.

17. Employee benefits

Current

| Item | 12-31-2019 ThCh\$ | 12-31-2018 ThCh\$ |
|------------------------------|----------------------|----------------------|
| Accrued vacations | 4,491,350 | 4,516,177 |
| Employee benefit obligations | 2,588,848 | 2,592,006 |
| Production bonus obligations | 7,393,193 | 7,680,684 |
| Total | 14,473,391 | 14,788,867 |

Non-current

| Item | 12-31-2019 ThCh\$ | 12-31-2018 ThCh\$ |
|--|----------------------|----------------------|
| Provision for terminations of employment contracts | 14,250,051 | 13,825,546 |
| Provision for resignations | 40,274 | 45,490 |
| Provision for mortality | 591,710 | 658,621 |
| Advance for severance indemnity payments | (1,794,794) | (1,732,423) |
| Total | 13,087,241 | 12,797,234 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019 AND 2018

Movements in severance indemnity payments for the years ended December 31, 2019 and 2018 are detailed as follows:

| Item | ThCh\$ |
|-------------------------------------|-------------------|
| Liabilities as of 01.01.2019 | 12,797,234 |
| Service interest | 612,610 |
| Benefits paid | (922,616) |
| Actuarial profit (loss) | 600,013 |
| Liabilities as of 12-31-2019 | 13,087,241 |

| Item | ThCh\$ |
|-------------------------------------|-------------------|
| Liabilities as of 01.01.2018 | 13,191,367 |
| Service interest | 679,712 |
| Benefits paid | (1,224,035) |
| Actuarial profit (loss) | 150,190 |
| Liabilities as of 12-31-2018 | 12,797,234 |

Sensitivity analysis

Reasonable possible changes in the relevant actuarial assumptions at the reporting date, provided that other assumptions remain constant, would have affected the defined benefit obligation by the following amounts:

2019

| Items | Increase reflected | Base | Decrease reflected | Increase ThCh\$ | Decrease ThCh\$ |
|------------------------------------|--------------------|---------------|--------------------|-----------------|-----------------|
| Discount rates (change of 0.5) | 4.210% | 3.710% | 3.210% | 12,982,098 | 13,180,474 |
| Increase in salary (change of 0.5) | 4.530% | 4.030% | 3.530% | 13,336,117 | 12,846,940 |
| Labor turnover (25% change) | 1.813% | 1.450% | 1.088% | 13,068,739 | 13,106,420 |
| Mortality rate (25% change) | 25.00% | CB14 and RV14 | -25.00% | 13,075,886 | 13,098,716 |

2018

| Items | Increase reflected | Base | Decrease reflected | Increase ThCh\$ | Decrease ThCh\$ |
|------------------------------------|--------------------|---------------|--------------------|-----------------|-----------------|
| Discount rates (change of 0.5) | 5.290% | 4.790% | 4.290% | 12,574,678 | 13,027,381 |
| Increase in salary (change of 0.5) | 4.530% | 4.030% | 3.530% | 13,069,182 | 12,534,729 |
| Labor turnover (25% change) | 1.813% | 1.450% | 1.088% | 12,786,668 | 12,808,257 |
| Mortality rate (25% change) | 25.00% | CB14 and RV14 | -25.00% | 12,787,140 | 12,807,471 |

Projection of the actuarial calculation for the following year:

The projected calculation for the following year is ThCh\$13,546,438.

Estimate of expected cash flows for the following year:

The Company estimates that for the following years there will be expected payment flows for obligations on a monthly average of ThCh\$76,885 as of December 31, 2019 (ThCh\$102,003 as of December 31, 2018).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019 AND 2018

General considerations

The Company has benefits that are agreed upon with its active employees and frozen severance indemnity payments, which require actuarial valuation and it has collective agreements, which include benefits for the concept of termination, voluntary retirement and death of an employee. In agreements with its unions, the Company froze the benefits accrued by employees on different dates.

Frozen severance:

Frozen indemnity corresponds to the severance benefits established in the respective collective agreements of the Company. The benefit is based on the various reasons for termination of the employment contract, such as on employee's resignation and death.

The freezing dates established in the agreements are May 31, 2002, August 31, 2003 and November 30, 2003, depending on the union and the reason for the termination.

Actuarial assumptions:

Actuarial assumptions are long-term assumptions and, should there be sufficient substantive evidence, they must be updated.

1. Mortality:

The CB-H-2014 men and RV-M-2014 women's mortality tables established by the Chilean Superintendency of Pensions and Financial Market Commission were used.

2. Employee turnover:

The turnover tables were prepared using information available in the Company. Constant ratios may be observed in the following table:

| Reason | Rate % |
|-------------|--------|
| Dismissal | 1.26 |
| Resignation | 0.12 |
| Other | 0.07 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019 AND 2018

3. Discount rate:

The real annual discount rates used for each year are as follows:

| Year | Rate % |
|------------|--------|
| 12-31-2018 | 4.79 |
| 12-31-2019 | 3.71 |

4. Termination:

The estimated maximum average termination ages are:

| Employee | Age |
|----------|----------|
| Women | 62 years |
| Men | 68 years |

18. Income tax

The Company had a negative first category (corporate) tax base of ThCh\$1,369,910,339 as of December 2019 and ThCh\$1,147,464,084 as of December 2018 determined in accordance with current regulations, therefore no income tax provision has been recognized as of these dates. Associated tax loss carryforwards are presented in the table below.

Because the Company has consistently recorded tax losses since the 1996 taxable year, the Company considers that it is unlikely that there will be sufficient future taxable profits to allow it to reverse the deferred tax assets; therefore these have been recognized up to the amount of deferred tax liabilities(1).

| Temporary Difference | Tax assets | | Tax liabilities | |
|---|----------------------|----------------------|----------------------|----------------------|
| | 12-31-2019 ThCh\$ | 12-31-2018 ThCh\$ | 12-31-2019 ThCh\$ | 12-31-2018 ThCh\$ |
| Provision for impairment of accounts receivable | 163,471 | 152,976 | - | - |
| Deferred revenue | 915,600 | 942,379 | - | - |
| Accrued vacations | 1,122,837 | 1,129,044 | - | - |
| Severance indemnity | 1,290,228 | 1,594,368 | - | - |
| Provision for lawsuits | 155,953 | 198,915 | - | - |
| Maintenance provision | 2,511,853 | 620,104 | - | - |
| Provision for employee benefits | 647,212 | 648,001 | - | - |
| Provision for spare parts | 660,967 | 660,967 | - | - |
| Irrecoverable VAT credit for extensions | - | - | 32,295,517 | 31,415,873 |
| Capitalized expenses | - | - | 63,986,473 | 55,966,525 |
| Property, plant and equipment | 156,558,336 | 130,341,061 | - | - |
| Tax loss | 342,477,585 | 286,866,021 | - | - |
| Other | 2,893,020 | 3,633,174 | - | - |
| Subtotal | 509,397,062 | 426,787,010 | 96,281,990 | 87,382,398 |
| Deferred tax assets, net | 413,115,072 | 339,404,612 | - | - |
| Reduction of deferred tax assets (1) | (413,115,072) | (339,404,612) | - | - |
| Deferred taxes, net | - | - | - | - |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019 AND 2018

19. Provisions, contingencies and guarantees

As of December 31, 2019 and 2018, the Company is involved in legal proceedings (civil and labor), which include subsidiary lawsuits, which are not provisioned because of the application of IAS 37, due to the remote probability of unfavorable judgment.

