



# 1. OUR COMPANY

## 1.1 Corporate Identification Information

**Company Name:** Empresa de Transporte de Pasajeros Metro S.A.

**Business Name:** Metro S.A.

**Company Type:** Sociedad Anónima

**Address:** Avda. Libertador Bernardo O'Higgins NO. 1414, Santiago

**Tax ID No.:** 61.219.000-3

**National Securities Registry:** NO. 0421, September 22nd, 1992

**Independent Auditor:** KPMG Auditores Consultores Ltda.

### Incorporation Documentation

**Act No. 18,772**, published in the Official Gazette on January 28th, 1989, establishes the regulations to turn Dirección General de Metro, under the purview of Ministry of Public Works, into a public limited company. Act No. 18,772 was amended by Article 55 of Act No. 18,899, published in the Official Gazette on December 30th, 1989, and by Article 3<sup>º</sup>, letter a), of Act No. 19,046, published in the Official Gazette on February 20th, 1991.

**Incorporation Papers:** public deed dated January 24th, 1990 executed before Raúl Undurraga Laso, Notary Public.

An excerpt thereof was published in the Official Gazette on January 25th, 1990, and amendments were published in the Official Gazette on January 26th, 1990.

**Registration:** The Company was registered on January 25th, 1990 on page 2,681, under No. 1,427 of the Trade Registry at the Santiago Office of Property Registration.

## Addresses

**Corporate Headquarters:** Avda. Libertador Bernardo O'Higgins N° 1414

**City:** Santiago, Chile

**District:** Santiago

**Phone No.:** +56 22 937 3000 - +56 22 937 2000

**Website:** [www.metro.cl](http://www.metro.cl)

**E-mail Address:** [comunicaciones@metro.cl](mailto:comunicaciones@metro.cl)

## Repair and Maintenance Shops

**Neptuno:** Avda. Dorsal N° 6252

**District:** Lo Prado

**Phone No.:** +56 22 937 2490

**Lo Ovalle:** Callejón Lo Ovalle N° 192

**District:** San Miguel

**Phone No.** +56 22 937 2975

**San Eugenio:** San Eugenio N° 997

**District:** Ñuñoa

**Phone No.:** + 56 22 937 2979

**Puente Alto:** La Balanza N° 1018

**District:** Puente Alto

**Phone No.:** +56 22 937 7357

## 1.2 History

In 2014, Metro commemorated 46 years of history, during which it has become the backbone of the capital city's public transit system. More than 60% of all public transit rides in Santiago involve the Metro, clearly illustrating how significant the underground train system is to Santiago's transit system.

- **1968:** On October 24th, Eduardo Frei Montalva, President of the Republic, signed the decree that gave birth to Metro de Santiago, a vital means of transportation in the history of Chile. The Administration commissioned the Planning Department of the Office of Public Works with the project.
- **1969:** On May 29th, works began on the San Pablo-La Moneda section of Line 1 and the Neptuno Workshop, marking the beginning of a subway network that originally consisted of five lines for a total length of approximately 80 kilometers.
- **1975:** May 15th marked the beginning of the commissioning period, with the first train rolling down the tracks between San Pablo and Central Station.

In September, Metro de Santiago officially opened its doors and began operations on lines running between the San Pablo and La Moneda stations. During the first few months of operations people would visit Metro's facilities to look around, ride on the escalators and marvel at the modern, clean, high-tech venue.
- **1977:** The first network expansion was commissioned in March, extending Line 1 to the Salvador Station.
- **1978:** Line 2 from the Los Heroes to Franklin Stations was built, resulting in an additional six stations on December 21st that same year, for a total of 25 extra kilometers on the network, up to Lo Ovalle Station.
- **1980:** Extension works on Line 1 were completed up to the Escuela Militar station, resulting in a total network of 25 kilometers.

- **1987:** On September 15th, two new stations were added: Santa Ana and Mapocho. The name of the latter was subsequently changed due to the remarkable discovery of the remains of the Cal y Canto Bridge during ensuing excavations. This bridge was a flagship construction for over a century in the city.

August marked the beginning of the Metrobus system, with 11 bus lines departing from the Escuela Militar, Lo Ovalle and Las Rejas stations.

- **1989:** In January, Act 18,772 was enacted, whereby Dirección General de Metro, so far under the purview of the Ministry of Public Works, became a public limited company, whose shareholders were Corporación de Fomento de la Producción (Corfo) (Chilean economic development agency) and the State, represented by the Ministry of Finance.
- **1990:** Starting in 1990, Metro de Santiago implemented a cultural affairs policy, which would make the company unique benchmark in art promotion and endorsement in our country.
- **1993:** The first MetroArte project was formalized by public art exhibitions at Metro stations. The first show entitled “Interior Urbano” by Hernán Miranda, was placed on display at the Universidad de Chile station.
- **1996:** By way of an agreement between the Council on Libraries, Archives and Museums (Dibam) and Metro de Santiago, the BiblioMetro initiative took off, a book lending system comprising of several booths located at different stations with a view to promoting reading among Metro users.
- **1997:** The first section of Line 5 was opened in April, running from Vicuña Mackenna Av. Stop No. 14 (Bellavista de La Florida station) up to Plaza Italia (Baquedano station), for a total length of 10.3 kilometers.
- **1998:** In February, the company began expansion works on Line 5 up to the Santa Ana station. The method used in this project was the NATM (New Austrian Tunneling Method), consisting of inter-station and station tunneling, that is, no surface excavations were conducted, thereby minimizing disturbance in the community and making works more efficient.

