EMPRESA DE TRANSPORTE DE PASAJEROS METRO S.A. AND SUBSIDAIRY

Consolidated Financial Statements
for the years ended December 31, 2017 and 2016

(With the Independent Auditor's Report)

EMPRESA DE TRANSPORTE DE PASAJEROS METRO S.A. AND SUBSIDIARY

CONTENTS

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

KPMG

Independent Auditor's Report

To the Chairman and Directors
Empresa de Transporte de Pasajeros Metro S.A.:

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Empresa de Transporte de Pasajeros Metro S.A. and its Subsidiary, which comprise the consolidated statements of financial position as of December 31, 2017 and 2016, 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 the instructions and standards for the preparation and presentation of financial information issued by the Financial Market Commission (CMF) 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 comply with ethical requirements and 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 our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of 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.

Santiago
Isidora Goyenechea 3520
Piso 2, Las Condes
+56 2 2798 1000
contacto@kpmg.com

KPMG

Opinion on the regulatory basis of accounting

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 Subsidiary as of December 31, 2017 and 2016, and the results of their operations and their cash flows for the years then ended in accordance with the instructions and standards for the preparation and presentation of financial information issued by the Financial Market Commission described in Note 2.1.

Other Matters

The above translation of the auditor's report is provided as a free translation from the Spanish language original, which is the official and binding version. Such translation has been made solely for the convenience of non-Spanish readers.

Mario Barbera R. KPMG Ltda.

Santiago, March 12, 2018

Empresa de Transporte de Pasajeros Metro S.A. and Subsidiary

Consolidated Financial Statements

For the years ended

December 31, 2017 and 2016

EMPRESA DE TRANSPORTE DE PASAJEROS METRO S.A. AND SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS

For the years ended
December 31, 2017 and 2016

Contents:

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

CONTENTS

Consolidated Statements of Financial Position

As of December 31, 2017 and 2016

(In thousands of Chilean pesos)

ASSETS	NOTE	12/31/2017	12/31/2016
CURRENT ASSETS			
Cash and cash equivalents	4	152,240,118	118,298,953
Other current financial assets	10	148,467,777	65,468,951
Other current non-financial assets	11	5,751,473	5,456,571
Trade and other receivables, current	5	8,743,345	7,841,983
Inventories	6	10,722,316	12,239,475
Current tax assets		1,289,653	1,377,223
Total current assets		327,214,682	210,683,156

NON-CURRENT ASSETS			
Other non-current financial assets	10	3,261,731	4,546,022
Other non-financial assets, non-current	11	29,341,665	20,525,178
Rights receivable		1,624,094	1,347,289
Intangible assets other than goodwill	7	5,935,639	5,831,487
Property, plant and equipment	8	4,423,443,320	3,963,708,545
Investment property	9	22,937,637	18,915,614
Total non-current assets		4,486,544,086	4,014,874,135
TOTAL ASSETS		4,813,758,768	4,225,557,291

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

Consolidated Statements of Financial Position, continued

As of December 31, 2017 and 2016

(In thousands of Chilean pesos)

LIABILITIES AND EQUITY	NOTE	12/31/2017	12/31/2016
LIABILITIES			
CURRENT LIABILITIES			
Other current financial liabilities	12	78,731,519	167,228,914
Trade and other payables	15	147,625,775	78,448,191
Other short-term provisions	19	1,744,461	630,590
Provisions for employee benefits, current	17	13,024,473	12,671,164
Other current non-financial assets	13	18,524,477	17,429,927
Total current liabilities		259,650,705	276,408,786
NON-CURRENT LIABILITIES			
Other financial liabilities, non-current	12	1,936,815,964	1,633,600,661
Non-current trade payables	15	326,515	11,422,979
Trade payables due to related parties, non-current	14	-	41,296,200
Provisions for employee benefits, non-current	17	13,191,367	13,519,115
Other non-financial liabilities	13	3,165,020	3,347,215
Total non-current liabilities		1,953,498,866	1,703,186,170
Total liabilities		2,213,149,571	1,979,594,956
EQUITY			
Share capital	20	3,082,361,491	2,742,569,245
Retained earnings (accumulated deficit)	20	(515,120,610)	(529,975,226)
Other reserves	20	33,378,961	33,378,961
Equity attributable to the shareholders of the Parent		2,600,619,842	2,245,972,980
Non-controlling interests	20	(10,645)	(10,645)
Total equity		2,600,609,197	2,245,962,335
Total equity and liabilities		4,813,758,768	4,225,557,291