The amount of the provision for lawsuits is as follows:

| Other short-term provisions | 12-31-2019 ThCh\$ | 12-31-2018 ThCh\$ |
|------------------------------------|------------------------------|------------------------------|
| Provision for lawsuits | 623,810 | 795,662 |
| Total | 623,810 | 795,662 |

According to the current status of legal proceedings, Management believes those provisions recorded in the Consolidated Financial Statements properly cover the risks associated with the litigation, which are not expected to generate any additional liabilities.

Considering the risk's characteristics that these provisions cover, it is impossible to determine a reasonable payment schedule.

Movements of provisions are as follows:

| Item | Amount ThCh\$ |
|---------------------------|--------------------------|
| Balance 01-01-2018 | 1,744,461 |
| Accrued provisions | 1,458,581 |
| Cash payments | (2,407,380) |
| Balances as of 12-31-2018 | 795,662 |
| Accrued provisions | 583,674 |
| Cash payments | (755,526) |
| Balances as of 12-31-2019 | 623,810 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019 AND 2018

Direct guarantees

The guarantees granted by the Company are in UF, expressed in thousands of Chilean pesos as of December 31, 2019. They are according to the following detail.

| Type of guarantee | No. of guarantee | Issuing entity | Currency | Amount | Beneficiary | Date entity | Date maturity | Status | Rate ThCh\$ |
|-------------------|------------------|------------------|----------|-----------|---|-------------|---------------|--------|-------------|
| Bank Guarantee | 168873 | Banco Scotiabank | UF | 10,000.00 | San Juan S.A. | 03-08-19 | 04-01-20 | Valid | 283,099 |
| Bank Guarantee | 4439142 | Banco Santander | UF | 5,000.00 | Subsecretaría de Transportes | 07-01-19 | 08-10-20 | Valid | 141,550 |
| Bank Guarantee | 4439143 | Banco Santander | UF | 5,000.00 | Subsecretaría de Transportes | 07-01-19 | 08-10-20 | Valid | 141,550 |
| Bank Guarantee | 4439144 | Banco Santander | UF | 5,000.00 | Subsecretaría de Transportes | 07-01-19 | 08-10-20 | Valid | 141,550 |
| Bank Guarantee | 4439145 | Banco Santander | UF | 5,000.00 | Subsecretaría de Transportes | 07-01-19 | 08-10-20 | Valid | 141,550 |
| Bank Guarantee | 4439146 | Banco Santander | UF | 5,000.00 | Subsecretaría de Transportes | 07-01-19 | 08-10-20 | Valid | 141,550 |
| Bank Guarantee | 4439148 | Banco Santander | UF | 5,000.00 | Subsecretaría de Transportes | 07-01-19 | 08-10-20 | Valid | 141,550 |
| Bank Guarantee | 4439149 | Banco Santander | UF | 5,000.00 | Subsecretaría de Transportes | 07-01-19 | 08-10-20 | Valid | 141,550 |
| Bank Guarantee | 4439150 | Banco Santander | UF | 5,000.00 | Subsecretaría de Transportes | 07-01-19 | 08-10-20 | Valid | 141,550 |
| Bank Guarantee | 4439151 | Banco Santander | UF | 5,000.00 | Subsecretaría de Transportes | 07-01-19 | 08-10-20 | Valid | 141,550 |
| Bank Guarantee | 4439152 | Banco Santander | UF | 5,000.00 | Subsecretaría de Transportes | 07-01-19 | 08-10-20 | Valid | 141,550 |
| Bank Guarantee | 4399158 | Banco Santander | UF | 1,000.00 | Subsecretaría de Transportes | 07-01-19 | 08-10-20 | Valid | 28,310 |
| Bank Guarantee | 4403310 | Banco Santander | UF | 10,000.00 | Enel Distribuidora S.A. | 10-17-19 | 11-17-20 | Valid | 283,099 |
| Bank Guarantee | 5279190 | Banco Santander | UF | 1,128.00 | Director Gral de Concesiones de O. Publicas | 11-06-19 | 12-31-20 | Valid | 31,934 |
| Bank Guarantee | 4403312 | Banco Santander | UF | 22,500.00 | Pelicano Solar Company SpA | 10-17-19 | 12-31-20 | Valid | 636,974 |
| Bank Guarantee | 4437905 | Banco Santander | UF | 19,607.45 | Junaeb | 05-30-19 | 06-30-22 | Valid | 555,086 |

As of the closing date of the Consolidated Financial Statements, there are no balances pending payment, since they are Performance Guarantees.

20. Changes in equity

2019 Capital increase

At the Extraordinary Shareholders' Meeting held on December 30, 2019, the shareholders of the Company agreed to:

- ✓ Increase the Company's share capital by capitalizing government contributions of ThCh\$160,017,309 at a nominal value, intended for financing Lines 2 and 3 extensions and projects to improve the Metro Transportation System as well as for debt service, through the issuance of 6,045,232,679 Series A shares subscribed and fully-paid by the Government and CORFO pro rata of their ownership percentage.

On November 19, 2019, CORFO paid the government contributions signed on September 27, 2019.

At the Extraordinary Shareholders' Meeting held on September 27, 2019, the shareholders of the Company agreed to:

- ✓ Increase the Company's share capital by capitalizing government contributions of ThCh\$96,614,721 at a nominal value, through the issuance of 3,427,269,280 Series A shares which CORFO will subscribe and pay in on December 31, 2019 at the latest.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019 AND 2018

2018 Capital increase

At the Extraordinary Shareholders' Meeting held on December 28, 2018, the shareholders of the Company agreed to:

- ✓ Increase the Company's share capital by capitalizing government contributions of ThCh\$275,672,487 at a nominal value, intended for financing extension and improvement projects for the Metro Network as well as for debt service, through the issuance of 10,109,002,111 Series A shares which the Chilean Government and CORFO would have to subscribe and pay in pro rata of their ownership interest.