- **1999:** In keeping with its commitment to make the most diverse artistic expressions available to all Chileans, Metro de Santiago created the MetroArte Cultural Trust (Corporación Cultural MetroArte).
- **2000:** Three new stations running through Santiago's historic district were opened on March 21st on Line 5: the Bellas Artes, Plaza de Armas and Santa Ana stations, connecting Line 5 with Line 2. At the time, Metro's ridership amounted to one million passengers per day along its 40.4 kilometers and 52 stations.
- **2002:** As announced one year earlier, construction began on Line 4 to Puente Alto, connecting 11 districts and servicing more than one million inhabitants.
- **2004:** On March 31st, the westbound expansion of Line 5 was opened, adding two new stations, Cumming and Quinta Normal.

The underground crossing of the Mapocho River completed on September 8th became a new landmark, in order to commission two new stations named Patronato and Cerro Blanco on northbound track of Line 2.

On December 22nd, the El Parrón and La Cisterna stations on Line 2's southbound track began operations. This expansion process also involved intermodal or hub stations that improved the connectivity between the underground train and other means of transportation, mainly buses. Nowadays, these facilities are also available at the Vespucio Norte, Pajaritos, La Cisterna, Lo Ovalle and Bellavista de La Florida stations.

- **2005:** On November 25th, the Cementerios and Einstein stations were commissioned on Line 2's northbound track. Meanwhile, on November 30th, the first section of Line 4 was opened. It comprised an underground stretch between the Tobalaba and Grecia stations and an elevated railway between Vicente Valdés and Plaza de Puente Alto.

- **2006:** The last section of Line 4 was opened in March, finally connecting the Puente Alto and Tobalaba stations. Up until then, that was the longest stretch of the entire subway system running 24.7 kilometers with 22 stations, connecting the districts of Providencia, Ñuñoa, La Reina, Peñalolén, Macul, La Florida and Puente Alto.

The Line 4A opening was conceived as a supplement to Line 4, which allowed Metro to connect lines 2 and 4 as of that year. Finally, the section between the Dorsal and Vespucio Norte stations was added in order to complete the Line 2 expansion to date.

- **2007:** The City of Santiago's new transit system, Transantiago, was inaugurated in 2007, with Metro serving as the backbone for Santiago residents' commuting needs. Consequently, new users came on board, doubling Metro's demand and social profitability. Expansion works on Line 1 eastbound and Line 5 westbound began simultaneously, as well as construction of the new San José de La Estrella Station on Line 4.

- **2008:** During the year of Metro's 40th anniversary, the Vespucio Norte intermodal station was inaugurated, and the first bicycle storage racks (BiciMetros) and SubCentro underground shopping district were opened at the Escuela Militar Station. In terms of operations, the Metro Expreso service hours were extended along Line 4 and the system was also implemented on Line 5. Green and Red routes were launched in 2007. That same year, the Chilean Transportation Engineering Society presented Metro with an award for the best Transportation System Intervention, in recognition of this measure.

- **2009:** In November, in the midst of a major consolidation phase, the company inaugurated the San José de La Estrella Station (in La Florida district) on Line 4.

- **2010:** Three new stations: Manquehue, Hernando de Magallanes and the Los Dominicos terminal were added to the eastern end of the line. The first section of Line 5 expansion up to Pudahuel entered into operation, adding five new stations: Gruta de Lourdes, Blanqueado, Lo Prado, San Pablo and Pudahuel.

- **2011:** Line 5 expansion was opened in February with seven new stations: Barrancas, Laguna Sur, Las Parcelas, Monte Tabor, Del Sol, Santiago Bueras and Plaza de Maipú, for a total of 8.6 kilometers.

Line 5 demand (Quinta Normal – Plaza de Maipú) is estimated at 80 million rides annually or 300,000 a day.

In July, the company announced the layout of two new lines: Lines 3 and 6. Scheduled for completion in 2017 and 2018, respectively, this expansion is the consolidation of the most ambitious project by Metro de Santiago, representing the integration of five new districts to the network and improved travel performance.

Early engineering works and technical processes began for the development of the new lines.