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, 2017 and 2016

(In thousands of Chilean pesos)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME BY FUNCTION	NOTE	ACCUMULATED	
PROFIT (LOSS)		01/01/2017 12/31/2017	01/01/2016 12/31/2016
Revenue	21	340,049,078	320,560,508
Cost of sales	21	(288,011,283)	(275,107,136)
Gross profit		52,037,795	45,453,372
Other income, by function	21	2,490,448	2,021,958
Administrative expenses	21	(40,386,097)	(35,226,200)
Other expenses, by function	21	(973,915)	(4,652,354)
Other income (expenses)	21	(9,325,110)	(5,791,179)
Finance income	21	9,454,964	5,725,023
Finance costs	21	(54,309,118)	(50,225,937)
Foreign currency translation differences	21	72,537,510	38,250,364
Profit (loss) from inflation-adjusted units	21	(16,925,084)	(25,923,588)
Profit (loss) before tax		14,601,393	(30,368,541)
Profit (loss) from continuing operations		14,601,393	(30,368,541)
Profit (loss)		14,601,393	(30,368,541)
PROFIT (LOSS) ATTRIBUTABLE TO:			
Owners of the Parent		14,601,393	(30,368,541)
Non-controlling interests		-	-
Profit (loss)		14,601,393	(30,368,541)
STATEMENT OF COMPREHENSIVE INCOME			
Profit (loss)		14,601,393	(30,368,541)
Other comprehensive income	21	253,223	(174,291)
Total comprehensive income		14,854,616	(30,542,832)
Comprehensive income attributable to:			
Owners of the Parent		14,854,616	(30,542,832)
Non-controlling interests		-	-
Total comprehensive income		14,854,616	(30,542,832)

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

Consolidated

Statements of Changes in Equity

For the years ended December 31, 2017 and 2016

(In thousands of Chilean pesos)

Concept	Share capital	Other reserves				Retained earnings (accumulated deficit)	Equity attributable to the shareholders of the Parent	Non-controlling interests	Total net equity
		Other miscellaneous reserves	Revaluation surplus	Reserve for gain (loss) on defined benefit plans	Total other reserves				
Opening balance as of 01-01-2017	2,742,569,245	30,336,377	3,042,584	-	33,378,961	(529,975,226)	2,245,972,980	(10,645)	2,245,962,335
Profit (loss)	-	-	-	-	-	14,601,393	14,601,393	-	14,601,393
Other comprehensive income	-	-	-	253,223	253,223	-	253,223	-	253,223
Comprehensive income	-	-	-	253,223	253,223	14,601,393	14,854,616	-	14,854,616
Paid-in capital	339,792,246	-	-	-	-	-	339,792,246	-	339,792,246
Increase (decrease) on transfers and other changes	-	-	-	(253,223)	(253,223)	253,223	-	-	-
Closing balance as of 12-31-2017	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
Opening balance as of 01-01-2016	2,392,831,968	30,336,377	3,042,584	-	33,378,961	(499,432,394)	1,926,778,535	(10,645)	1,926,767,890
Profit (loss)	-	-	-	-	-	(30,368,541)	(30,368,541)	-	(30,368,541)
Other comprehensive income	-	-	-	(174,291)	(174,291)	-	(174,291)	-	(174,291)
Comprehensive income	-	-	-	(174,291)	(174,291)	(30,368,541)	(30,542,832)	-	(30,542,832)
Paid-in capital	349,737,277	-	-	-	-	-	349,737,277	-	349,737,277
Increase (decrease) on transfers and other changes	-	-	-	174,291	174,291	(174,291)	-	-	-
Closing balance as of 12-31-2016	2,742,569,245	30,336,377	3,042,584	-	33,378,961	(529,975,226)	2,245,972,980	(10,645)	2,245,962,335