On December 11, 2018, CORFO paid the government contributions signed on September 24, 2018.

At the Extraordinary Shareholders' Meeting held on September 24, 2018, the shareholders of the Company agreed to:

- ✓ Increase the Company's share capital by capitalizing government contributions of ThCh\$97,500,000 at a nominal value, through the issuance of 3,320,844,687 Series A shares which CORFO will subscribe and pay in on December 31, 2018 at the latest.

a. Capital

As of December 31, 2019 the capital of the Company is represented by 89,644,733,903 and 19,163,677,063 Series A and B nominative shares with no par value, respectively, with 72,831,425,394 shares corresponding to CORFO and 35,976,985,572 to the Chilean Government. As of December 31, 2018 the capital of the Company is represented by 80,172,231,944 and 19,163,677,063 Series A and B nominative shares with no par value, respectively, with 65,357,477,359 shares corresponding to CORFO and 33,978,431,648 to the Chilean Government. Series A shares correspond to the initial capital and capital increases that are subscribed and paid in by the Government and CORFO and cannot be disposed of. Series B shares correspond to capital increases that could allow the incorporation of other shareholders.

Shareholders are detailed as follows:

| Shareholders | 12-31-2019 | | 12-31-2018 | |
|---|----------------------------------|-------------|-----------------------|-------------|
| | Number of shares and percentages | | | |
| | Paid-in shares | Ownership % | Paid-in shares | Ownership % |
| Corporación de Fomento de la Producción | 72,831,425,394 | 66.94% | 65,357,477,359 | 65.79% |
| Chilean Treasury - Ministry of Finance | 35,976,985,572 | 33.06% | 33,978,431,648 | 34.21% |
| Total | 108,808,410,966 | - | 99,335,909,007 | - |
| Corporación de Fomento de la Producción | | | | |
| Series A | 60,727,954,088 | - | 53,254,006,053 | - |
| Series B | 12,103,471,306 | - | 12,103,471,306 | - |
| Total | 72,831,425,394 | - | 65,357,477,359 | - |
| Chilean Treasury - Ministry of Finance | | | | |
| Series A | 28,916,779,815 | - | 26,918,225,891 | - |
| Series B | 7,060,205,757 | - | 7,060,205,757 | - |
| Total | 35,976,985,572 | - | 33,978,431,648 | - |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019 AND 2018

b. Distribution of net income and dividends

The Company's dividend policy is consistent with current legislation according to which at least 30% of net profits for the year must be distributed as cash dividends, unless otherwise resolved by the Shareholders' Meeting by the unanimous vote of the outstanding shares issued.

At the Ordinary Shareholders' Meeting held on April 29, 2019, the shareholders resolved not to distribute net income or dividends.

Since the Company earned no profits, the shareholders agree not to withdraw dividends and reiterate that the Company's policy in this matter follows the provisions in the Company's by-laws and in the Chilean corporation law.

c. Non-controlling interests

Non-controlling interests correspond to the recognition by the Company of the share in the equity and net income of its subsidiary not directly or indirectly attributable to the Company, The detail for the years ended December 31, 2019 and 2018, respectively, is as follows:

| Subsidiary | Percentage Non-controlling interest | | Non-controlling interest equity | | Share of profit or loss income (expense) | |
|--------------|-------------------------------------|-------|---------------------------------|----------|--|--------|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| | % | % | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ |
| Transub S.A. | 33.33 | 33.33 | (10,645) | (10,645) | - | - |

d. Other reserves

Other reserves are composed of revaluation of paid-in capital for the year of transition to IFRS, revaluation surplus (first-time adoption) of land and adjustments originating from the exception in IFRS accounting standards, as reiterated in Ruling 456 issued by the Financial Market Commission:

The cash flow hedge reserve arises from the application of hedge accounting on certain financial assets and liabilities. The purpose of this reserve is to affect the profit or loss when the hedged item records effects thereto.

| Other reserves | 12-31-2019 ThCh\$ | 12-31-2018 ThCh\$ |
|--|----------------------|----------------------|
| Price-level restatement of paid-in capital | 30,336,377 | 30,336,377 |
| Revaluation surplus | 3,042,584 | 3,042,584 |
| Actuarial (loss) on defined benefit plans | (600,013) | - |
| Cash flow hedges | (10,228,760) | - |
| Total | 22,550,188 | 33,378,961 |

Additional and supplementary information is presented in the consolidated statement of changes in net equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019 AND 2018

21. Income and expenses

Revenue:

For the years ended December 31, 2019 and 2018, revenue is detailed as follows:

| Revenue | 01-01-2019 | 01-01-2018 |
|---|--------------------|--------------------|
| | 12-31-2019 | 12-31-2018 |
| | ThCh\$ | ThCh\$ |
| Revenue from passenger transportation services | 344,488,942 | 314,592,136 |
| Sales channel income | 45,137,107 | 47,942,984 |
| Lease of commercial stores, and commercial and advertising spaces | 15,977,937 | 16,186,578 |
| Lease in inter-modal terminals | 1,591,199 | 1,762,080 |
| Lease of spaces for telephone and fiber optic antennas | 7,407,679 | 6,781,514 |
| Lease of land | 826,425 | 752,278 |
| Advisory services | 203,501 | 224,880 |
| Other | 691,165 | 610,364 |
| Total | 416,323,955 | 388,852,814 |

Other income, by function

For the years ended December 31, 2019 and 2018, other income by function is detailed as follows:

| Other income by function | 01-01-2019 | 01-01-2018 |
|-----------------------------------|-------------------|------------------|
| | 12-31-2019 | 12-31-2018 |
| | ThCh\$ | ThCh\$ |
| Income from fines and indemnities | 25,604,795 | 1,289,906 |
| Funding for welfare costs | 545,038 | 496,306 |
| Sale of proposals | 48,450 | 62,582 |
| Other income | 4,887,234 | 1,379,083 |
| Total | 31,085,517 | 3,227,877 |

Operating income

The operating income in XBRL format (common electronic format for business reporting) for the years ended December 31, 2019 and 2018, is as follows:

| Operating income | 01-01-2019 | 01-01-2018 |
|--|---------------------|-------------------|
| | 12-31-2019 | 12-31-2018 |
| | ThCh\$ | ThCh\$ |
| Revenue | 416,323,955 | 388,852,814 |
| Cost of sales | (379,123,771) | (328,189,648) |
| Gross profit | 37,200,184 | 60,663,166 |
| Other income | 34,282,317 | 3,227,877 |
| Administrative expenses | (44,362,296) | (44,426,907) |
| Other expenses by function | (46,114,056) | (1,862,850) |
| Other income (expenses) | 95,106 | 13,697,843 |
| Profit (loss) from operating activities | (18,898,745) | 31,299,129 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019 AND 2018