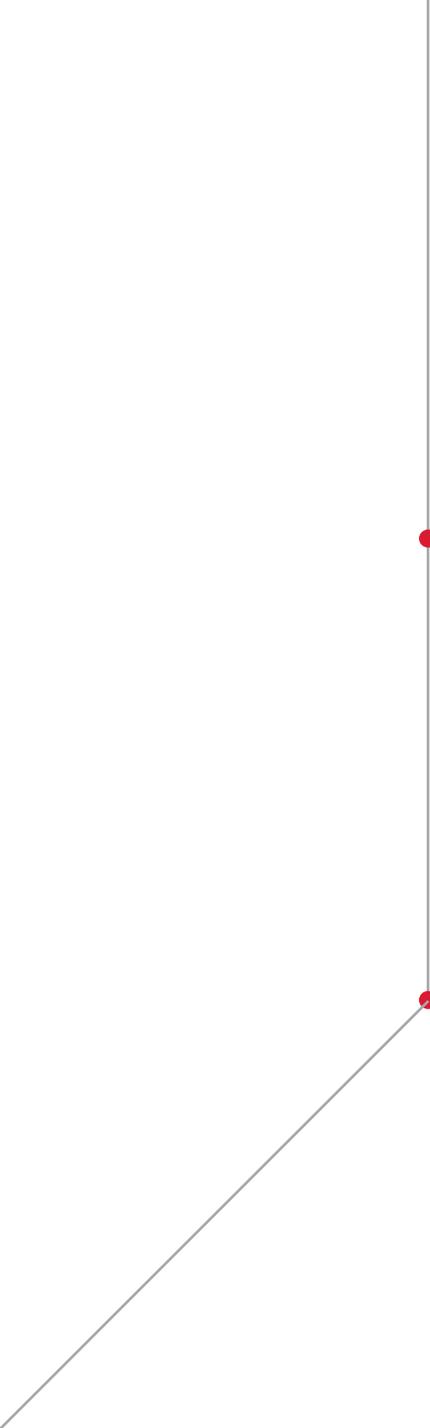
- **2012:** Metro began on-site works for Lines 3 and 6 by officially opening preliminary works in various districts of Santiago. Citizens were involved in the process as required by the Environmental Impact Declaration for Shafts and Drives.

As a clear sign of service improvement and in keeping with citizen demands, the first trains with air-conditioning started operating on Line 1 during the second semester.

- **2013:** The tunneling and drives excavation phase began on the Lines 3 and 6 Project.

The contract for trains and a modern driving control system was awarded.

Metro is responsible for managing the prepaid card (Bip!) for the entire transit system citywide. In December 2012, the company signed a contract with the Ministry of Transportation and Telecommunications appointing Metro as the sole operator of the Bip! Card until 2019. Transantiago Financial Administrator (AFT) originally performed this task. The formal handover began on July 1st, 2013 and by September of that same year Metro has assumed full control.



● 2014: During 2014, the most challenging project in the history of Metro, i.e., construction of Lines 6 and 3, continued its progress: bidding processes were completed for the construction of tunnels, shafts and drives, as well as most of the main system components. Almost 13 km of tunnels and two km of drives were excavated, and 93% of the 55 shafts were completed.

Furthermore, in order to fund the construction of Lines 3 and 6, as well as other improvements to the existing network, Metro successfully carried out its first bond placement on the international market amounting to US\$500 million. This operation was formalized in New York. Additionally, in December Metro signed the largest international banking contract for a total of US\$800 million, with BNP Paribas and Sumitomo Mitsui acting as agent banks for the operation.

## 1.3 Metro's Strategic Priorities

Ten corporate strategic projects were scheduled for 2014 in order to bridge gaps between actual and expected performance levels, thus achieving Metro S.A.'s strategic objectives for each of its strategic pillars: Customers, Growth, Efficiency, Sustainability, and People. These projects focused primarily on improving riders' experience, developing expansion projects in our network, and managing our workforce.

CUSTOMERS	GROWTH	EFFICIENCY	SUSTAINABILITY	PEOPLE
Service Strategy Implementation (PHASE II)	Maximizing current network transport capacity	Implementing development plan for non-fare and points of sales businesses	Implementing an environmental mitigation plan	Improvement of Premises
Implementing customer communication strategy	Developing Project P63	Upgrade of NS74 trains		Study on Culture Metro's DNA
Standardization of MetroSafety + (PHASE II)				

### 1.3.1 Mission Vision and Values

#### Mission

The company's mission statement is as follows:

“To guarantee a sustainable, efficient, high-quality, reliable and safe travel experience on electric means of transportation, in our role as a backbone of the public transit system.”

Additionally, to provide services which contribute to the company's profitability in order to fund its expansion and to improve citizens' quality of life by prudently using public resources.

**Guarantee:** We are responsible for ensuring the supply of transportation services; we provide bus services if Metro rail services are not available.

**Sustainable:** Economically, socially, and environmentally.

**Efficient:** Lowest operating and financial costs possible; world-class.

**Backbone:** Connectivity.

**Reliability:** Includes a pledge of service, riding time (punctuality), incidents, timely communication and transparency.

**Safety & Security:** Safety & security.

**Services:** Includes commercial outlets, cultural events, and intermodal transfer services.

### **Vision**

Our company's vision is summarized as follows:

To be a state-owned company respected by citizens for its service, efficiency, and safety.

To be a company capable of attracting very good talent and managing it on the basis of merit.

### **Values**

Our values are based on five core principles developed by Metro personnel. These values help us emphasize decisions and actions adopted by everyone who works in the company; they are supplementary and reflect what Metro's personnel are and aspire to become. These values are:

**Customer care:** we strive to be one of the best service-based companies in the country.

**Safety and security:** Your safety comes first.

**Efficiency:** We want to be a global benchmark for underground trains.

**Collaboration:** Progress is made if we work together.

**Transparency:** Transparency is at the core of all our actions.

## 1.4. Industrial Sector

The company operates in the passenger mass transit market in the Metropolitan Region and services users looking for a quick and safe ride. At present, more than 60% of public transit trips in Santiago involve Metro.

In addition, as of July 2013, Metro took full responsibility for the prepaid Bip! Card reloading services performed in the system, adding street-level reloading stations to the underground card-loading network.