Expenses by nature:

The following is the detail of cost of sales, administrative expenses and other expenses by function for the years ended December 31, 2019 and 2018:

| Expenses by nature | 01-01-2019 | 01-01-2018 |
|------------------------------------|--------------------|--------------------|
| | 12-31-2019 | 12-31-2018 |
| | ThCh\$ | ThCh\$ |
| Employee expenses | 99,139,914 | 100,737,586 |
| Operation and maintenance expenses | 86,763,476 | 74,923,911 |
| Purchase of energy | 57,834,256 | 47,594,362 |
| General and other expenses | 62,884,325 | 59,406,378 |
| Other expenses by function | 46,114,056 | 1,862,850 |
| Depreciation and amortization | 116,864,096 | 89,954,318 |
| Total | 469,600,123 | 374,479,405 |

Personnel expenses:

For the years ended December 31, 2019 and 2018, personnel expenses are detailed as follows:

| Employee expenses | 01-01-2019 | 01-01-2018 |
|---|-------------------|--------------------|
| | 12-31-2019 | 12-31-2018 |
| | ThCh\$ | ThCh\$ |
| Salaries and wages | 67,521,351 | 63,597,116 |
| Other Benefits | 25,235,156 | 31,071,737 |
| Expenses for social security and collective bargaining benefits | 3,103,668 | 3,138,755 |
| Social security contribution | 3,279,739 | 2,929,978 |
| Total | 99,139,914 | 100,737,586 |

Maintenance and operating expenses:

For the years ended December 31, 2019 and 2018, maintenance and operating expenses are detailed as follows:

| Operation and maintenance expenses | 01-01-2019 | 01-01-2018 |
|--|-------------------|-------------------|
| | 12-31-2019 | 12-31-2018 |
| | ThCh\$ | ThCh\$ |
| Maintenance of rolling stock, stations and other | 65,682,593 | 58,432,293 |
| Spare parts and materials | 13,590,730 | 12,041,201 |
| Repairs, leases and other | 7,490,153 | 4,450,417 |
| Total | 86,763,476 | 74,923,911 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019 AND 2018

General and other expenses:

For the years ended December 31, 2019 and 2018, general and other expenses are detailed as follows:

| General expenses | 01-01-2019 12-31-2019 ThCh\$ | 01-01-2018 12-31-2018 ThCh\$ |
|--------------------------------|------------------------------------|------------------------------------|
| Service contracts | 30,178,280 | 27,940,965 |
| Real estate taxes | 5,844,131 | 5,065,024 |
| Corporate image expenses | 1,749,657 | 2,154,362 |
| Sales channel operator expense | 21,310,454 | 21,226,757 |
| Insurance, materials and other | 3,801,803 | 3,019,270 |
| Total | 62,884,325 | 59,406,378 |

Other expenses by function:

For the years ended December 31, 2019 and 2018, other expenses by function are detailed as follows:

| Other expenses by function | 01-01-2019 12-31-2019 ThCh\$ | 01-01-2018 12-31-2018 ThCh\$ |
|--|------------------------------------|------------------------------------|
| Disposals due to loss and/or impairment PPE | 34,322,243 | - |
| Disposals due to loss and/or impairment Invest Prop. | 13,193 | - |
| Disposals of PPE in period | 71,436 | 1,108,724 |
| Inventories disposals | 101,628 | 174,976 |
| Fines and Compensation | 1,120,073 | 204,997 |
| Reconstruction services contracts | 6,872,188 | - |
| Other expenses | 416,495 | 374,153 |
| Total | 42,917,256 | 1,862,850 |

(*) Notes 8d and 9 provide additional and supplementary information.

Depreciation and amortization:

For the years ended December 31, 2019 and 2018, depreciation and amortization are detailed as follows:

| Depreciation, amortization | 01-01-2019 12-31-2019 ThCh\$ | 01-01-2018 12-31-2018 ThCh\$ |
|----------------------------|------------------------------------|------------------------------------|
| Depreciation | 116,164,627 | 89,569,368 |
| Amortization | 699,469 | 384,950 |
| Total | 116,864,096 | 89,954,318 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019 AND 2018

Financial income/costs results and exchange differences:

The Company's financial income/costs and exchange differences for the years ended December 31, 2019 and 2018, are detailed as follows:

| Financial profit or loss | 01-01-2019 12-31-2019 ThCh\$ | 01-01-2018 12-31-2018 ThCh\$ |
|---|------------------------------------|------------------------------------|
| Finance income | | |
| Interest from cash and cash equivalents | 6,912,731 | 8,630,166 |
| Finance income from swaps | 3,049,839 | - |
| Other finance income | 348,844 | 275,678 |
| Subtotal | 10,311,414 | 8,905,844 |
| Finance expenses | | |
| Interest and expenses on bank loans | (17,675,415) | (7,604,437) |
| Bond interest and expenses | (66,723,188) | (54,434,906) |
| Other financial costs | (2,639,714) | (1,927,754) |
| Subtotal | (87,038,317) | (63,967,097) |
| Profit (loss) from financial result | (76,726,903) | (55,061,253) |

| Foreign currency translation and indexation units | 01-01-2019 12-31-2019 ThCh\$ | 01-01-2018 12-31-2018 ThCh\$ |
|---|------------------------------------|------------------------------------|
| Foreign currency translation difference | | |
| Loss from exchange differences (loans, bonds, swap and investments) | (73,372,712) | (123,478,609) |
| Total foreign currency translation difference | (73,372,712) | (123,478,609) |
| Indexation units | | |
| Profit (loss) from Indexation unit (bonds) | (26,499,891) | (28,484,104) |
| Total indexation units | (26,499,891) | (28,484,104) |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019 AND 2018

Other profit (losses):

Other Company's profit (losses) for the years ended December 31, 2019 and 2018, are detailed as follows:

| Other income (expenses) | 01-01-2019 | 01-01-2018 |
|-------------------------------|------------|------------|
| | 12-31-2019 | 12-31-2018 |
| | ThCh\$ | ThCh\$ |
| Net present value of swap USD | 95,106 | 9,814,405 |
| Net present value of swap UF | - | 2,878,157 |
| Net present value VAT | - | 1,005,281 |
| Total | 95,106 | 13,697,843 |

Other comprehensive income:

For the years ended as of December 31, 2019 and 2018, this item is detailed as follows:

| Other comprehensive income | 01-01-2019 | 01-01-2018 |
|---|--------------|------------|
| | 12-31-2019 | 12-31-2018 |
| | ThCh\$ | ThCh\$ |
| Actuarial loss on defined benefit plans | (600,013) | (150,190) |
| Loss on cash flow hedges | (10,228,760) | - |
| Total | (10,828,773) | (150,190) |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019 AND 2018