The company also operates in other areas: renting advertising space, leasing retail premises and commercial space, and a new international consulting business area.

## 1.5. Activities and Business

### 1.5.1. Corporate Objective

The corporate objective is defined as follows:

*“The objective of Empresa de Transporte de Pasajeros S.A. is to carry out all activities pertaining to passenger transit service on metropolitan railways or other supplementary electric means and those connected to such lines of business, thereby entitling Metro to perform any action or operation related to its social purpose.”*

Metro’s scope of action is within the Santiago Metropolitan Region, specifically, Greater Santiago, where it carries out the following business:

● **Transportation:** Passenger transit on Lines 1, 2, 4, 4A and 5 of Metro's network.

● **Non-fare Related Business:** Non-fare business accounted for 20% of the company's total income in 2014.

The operation of non-fare related business lines has triggered a number of positive outcomes for the community, having a positive social impact on areas such as inclusion, added value services, and a sense of belonging surrounding the company's brand.

Metro S.A.'s non-fare businesses are:

● **Leasing of retail space:** Makes retail and store space profitable throughout Metro's network.

● **Advertising:** This business makes use of Metro's infrastructure and its various venues and trains as advertising support. JCDecaux and SubTV are responsible for managing and marketing static and dynamic advertising, respectively.

● **Telecommunications:** Technology-related business, i.e., antennas providing indoor and outdoor coverage throughout Metro's network, fiber optics in our network piping, and free Wi-Fi hotspots for our users.

● **Services and ATMs:** These make space inside Metro's network profitable by placing vending machines, ATMs, pay phones and mobile phone recharge kiosks at Metro facilities in order to provide our customers with more services.

● **Land Leases:** Provide the company a profit from the residual land owned by Metro.

● **Intermodal Operations:** Manages and makes a profit out of intermodal connections within Metro's network.

● **International Consulting:** This line of business was developed as a result of expertise the company has gained over 40 years of service. Currently, Metro has a customer portfolio consisting of public and private entities located in Lima, Panamá, Buenos Aires and Río de Janeiro, among others.

**Points of Sale:** Meets contractual obligations between the Ministry of Transportation and Telecommunication and Metro, in regards to issuing access cards, post sales service and operations of the reloading network for the card that provides users with access to Santiago's Public Passenger Transit System.

Points of Sale manage the Bip! Card reloading network, both in the brick and mortar and remote channels, and is responsible for innovation development at the various points of sale with a view to maximizing the street-level network in order to provide our users with a more convenient service.

Likewise, Points of Sales are responsible for manufacturing and selling the Bip! Card in its various formats and the Tarjeta Nacional Escolar (Student Discount Card).

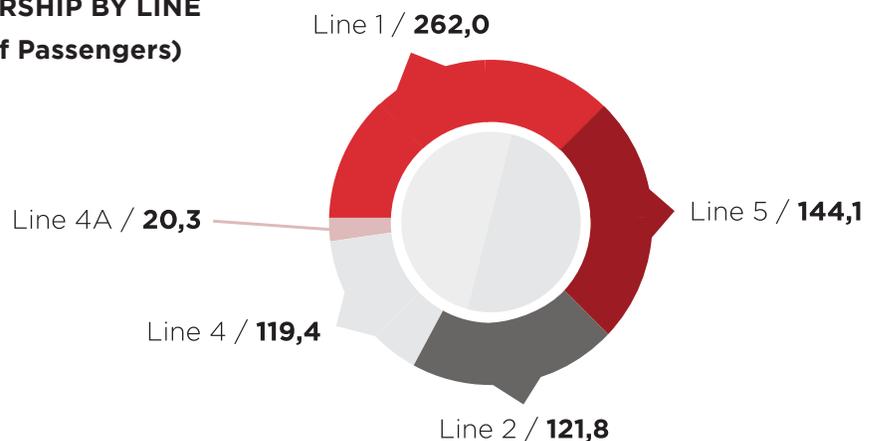
## 1.5.2 Network Operations

### Ridership

In 2014, network ridership totaled 667.6 million rides, representing a 0.12% increase when compared to 2013. The underground train continues to be the backbone of the capital city's mass transit system.

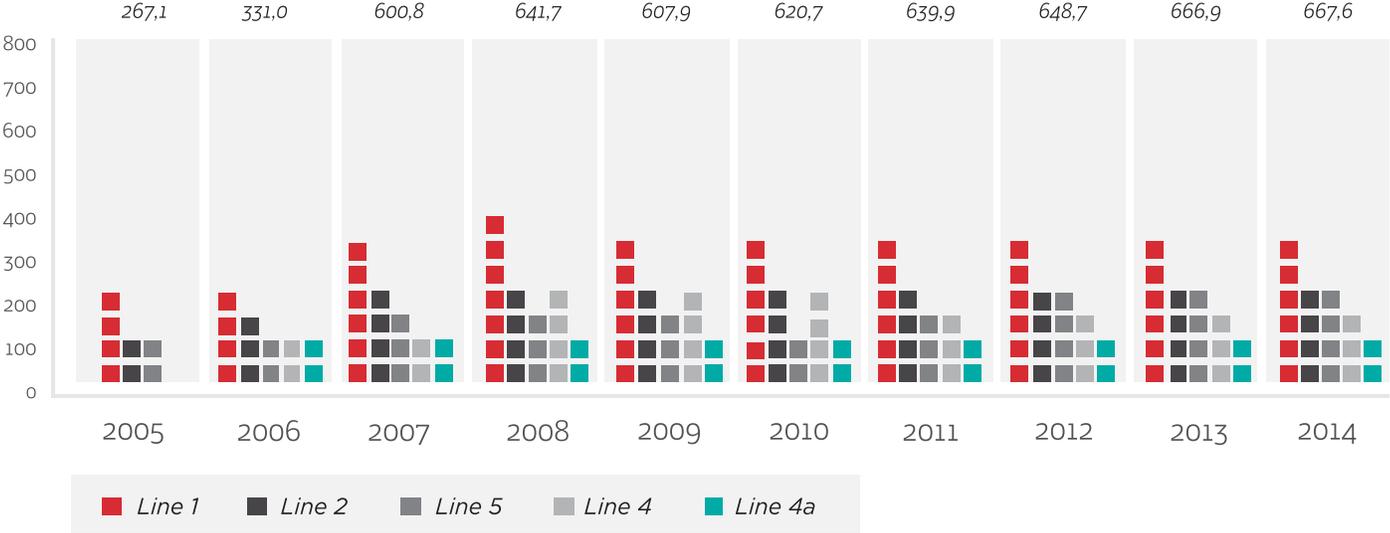
2014 ridership breakdown as follows: Line 1, 39.2%; Line 2, 18.3%; Line 4, 17.9%; Line 4A, 3.0%; and Line 5, 21.6%. Mean ridership per working day in 2014 amounted to 2,268 rides.

### 2014 RIDERSHIP BY LINE (Millions of Passengers)



Upon implementation of Transantiago (Mass Public Transit System) in 2007, Metro ridership underwent an 81% increase. As of 2009, the total number of rides provided by the company increased an additional 9.7%

**ANNUAL METRO S.A. RIDERSHIP  
(Millions of Rides)**



**Transport Offering**

As far as kilometers are concerned, in 2014 more than 140 million car/kilometers were recorded on the network.

Meanwhile, the train breakdown index per million cars/kilometer of trains, with an impact greater than five minutes (all hours), amounted to 0.7 (breakdowns/MMCkm), which accounts for a 36% improvement compared to the previous year.

### 1.5.3 Suppliers

The table below illustrates the most important suppliers in 2014:

VENDORS	NOTE
Faiveley Transport Chile Ltda.	Spare Parts for Corrective and Preventive Maintenance of Trains AS02, NS93, NS74
Alstom Chile S.A.	Spare Parts for Corrective and Preventive Maintenance of Trains AS02, NS93, AS04
Thyssenkrupp Elevadores S.A.	Spare Parts for Vertical Transport Equipment at Stations such as: elevators, escalators, stair lifts and platforms
Lucchini Rs S.P.A.	Supply of Undercarriage Wheels for Trains AS02
Grupos Diferenciales S.A	Spare Parts for Maintaining Differentials of Trains NS93 and NS74
Mersen Chile Ltda.	Electric Spare Parts (fuses and brushes) for Trains NS93 and NS74
Chilectra S.A.	Supply of Services and Materials for Metro's Electric Power Supply
Archivert S.A.	Supply of Bearer Bip! Cards
Salinas Y Fabres S.A.	Spare Parts for Maintaining Differential Bridges and Train Bogies for Trains NS93
Skf Chilena S.A.I.C.	Supply of Bearings for Mechanical Maintenance of Trains NS74 and NS93

### 1.5.4 Customers

Metro's main customers are riders of Lines 1, 2, 4, 4A and 5, as well as the companies advertising in the network through JC Decaux—a company that markets advertising space on trains and at stations—and lessees of stores and retail space at stations. Additionally, since 2013 all passengers using Bip! Cards are among our customers

## 1.5.5 Trademarks and Patents

As of December 31st 2014, the company owns the following trademarks registered under various classes, with the National Industrial Property Institute of Chile:

**a)** “Metro,” “Metrobús,” “Metropolitano,” “Subterráneo,” “Metro a Metro,” “El Ferrocarril Metropolitano,” “Metrovisión,” “Metropublicidad,” “Metroclub,” “Club Metro,” “Metromático,” “Metro Channel,” “Metro News,” “Metro Noticias,” “Metro Center,” “Viapass,” “Fullpass,” “Transpass,” “Metro Express,” “El Metro te cuida, Cuida el Metro,” “Metro Full Card,” “Metro Card,” “Metro Pass,” “Metromarket,” “Metro Estación Universidad de Chile,” “Metroligero,” “MetroChile,” “Metro Chile,” “Metro-Chile,” “Red Metro,” “Metro Red,” “Metrin,” “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,” “Metrourbano,” “Multired,” “Multitrans,” “Bici Metro,” “Metro Bici,” “Te llevo bajo la piel,” “Metroboutique,” “Metro, pasa por ti,” “Red de Clientes Metro”, “Te-Guio.”

**b) Labels:** eight labels registered under various classes.

**c) Mixed brands like** “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,” “Metro Cultura,” “Metroexpress,” “Redmetro,” “Metrocard,” “Metropass,” “Metroligero,” “Metro Tienda,” “Metro en la Cultura”; “Carga Fácil,” “MetroTV,” “Multired,” “Multitrans,” “TVMetro,” “Metro Bici,” “Te llevo bajo la piel,” “Metrociudadano,” “Red Bip!,” “Santiago matemático un desafío entretenido.”