22. Third-party guarantees

Guarantees received as of December 31, 2019, are detailed as follows:

| Grantor | Guarantee amount ThCh\$ | Underlying operation | Relationship |
|--|------------------------------------|---------------------------------|---------------------|
| Abengoa Chile S.A. | 68,466,643 | Services contract | Supplier |
| Alstom Chile S.A. | 398,218,446 | Services contract | Supplier |
| Alstom Transport S.A. | 82,140,502 | Services contract | Supplier |
| Besalco Dragados S.A. | 64,884,218 | Services contract | Supplier |
| Bitelco Diebold Chile Ltda | 3,014,190 | Services contract | Supplier |
| CAF Chile S.A. | 892,296,092 | Services contract | Supplier |
| China Railway Tunnel GR.CO. Ltda. | 39,276,020 | Services contract | Supplier |
| Colas Rail | 3,860,057 | Services contract | Supplier |
| Compañía Americana de Multiservicios | 4,760,999 | Services contract | Supplier |
| Construcciones Piques y Túneles | 4,534,749 | Services contract | Supplier |
| Consortio Copisa Chile SpA | 3,479,238 | Works contract | Supplier |
| Consortio El-OSSA S.A. | 105,812,057 | Works contract | Supplier |
| Construcción y Auxiliar de Ferrocarril | 37,290,402 | Works contract | Supplier |
| Construcciones Especializadas | 5,095,789 | Works contract | Supplier |
| E.C.M. Ingeniería S.A. | 2,949,839 | Services contract | Supplier |
| ETF | 7,539,143 | Services contract | Supplier |
| ETF Agencia en Chile | 96,329,843 | Services contract | Supplier |
| Faiveley Transport Far East | 3,911,575 | Services contract | Supplier |
| Ferrostal Chile S.A. | 4,525,723 | Services contract | Supplier |
| Ferrovial Agroman Chile S.A. | 17,469,201 | Services contract | Supplier |
| Hidronor Chile S.A. | 7,479,549 | Services contract | Supplier |
| Indra Sistemas Chile S.A. | 11,346,050 | Services contract | Supplier |
| ISS Servicios Integrales Limitada | 3,277,371 | Services contract | Supplier |
| Obrascon Huarte Lain | 32,642,818 | Services contract | Supplier |
| OFC SpA | 19,141,717 | Services contract | Supplier |
| Piques y Tuneles S.A. | 3,230,470 | Services contract | Supplier |
| Servicios de Aseo y Jardines Maclean | 4,433,198 | Services contract | Supplier |
| Servicios de Respaldo de Energía Técnica Ltda. | 5,516,216 | Services contract | Supplier |
| Sice Agencia Chile S.A. | 43,001,872 | Services contract | Supplier |
| Soler y Palau S.A. | 36,685,131 | Services contract | Supplier |
| Systra Agencia en Chile | 4,532,945 | Services contract | Supplier |
| Thales Canadá INC. | 14,759,874 | Services contract | Supplier |
| Thales International Chile Ltda. | 3,171,889 | Services contract | Supplier |
| Thyssenkrupp Elevadores S.A. | 37,826,368 | Services contract | Supplier |
| Valoriza Facilities S.A. | 3,048,449 | Services contract | Supplier |
| Other | 86,918,731 | Services contract | Supplier |
| TOTAL | 2,162,867,374 | | |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019 AND 2018

23. Risk management policies

The Company is exposed to several risks which are inherent to the activities that are carried out in the public passenger transportation services, in addition to risks of an economic and financial nature associated with changes in market conditions or force majeure, among others.

23.1 Description of the market in which the Company operates

The main market in which the Company operates is the public transportation of passengers in the Metropolitan Region of Santiago and is composed of users seeking a quick and safe journey.

Secondary activities to the Company's main line of business include collection of transportation fees and sale of means of payment (Tarjeta Bip and tickets), leasing of advertising spaces, and leasing of business premises at the network stations, among others.

Fares

On February 10, 2007, the Company became part of the Integrated Public Passenger Transport System of Santiago (Metropolitan Mobility Network) and its fare revenue was originally based on the effectively confirmed number of passengers transported and the technical fare established in Exhibit 1 of the Tender Documents for the Use of the Thoroughfares of the City of Santiago.

On December 14, 2012 a Transportation Agreement was signed by the Company with the Ministry of Transportation and Telecommunications of Chile to replace the aforementioned Exhibit 1.

Beginning on February 11, 2019 a new transportation agreement is in force between the Company and the Ministry of Transportation and Telecommunications of Chile, which established a flat-rate technical fare of Ch\$ 480.18 per confirmed transported passenger, taking November 2018 as a base, and which is updated monthly by the indexation polynomial, included in this new agreement, which takes into consideration changes in the variables making up the Company's long-term cost structure (CPI, US dollar, euro, power and electric energy price). This allows for a natural hedge in case of cost variations caused by an increase in any of the variables making up the polynomial.

The fare paid by the public is different than the fare that the Company receives per transported passenger. In December 2019, customers paid Ch\$ 800 at peak hours, Ch\$ 720 at valley hours and Ch\$640 at low hours, whereas on average the Company received a technical fare of Ch\$ 506.62 per passenger.

Beginning on July 1, 2013, the supplementary contract for issuance and post-sale of means of access and provision of the network for sales and charge of the means of access to the Santiago public transportation system entered into by and between the Ministry of Transportation and Telecommunication of Chile and Metro S.A., became effective.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019 AND 2018

Demand

To date, the Company is the structuring pillar of the Integrated Public Passenger Transport System (Metropolitan Mobility Network) and as of December 2019 reached a level of 2.4 million trips on a business day.

The risk related to the demand of Metro passengers is mainly associated with the level of economic activity in Chile, level of use and quality of the ground passenger transportation service (buses). In effect, the demand for passenger transport is a demand derived from other economic activities. As of December 2019, there is a 17.3 million drop in trips, 2.4% down compared to the same date in 2018. The social unrest that broke out in October 2019 and which took a toll on the regular operation of the Metro network explains the above decline. This social unrest offset the increase in number of trips recorded in prior months following the commissioning of Line 3 in January 2019.

23.2 Financial risks

The main risks to which the Company is exposed and which arise from financial assets and liabilities are: market risk, liquidity risk and credit risk.

In loans from financial institutions, the nominal rate is similar to the effective rate since there are no additional transaction costs to be considered.

Market risk

The technical fare that the Company receives is updated monthly by the indexation polynomial which takes into consideration changes in the variables making up the Company's long-term cost structure (CPI, US dollar, euro, power and electric energy price). This allows for a natural hedge in case of cost variations caused by an increase in certain variables making up the polynomial.