**d) Slogans such as:** “El Metro te cuida, Cuida el Metro,” “Metro, pasa por ti,” “Metro de Santiago, pasa por ti,” “Metro ciudadano pasa por ti.”

## Patents for invention

In 2014, Metro continued to process its patent applications in Europe and Venezuela for invention patents related to Tarjeta Multivía (“A Security and Control Device that records loading and electronic charging of fares on a contactless Card with a predefined amount in a Passenger Transit System”).

Patent applications submitted in other countries for the same invention were granted in the United States, (Registration No. 7,229,016, June 12th, 2007); Mexico (Registration No. 253570, January 18th, 2008); Peru (Registration No. 5070, August 22th, 2008); Argentina (Registration No. AR048314B1, June 14th, 2010); and, finally, in Ecuador toward the end of 2011 (Registration No. PI-11-2072, on September 30th, 2011).

In Chile, a patent was granted on August 11th, 2009 and registered under Patent Registration No. 45,663, thereby completing the patent application process for the invention entitled, “System and Method used for Detecting Brushes or Negative Contacts for Train Positioning on a Railway Track, specifically for trains with rubber tires.”

A patent was previously granted on December 31th, 2008, under Patent Registration No. 44,277, which completed the patent application process for the invention of a “tire pressure control system for drive rubber tires as well as horizontal guiding wheels on metropolitan trains.”

### 1.5.6 Property and Equipment

The company is the sole owner of all the facilities and equipment it utilizes, such as: stations, tunnels, rolling stock, tracks, electrical equipment, tools, spare parts, retail space and buildings, etc., and they are located in the Metropolitan Region. Buildings owned by Metro are, among others:

**1. Corporate Building and SEAT:** The company’s main office is located on an 11,250-m<sup>2</sup> plot with close to 33,781 m<sup>2</sup> of built building floor area on the corner of Lord Cochrane Street and 1414 Alameda Ave., right above La Moneda Metro Station, in the District of Santiago.

**2. Workshops and Car Yards for Train Maintenance and Storage:** The following facilities make up the total surface area of 488,539 m<sup>2</sup>:

**L1 Neptuno Workshop:** Located on #6252 Dorsal Ave., Lo Prado, with a total surface area of 220,455m<sup>2</sup>.

**L2 Lo Ovalle Workshop:** Located on #1001 Lo Ovalle Ave., San Miguel District, with a total surface area of 54,038 m<sup>2</sup>.

**L4 Intermediate train yards:** Located on #3652 Américo Vespucio Sur Ave., Peñalolén District, with a total surface area of 59,486 m<sup>2</sup>.

**L4 Puente Alto Workshop:** Located on Nemesio Vicuña Ave., Puente Alto District, with a total surface area of 104,000 m<sup>2</sup>.

**L5 San Eugenio Workshop:** Located on #1290 Vicuña Mackenna Ave., Ñuñoa District, with a total surface area of 50,560 m<sup>2</sup>.

Two new workshops and train yards will be added when lines 3 and 6 are completed, one for each new line.

**L3 North Terminal Workshop:** Located on the corner of Américo Vespucio Ave. and Autopista Los Libertadores (Ruta CH 57), Quilicura District, with a total surface area of 133,806 m<sup>2</sup>.

**L6 Suiza Workshop:** Located on the corner of Pdte. Salvador Allende Ave. S/N, Cerrillos District, with a total surface area of 47,886 m<sup>2</sup>

Metro's network covers 103 kilometers, and consists of 108 stations, four workshops, seven cultural areas and facilities. It also has six types of trains, the difference being the kind of rolling undercarriage (rubber-tired or steel-on-steel) and the assembly date. Metro has a total fleet of 1,093 cars, all of which operate in the Metropolitan Region.

### 1.5.7. Insurance

Metro S.A. currently has several valid insurance policies described below: a **general liability insurance policy** is held with RSA Seguros Chile S.A.; **fire and additional risks insurance policy** covering the Main Administrative Building, Metro S.A Offices on Miraflores, Neptuno Workshop, Lo Ovalle Workshop, San Eugenio Workshop, Puente Alto Workshop, Intermediate Car Yards Line 4, Vasconia Warehouse, Pajaritos Intermodal Station, Vespucio Norte Intermodal Station, Estación del Sol Intermodal, La Florida Intermodal Station, and Lo Ovalle Intermodal Station, with additional risk coverage for Edificio Casona and General Management Offices is held with Mapfre Seguros Generales de Chile S.A.; a Life Insurance Policy for Senior Management at Metro S.A. is held with Chilena Consolidada Seguros de Vida Chile S.A.; a **Passenger Accident Insurance Policy** is held with Bice Vida Compañía de Seguro S.A.; a **Life Insurance Policy for Security Guards** is held with Chilena Consolidada Seguros de Vida Chile S.A.; and a **Floating Insurance Policy for Transporting Cargo** is held with RSA Seguros Chile S.A.

Metro S.A. also keeps the following current and valid policies for Projects on Lines 3 and 6 covering specific risks pertaining to those works: a **Civil Liability Policy** is held with RSA Seguros Chile S.A., and a **Fully Comprehensive Construction and Assembly Insurance Policy** is held with Seguros Generales Penta - Security S.A.