The Company, as per its financial risk management policy, takes financial derivatives to hedge its exposure to currency variations (exchange rate) and to inflation. Currency derivatives are used to set the exchange rate of the US dollar against the Chilean peso (CLP) and Unidad de Fomento (UF), in the case of investments or obligations in currencies other than the Chilean peso. These instruments are Cross Currency Swaps, whose notional amount is MUS\$ 300 as of December 31, 2019 and 2018, and which meet the hedge accounting criteria under IFRS 9 since 2019. On the other hand, the Company maintains other derivative transactions as financial hedges against the exposure to the market value of interest rates on financial obligations. These are interest rate swaps which do not comply with the minimum requirements to qualify as accounting hedges under IFRS 9. In addition, in accordance with its risk-hedging policy, Metro entered into nine (9) exchange rate (USD/CLP) Forward contracts in December for a total notional amount of MUS\$ 76.5.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019 AND 2018

Particularly, the Company is exposed to two market risks, which are:

Interest rate risk

Market risks include possible changes in the Libor rate, affecting foreign borrowings obtained by the Company at variable rates.

As of December 2019, the share of the debt at a variable rate records no change with respect to December 2018, as indicated in the following table:

| Detail of debt | 12-31-2019 | 12-31-2018 |
|----------------|------------|------------|
| | % | % |
| Fixed rate | 79.3 | 79.3 |
| Variable rate | 20.7 | 20.7 |
| Total | 100.0 | 100.0 |

In conducting a sensitivity analysis as of December 31, 2019 on the net debt at a variable Libor rate, not hedged by current derivatives, which amounts to MUS\$592 (MUS\$610 as of December 31, 2018), we note in the following table that the effect on profit or loss in a scenario where the Libor rate is increased by 100 basis points would result in an annual increase in finance expenses of MUS\$6.1 as of December 31, 2019 (MUS\$6.4 as of December 31, 2018).

| Sensitivity analysis | Equivalent in MUS\$ | Total % |
|------------------------------------|---------------------|------------|
| Total Debt (equivalent to MUS\$) | 2,931 | 100% |
| Debt at LIBOR rate | 592 | |
| IRS | 15 | |
| Total Debt at Variable Rate | 607 | 21% |
| Total Debt at Fixed Rate | 2,324 | 79% |

| Variation in Financial Expenses | MCh\$ | Equivalent in MUS\$ |
|--|-------|---------------------|
| Impact on financial expenses of a variation of 100 basis points in LIBOR | 4,543 | 6.1 |

Exchange rate risk and inflation

The Company has obligations with financial institutions and has issued bonds in foreign markets, agreed to in foreign currencies, to finance the extensions in the Metro network. To minimize exchange rate risks, the Company has contracted cross currency swaps (CCS), financial derivatives and forward contracts, whose notional amounts are MUS\$300 and MUS\$76.5, respectively, as of December 31, 2019.

The Company is also exposed to inflationary risk as it maintains a debt with bondholders for UF-denominated bonds issued in the domestic market.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019 AND 2018

The following table shows the composition of the Company's debt, expressed in millions of US dollars (current derivatives transactions are considered):

| Financial Debt Structure | 12-31-2019 | | | 12-31-2018 | | |
|-----------------------------|-------------------|---------------------|-------------|-------------------|---------------------|-------------|
| | Original currency | Equivalent in MUS\$ | % | Original currency | Equivalent in MUS\$ | % |
| Debt in UF | ThUF 41,289 | 1,561 | 53% | ThUF 42,648 | 1,692 | 55% |
| Debt in USD | MUS\$ 1,370 | 1,370 | 47% | MUS\$ 1,393 | 1,393 | 45% |
| Total Financial Debt | | 2,931 | 100% | | 3,085 | 100% |

As of December 31, 2019, the structure of the financial debt is divided into UF (53%) and US dollars (47%).

This composition is defined by Metro's Financial Risk Hedging Policy, which seeks to mitigate the financial risk derived from the effect of the Exchange Rate and the Interest Rates, and is intended to ensure the capacity to generate cash flows that allow the Company to fulfill its financial commitments.

This structure, divided by currency, is in line with Metro's operating cash flows, in which the indexation polynomial updates the Company's technical fare in case of changes in the US dollar and the Consumer Price Index (CPI), in addition to other variables, which produces a "natural hedge" between long-term operating cash flows and debt service.

When we analyze the sensitivity of the Consolidated Statement of Comprehensive Income as of December 31, 2019, in case of a possible 5% depreciation/appreciation of the Chilean peso in respect to the US dollar, leaving all the rest of the parameters constant, we estimate that an unrealized loss or profit of ThCh\$51,288,690 would arise, which is the accounting effect on the principal of the US dollar-denominated debt, and not the effect on cash, because the latter is hedged by the policy described above.

| Sensitivity analysis Effect on profit or loss as of September 2019 | 5% Depreciation ThCh\$ | 5% Appreciation ThCh\$ |
|---|---------------------------|---------------------------|
| Impact of variation of 5% in Ch\$/ USD exchange rate | (51,288,690) | 51,288,690 |

Likewise, in case of a possible appreciation of 3% of the value of UF, leaving all the rest of the parameters constant, we estimate that an unrealized loss of ThCh\$35,066,673 would arise, which is the accounting effect on the principal of the UF-denominated debt, and not the effect on cash, because, as in the case of the US dollar, the latter is also hedged by the Financial Risk Hedging Policy.

| Sensitivity analysis Effect on profit or loss as of December 2019 | 3% Appreciation ThCh\$ |
|--|------------------------------|
| Impact of variation of 3% in UF | (35,066,673) |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019 AND 2018

It is worth pointing out that the results generated by the sensitivities presented above produce only an unrealized loss or profit in the items Exchange difference and Profit (loss) from inflation-adjusted units. Therefore, the foregoing does not affect the objective of hedging the company's cash flow, because, since the company has in place an indexation polynomial to update the technical fare, the latter performs the function of a "natural hedge," by mitigating the effects in the cash flow from operating activities of the previously analyzed macroeconomic variables, included in the polynomial, generating a hedge for Metro's cash flow.

Liquidity risk

Revenue from fares associated with Metro S.A. passenger transportation, based on the new transport contract, are deducted daily from the funds collected by the Company's sales channel, generating the liquidity necessary to cover the Company's commitments. This revenue corresponds to 83% of total revenue.