### 1.5.8. Contracts

The company has entered into various contracts with third parties, the most significant of which are described as follows:

Contract with JCDecaux for leasing advertising space at Metro stations and on trains.

Contract with Banco Santander Chile for checking accounts and other banking services.

Contract with Banco del Estado de Chile for Metro's Financial Investment Portfolio Management.

Contract for network hardware maintenance, user support and network administration with Integración de Tecnologías ITQ Ltda. and an ERP SAP Financial and Accounting Support contract with Novis S.A., among others.

Contracts with cleaning and maintenance service providers for workshops, trains, stations, tracks and buildings, and other services: Servicios Industriales GVL Comao Ltda; Alstom Chile S.A.; CAF Chile S.A.; Balfour Beatty Chile S.A.; Siemens S.A.; Sometec S.A.; Bitelco Diebold Chile Ltda.; Garage INC S.A.; Thyssenkrup Elevadores S.A.; Inversiones Cosenza Ltda.; ISS Servicios Integrales Ltda.; and Proyectos y Productos Profesionales Ltda.

Contracts with catering service providers, security guards, telephone operators, auditing and other general services: Central Restaurantes Ltda., Eulen Seguridad S.A., Securitas S.A., Esert Servicios Integrales de Seguridad Ltda., Securitas S.A.; GTD Telesat S.A., Entel PCS Telecomunicaciones S.A., Ernst & Young Servicios profesionales de Auditoría, Dimacofi S.A., among others.

Contracts with underground-level Sales Channel operators: EME Servicios Generales Ltda., Consorcio GSI SPA, and Ingeniería en Electrónica Computación y Medicina S.A.

Contracts with street-level Sales Channel operators: Transbank S.A., Soc.de Recaudación y Pagos de Servicios Ltda. (Servipag), and BancoEstado Centro de Servicios S.A.

## 1.6. Financial Activities

The company has checking accounts at Banco Santander Chile, Banco de Chile, Banco BICE and Banco del Estado de Chile, in order to facilitate payment of its obligations with different suppliers for goods and services, as well as with its

workers. The company's main financial assets are term deposits and repurchase agreements (fixed income securities), the details of which are provided in the company's financial statements. Local banks with credit ratings equal to or higher than N1+ and AA- for short and long-term deposits, respectively, manage these operations, or they are managed by brokerage firms that are jointly or severally liable with those banks, and by international banks with a credit rating equal to or higher than A1 or equivalent. Financial operations must be carried out in accordance with the Financial Investment Policy set forth by Metro S.A., which in turn is pursuant to regulations provided for by the Ministry of Finance to that effect. A third party, namely Banco del Estado de Chile, manages the company's financial investment portfolio.

## 1.7. Strategic Analysis: Risk Factors

Metro is exposed to a variety of market-related and business-specific risks. In order to address this matter, the company has developed organizational structures to develop strategies that help minimize those risks and reduce the potential adverse effects thereof.

Regarding passenger demand, strategies must take into consideration Chile's economic activity, its unemployment and inflation rates, as well as other the relevant factors. In terms of Metro's technical fare, its purpose is to cover the company's costs, which consist of operating costs, and asset replenishment and debt for a 40-year horizon. The technical fare is updated on a monthly basis by way of a polynomial, which reflects variations in the variables making up the company's long-term cost structure (CPI, dollar, euro, price of power and electric power). This allows for a natural indexation to cost variations resulting from an increase in any one of the variables making up the polynomial.

It must be noted that the fare paid by riders is different from the fare that Metro receives per transported passenger. Although in December 2014 customers paid a fare of \$700 during peak hours, \$640 during intermediate hours and \$590 during off-peak hours, on average the company received a technical fare of \$349.25 per passenger that month.

The risks described below constitute the most significant ones that could

possibly affect Metro's performance:

**Financial Risks:** This category includes market, liquidity and credit risks.

At December 31st, 2014, 65% of Metro's financial debt was denominated in UF (inflation adjusted units) and the remaining 35% in US dollars. The latter exposes the company to exchange-rate risk, which results in a "natural hedge" for long-term operation cash flow because of the polynomial used to update the technical fare in the event of dollar and euro fluctuations, among other variables.

Regarding interest-rate risks (Libor) associated with the company's variable interest rate loans, Metro has a Hedging Policy that allows for trading derivatives such as cross currency swaps (CCS) and placing fixed-rate UF denominated bonds.

In February 2014, for the first time ever, Metro S.A. placed bonds on the international financial market in the amount of US\$500 million at a 4.85% rate, which underscores the remarkable interest among international investors who offered 7.6 times the amount of the placement.

As far as liquidity is concerned, income from the passenger transit business is subtracted on a daily basis from revenues collected by Metro's Points of Sale, providing the company with the funds it need to meet its financial obligations. In addition, Metro has duly approved bank credit lines, which help lower liquidity risks.

There is very little credit risk arising from accounts receivables or commercial debtors, in connection with income from retail space leases, advertising or invoices due, since this income only represents 20% of the company's regular income. The remaining 80% comes from the technical fare, and there is very limited delinquency related to this type of debtors.

Likewise, the company's Financial Investment Policy establishes the level of exposure to financial asset risk the company is allowed to accept. The purpose of this policy is to reduce risk by diversifying the portfolio and by setting maximum investment levels permitted per bank, in addition to taking into consideration lender banks' minimum credit risk ratings.