The maturity of interest-bearing debt, by terms, separated in principal and interest payable, is detailed as follows:

| | Up to 1 year ThCh\$ | 1 to 3 years ThCh\$ | 3 to 5 years ThCh\$ | Over 5 years ThCh\$ | Total ThCh\$ |
|------------------|------------------------|------------------------|------------------------|------------------------|----------------------|
| Principal | 118,277,298 | 207,191,926 | 623,328,369 | 1,245,498,953 | 2,194,296,546 |
| Interest payment | 100,169,866 | 184,416,197 | 156,194,149 | 603,559,498 | 1,044,339,710 |
| Total | 218,447,164 | 391,608,123 | 779,522,518 | 1,849,058,451 | 3,238,636,256 |

Financial liability structure

The Company's financial debt classified by maturity (on an accrual basis) is presented as follows:

| Financial Liabilities | 12-31-2019 | | | | |
|-------------------------|------------------------|------------------------|------------------------|------------------------|----------------------|
| | Up to 1 year ThCh\$ | 1 to 3 years ThCh\$ | 3 to 5 years ThCh\$ | Over 5 years ThCh\$ | Total ThCh\$ |
| Interest-bearing loans | 71,407,756 | 175,551,934 | 115,152,239 | 116,969,547 | 479,081,476 |
| Bonds | 78,368,327 | 151,510,680 | 155,889,085 | 1,357,129,544 | 1,742,897,636 |
| Derivative transactions | 4,203,490 | - | - | - | 4,203,490 |
| Total | 153,979,573 | 327,062,614 | 271,041,324 | 1,474,099,091 | 2,226,182,602 |

| Financial Liabilities | 12-31-2018 | | | | |
|-------------------------|------------------------|------------------------|------------------------|------------------------|----------------------|
| | Up to 1 year ThCh\$ | 1 to 3 years ThCh\$ | 3 to 5 years ThCh\$ | Over 5 years ThCh\$ | Total ThCh\$ |
| Interest-bearing loans | 45,616,568 | 167,360,584 | 103,999,489 | 153,926,197 | 470,902,838 |
| Bonds | 66,532,986 | 135,022,072 | 129,118,549 | 1,370,263,826 | 1,700,937,433 |
| Derivative transactions | 2,906,557 | - | - | - | 2,906,557 |
| Total | 115,056,111 | 302,382,656 | 233,118,038 | 1,524,190,023 | 2,174,746,828 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019 AND 2018

In general, the Company's debt structure consists mainly of long-term bonds and bank loans, which are intended to ensure financial stability and improve matching with the maturity terms of the Company's assets.

Carrying amounts and fair value of the debt in loans and bonds of the Company as of December 31, 2019 are detailed as follows.

| | Book value ThCh\$ | Fair value ThCh\$ |
|-------|------------------------------------|------------------------------------|
| Loans | 479,081,476 | 518,130,124 |
| Bonds | 1,742,897,636 | 2,040,704,050 |

Valuation technique: Discounted cash flows: The Level 2 valuation model considers the present value of expected payment, discounted using a risk adjusted discount rate.

The following methodology is used to calculate the fair value:

Loans: Discounted cash flows of each credit using the LIBOR 180 days in US dollars at each quarter-end, where the fair value is the addition of the present value of each credit.

Local bonds: Discounted cash flows of each bond using the valuation rates provided by Risk America, where each bond is discounted at its related rate.

International bond: For such calculation the Company uses the rate reported by Bloomberg for transactions performed as of the quarter-end.

Credit risk

The Company's credit risk refers to the exposure to possible losses due to a counterparty's breach of conditions stipulated in a contract or financial instrument. It considers both credit granted to customers and financial assets in portfolio.

Accounts receivable

The risk of accounts receivable arising from the Company's main business (passenger transportation) is limited, since 83% of the Company's revenue is received daily in cash, whereas the remaining 17% corresponds to income not related to the main business.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019 AND 2018

The maximum exposure to credit risk arises from trade receivables.

| Trade and other receivables | 12-31-2019 ThCh\$ | 12-31-2018 ThCh\$ |
|--|------------------------------|------------------------------|
| Trade receivables, gross | 10,521,935 | 9,088,968 |
| Impairment of trade receivables | (653,886) | (611,902) |
| Trade receivables, net | 9,868,049 | 8,477,066 |
| Sales channel accounts receivable, net | 3,783,958 | 4,474,084 |
| Other receivables, net | 2,437,997 | 2,021,894 |
| Total | 16,090,004 | 14,973,044 |

Other receivables relate mainly to leases of commercial stores, advertising and invoices receivable with low delinquency.

Impairment of accounts receivable is determined using the legal reports issued by the Company's Legal Affairs Management, and considering the level of default of the receivable and the judicial collection and non-judicial collection measures taken.

Analysis of accounts receivable based on age is detailed as follows:

| Age of trade receivables, net | 12-31-2019 ThCh\$ | 12-31-2018 ThCh\$ |
|--------------------------------------|------------------------------|------------------------------|
| Less than 3 month | 4,231,606 | 2,711,980 |
| 3 months to 1 year | 5,113,450 | 5,548,940 |
| More than 1 year | 522,993 | 216,146 |
| Total | 9,868,049 | 8,477,066 |

| Age of Sales channel accounts receivable, net | 12-31-2019 ThCh\$ | 12-31-2018 ThCh\$ |
|--|------------------------------|------------------------------|
| Less than 3 month | 3,685,763 | 4,160,380 |
| 3 months to 1 year | 71,664 | 302,020 |
| More than 1 year | 26,531 | 11,684 |
| Total | 3,783,958 | 4,474,084 |

| Age of Other receivables, net | 12-31-2019 ThCh\$ | 12-31-2018 ThCh\$ |
|--------------------------------------|------------------------------|------------------------------|
| Less than 3 month | 1,974,972 | 547,072 |
| 3 months to 1 year | 463,025 | 1,474,822 |
| Total | 2,437,997 | 2,021,894 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019 AND 2018

Financial assets

The level of exposure of financial assets to risk is established in the Company's financial investment policy.

As of December 31, 2019, the financial assets' maturity schedule is as follows:

| Financial Assets | 12-31-2019 | | | |
|----------------------------------|------------------------|------------------------|------------------------|--------------------|
| | Up to 1 year ThCh\$ | 1 to 5 years ThCh\$ | Over 5 years ThCh\$ | Total ThCh\$ |
| Cash and cash equivalents | | | | |
| Cash | 4,761,726 | - | - | 4,761,726 |
| Term deposits | 99,295,250 | - | - | 99,295,250 |
| Repurchase agreements | 2,446,293 | - | - | 2,446,293 |
| Subtotal | 106,503,269 | - | - | 106,503,269 |
| Other financial assets | | | | |
| Financial Investments | 151,649,628 | - | - | 151,649,628 |
| Derivative transactions | 4,601,090 | 12,080,632 | - | 16,681,722 |
| Financial lease | 236,840 | 418,836 | 1,500,363 | 2,156,039 |
| Promissory notes receivable | - | 678,522 | - | 678,522 |
| Advertising receivables | - | 27,603,058 | 19,322,141 | 46,925,199 |
| Other accounts receivable | - | 5,329 | - | 5,329 |
| Subtotal | 156,487,558 | 40,786,377 | 20,822,504 | 218,096,439 |
| Total | 262,990,827 | 40,786,377 | 20,822,504 | 324,599,708 |

At the close of 2018, the financial assets' maturity schedule is as follows:

| Financial Assets | 12-31-2018 | | | |
|----------------------------------|------------------------|------------------------|------------------------|--------------------|
| | Up to 1 year ThCh\$ | 1 to 5 years ThCh\$ | Over 5 years ThCh\$ | Total ThCh\$ |
| Cash and cash equivalents | | | | |
| Cash | 1,518,585 | - | - | 1,518,585 |
| Term deposits | 148,658,483 | - | - | 148,658,483 |
| Repurchase agreements | 14,933,614 | - | - | 14,933,614 |
| Subtotal | 165,110,682 | - | - | 165,110,682 |
| Other financial assets | | | | |
| Financial Investments | 183,001,269 | - | - | 183,001,269 |
| Derivative transactions | 4,244,173 | 395,000 | 3,605,394 | 8,244,567 |
| Financial lease | 57,871 | 388,646 | 1,392,215 | 1,838,732 |
| Promissory notes receivable | - | 665,620 | - | 665,620 |
| Advertising receivables | - | 27,254,717 | 24,529,246 | 51,783,963 |
| Other accounts receivable | - | 6,447 | - | 6,447 |
| Subtotal | 187,303,313 | 28,710,430 | 29,526,855 | 245,540,598 |
| Total | 352,413,995 | 28,710,430 | 29,526,855 | 410,651,280 |

The average period of maturity of financial investments as of December 31, 2019 is less than 90 days and they are invested in banks; none of them represent a significant percentage with respect to the others.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019 AND 2018

The above is due to the Company's financial investment policy, which focuses on reducing the risks by diversifying the portfolio, and establishing maximum limits of investment per bank and minimum risk ratings per issuer.

23.3 Capital risk management

Pursuant to capital management, the Company seeks to maintain an optimal capital structure while reducing its cost and ensuring its long-term financial stability. At the same time, it complies with its financial obligations and covenants established in the debt contracts.

Every year the Company, through the Extraordinary Shareholders' Meeting, capitalizes Government contributions associated with the financing of its expansion projects.

The Company follows up on the capital structure through debt and equity ratios, which are detailed below:

| Index | 12-31-2019 | 12-31-2018 |
|------------------|------------|------------|
| Leverage (times) | 0.86 | 0.86 |
| Equity (MCh\$) | 2,848,212 | 2,797,907 |

23.4 Commodities risk

The Company's commodities risk factors include the supply of electric energy it requires for its operation and the need for continuity of service, in case of possible supply interruptions. In this respect, the Company has a supply system that allows it to decrease exposure in case of supply interruption by having two points of direct connection to the National Electrical System, which supply Lines 1, 2, 3, 5 and 6, as well as two points for supplying Line 4.

In addition it should be noted that the electric energy supply systems are redundant and in the event either fails, there is always a back-up to ensure the Company maintains the energy supply for normal network operation.

The operating control systems are designed with redundant criteria, i.e, they operate on *stand-by*. Therefore in case of absence of one of the systems, the other begins operating immediately, resulting in normal network operation.

In the case of Lines 1, 2, 3, 5 and 6, if there is an interruption in the National Electrical Coordinator, the distribution company has defined replacement of the supply that feeds the civic neighborhood of Santiago as a first priority, which allows the Metro network to have energy almost immediately, since Metro is supplied by the same sources.

Currently, the power supply is provided by three companies: San Juan, El Pelicano and Enel. The first two companies relate to wind and photovoltaic power generation, respectively, the contracts of which were entered into on May 19, 2016, for 15 years and both supply 60% of Metro's energy through Non-Conventional Renewable Energies (NCRE). Likewise, Enel is a distributor entity with which the Company entered into a contract on September 2015 for 40% of power supply until December 2023.

On December 29, 2018 El Pelicano was sold, resulting in the change only of its majority shareholder (Sunpower), generating no operating risks for Metro's electrical supply.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019 AND 2018

24. Environment

Disbursements related to improvements and/or investments that directly or indirectly affect protection of the environment, for the years ended December 31, 2019 and 2018, are detailed as follows:

| Project | Allocated to administration expenses | | Allocated to property, plant and equipment | | Expenditures committed in the future 2020 Amount ThCh\$ |
|------------------------------------|--------------------------------------|------------------------------------|--|------------------------------------|--|
| | 01-01-2019 12-31-2019 ThCh\$ | 01-01-2018 12-31-2018 ThCh\$ | 01-01-2019 12-31-2019 ThCh\$ | 01-01-2018 12-31-2018 ThCh\$ | |
| Noises and vibrations | 66,805 | 56,528 | 3,554,151 | 2,601,675 | 3,252,500 |
| Waste treatment | 116,342 | 233,369 | 64,375 | 123,199 | 1,553,712 |
| Run-off water | 123,004 | 142,416 | - | - | 129,988 |
| Environmental management | 60,569 | 77,127 | 4,373,508 | 1,211,375 | 4,940,391 |
| Monitoring of polluting parameters | 3,261 | 3,558 | - | - | 7,957 |
| Total | 369,981 | 512,998 | 7,992,034 | 3,936,249 | 9,884,548 |

The aforementioned projects are currently in progress as of December 31, 2019.

25. Sanctions

During the periods 2019 and 2018, the Company and its Directors have not been sanctioned by the Chilean Financial Market Commission or any other regulator.

26. Subsequent events

Between January 1 and the date of issuance of these financial statements (March 26, 2020), a new strain of coronavirus, COVID-19 (Coronavirus) was reported in Wuhan, China (December 2019).

Since then, the COVID-19 coronavirus has spread to many countries, including Chile. The spread of the COVID-19 pandemic triggered events that are affecting the transportation industry, and in particular Metro, since due to the recommendations and sanitary measures adopted by the Chilean government, the demand for passenger transportation has declined.

Management is constantly reviewing the operation, and may adopt additional measures to reduce contagion risks and implement the decisions made by the authorities.

The magnitude the effects will be monitored throughout the year.

Between January 1, 2020 and the date of issuance of these financial statements, no other subsequent events have occurred that would affect these financial statements.

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General Accountant

Rubén Alvarado Vigar
General Manager

THE ISSUER

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