**Capital Risk:** Regarding capital management, Metro aims to have an optimal capital

structure by reducing its costs and ensuring long-term financial stability, in addition to overseeing the fulfillment of its debt-related financial obligations and covenants.

Every year Metro holds a Special Shareholders' Meeting in order to capitalize on capital and Fiscal contributions linked to its expansion projects. Additionally, the company keeps a watchful eye on its capital structure by means of debt and equity indexes.

**Commodity Risks:** Electric power is the main commodity used by the company in its operation. Should there be a power outage, Metro has two direct power supply connections to the Main Grid (SIC), which supply Lines 1, 2 and 5, as well as two direct connections supplying Line 4. Additionally, those power supply systems are duplicated and designed under redundant criteria, that is, they are “stand by,” thus, should one of them fail, the other one will immediately come on line, thereby ensuring the power supply for normal operations of the underground network.

In terms of the power supply for Lines 1, 2 and 5, in the event of a power outage on the SIC's main grid, by definition, the power utility company's first priority involves restoring power to the government sector in downtown Santiago. The latter makes it possible for Metro's network to simultaneously resume operation since Metro's power supply comes from the same system.

Likewise, it must be noted that in March 2014, the company entered into a power supply agreement with Enorchile S.A., effective as of April 1st, 2015, thereby securing the current network's power supply for a three-year period (until March 31st, 2017).

## 1.8. Investment Plans

### 1.8.1. Investment and Financing Policies

Metro de Santiago allocates significant resources to investment studies and projects aimed at expanding our network in addition to up keeping and improving our current infrastructure. Investments in network expansion seek

to consolidate Metro as a backbone of the capital city’s public transportation system, whereas our investments in 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.

In 2014, infrastructure and equipment improvements and renewals were financed by operations and capital contributions. Regarding network expansions, however, generally speaking Metro S.A. finances imported equipment and parts through borrowed funds, which are paid back through increases in Metro S.A.’s technical fare, whereas domestically-obtained components—consisting of infrastructure, civil works and other expenses, in addition to entry import duties and tariffs placed on imported goods—have been financed by Fiscal contributions, which are subsequently capitalized.

## **1.8.2. Metro’s Development Plan**

### **Construction of New Lines 6 & 3**

The most challenging project undertaken by Metro since founded was still underway in 2014. Investments in Line 6 and Line 3, scheduled for completion in 2017 and 2018, respectively, involve a financing structure consisting of partner contributions (two thirds of the total investment was furnished by the State and Corfo) and Metro contributions (one third of the total investment).

This is a high-level project involving the best international practices in areas such as: platform doors, overhead electric-power cabling, automated train control system, cameras on-board cars, air conditioning, and passenger information systems.

The tender process for tunnels, shafts and drives, in addition to most system components, concluded in 2014. To-date, 93% of the nearly 13 km of tunnels, two kilometers of drives and 55 shafts already laid and dug, is complete.

At year-end, 86% of the budget was tendered and contracted out, and a 29% financial advance on the 2.758-million dollar investment had been issued.

### **1.8.3. Operation-Related Projects**

In 2014, the following improvements were made to Metro's current network:

#### **Remodeled Trains: new air conditioning systems**

Started in October 2013, this project aimed to improve riders' experience on underground trains by installing air conditioning on all Line 1 cars. To this end, train manufacturers were hired to install AC equipment on the entire Line 1 fleet.

By the end of 2014, 12 trains had been successfully modified, in addition to the 14 new trains added to the fleet during the September 2012 to October 2013 period—bringing the amount of Line 1 fleet cars with AC up to 60%. The company expects to have all Line 1 trains equipped with AC by the end of 2015.

Once the above mentioned is complete, the same improvements will be applied to nearly 60% of Lines 2 & 5 cars.

#### **Overhauling NS74 Trains**

In December 2013, Metro signed a detail-engineering contract for changes to trains in 2014. In addition to the latter, construction began on a plant located at the Neptune workshop where project-related activities will be carried out. The plant will begin operations in March 2015. In 2016, Lines 2 and 5 will be the first to use the overhauled trains, the 35th of which will enter into service toward the end of 2018.

#### **Universal Access Project**

In 2014, elevators were installed at seven stations along Lines 1 and 2, to wit, Manuel Montt, Salvador, Universidad Católica, Las Rejas, Rondizzoni, San Miguel, and Ciudad del Niño. The engineering studies on the seven stations involved in the second stage of the project will be complete in 2015. The following stations are included in the second stage: Toesca, La Moneda, República, Neptuno, Parque O'Higgins, El Llano, and Lo Ovalle.

Moreover, during the first half of 2014 a pilot project was launched on the NFC Audible Information System at the Santa Lucía station (providing support for blind and vision-impaired passengers). This system will be installed at an additional ten stations in 2015, to wit: Los Héroes Line 1, Pedro de Valdivia, Las Rejas, Salvador, Los Héroes Line 2, El Parrón, Plaza Puente Alto, Simón Bolívar, Plaza Maipú, and Plaza de Armas.

### **Installation of Automated Train Control System**

Several activities carried out in 2014 made it possible to move forward on this project. Once available, this system will provide benefits related to transportation supply and electric-power consumption, among others.