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

Consolidated Statements of Cash Flows

For the years ended December 31, 2017 and 2016
(In thousands of Chilean pesos)

Consolidated Statements of Cash Flows (Direct Method)	01/01/2017 12/31/2017	01/01/2016 12/31/2016
Cash flows from (used in) operating activities		
Cash receipts from sale of goods and rendering of services	329,771,909	313,740,715
Other cash receipts from operating activities	9,340,669	5,148,965
Cash payments to suppliers for goods and services	(143,001,783)	(138,911,400)
Payments to and on behalf of employees	(80,665,310)	(72,698,425)
Other payments for operating activities	(5,806,395)	(36,432,398)
Net cash flows generated from operating activities	109,639,090	70,847,457
Cash flows from (used in) investing activities		
Sale of property, plant and equipment	12,613	-
Acquisition of property, plant and equipment	(468,939,949)	(508,763,797)
Acquisition of intangible assets	(412,987)	(112,417)
Other receipts to acquire equity or debt securities belonging to other entities	271,109,002	60,077,745
Other payments to acquire equity or debt securities of other entities	(359,686,730)	(98,401,696)
Interest paid	(30,586,230)	(19,605,426)
Net cash used in investing activities	(588,504,281)	(566,805,591)
Cash flows from (used in) financing activities		
Proceeds from the issue of shares	298,496,046	300,000,000
Proceeds from loans from related parties - Contributions from the Government of Chile	-	41,296,200
Proceeds from long-term borrowings	429,394,791	269,467,917
Other cash receipts	47,533,831	21,826,349
Repayment of borrowings	(162,174,171)	(97,748,508)
Interest paid	(52,444,851)	(50,244,270)
Other cash inflows (outflows)	(43,598,944)	(17,477,269)
Net cash from financing activities	517,206,702	467,120,419
Net increase (decrease) in cash and cash equivalents before the effect of changes in exchange rate	38,341,511	(28,837,715)
Effect of movements in exchange rates on cash and cash equivalents	(4,400,346)	(5,769,301)
Net decrease in cash and cash equivalents	33,941,165	(34,607,016)
Cash and cash equivalents at the beginning of period	118,298,953	152,905,969
Cash and cash equivalents at the end of period	152,240,118	118,298,953

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017 AND 2016

(In thousands of Chilean pesos)

1. General information

Empresa de Transporte de Pasajeros Metro S.A., (hereinafter referred to as the Company) is a Chilean state-owned enterprise created by Law 18.772 on January 28, 1989 as the legal successor, in all the rights and obligations, to the Dirección General de Metro.

The Company is a stock corporation bound by the principles applicable to open stock corporations, and has its legal domicile at 1414 Avenida Libertador Bernardo O'Higgins, Santiago, Chile.

The Company is registered on the Register of Securities under file number 421 and is subject to the supervision of the Financial Market Commission (CMF).

The purpose of the Company is to carry out all activities related to providing passenger transportation services on subways or other complementary electric modes of transportation and the performance of surface transportation services through buses or vehicles using any technology, as well as all 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 main jurisdiction in which the Company operates.

2. Summary of significant accounting policies

The main accounting policies adopted in the preparation of these consolidated financial statements, as required by IAS 1, have been designed in accordance with International Financial Reporting Standards (hereinafter "IFRS") in effect as of December 31, 2017 and 2016, 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, 2017 and 2016, the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, which have been prepared in accordance with the instructions and standards issued by the Financial Market Commission (CMF). These instructions and standards require that the Company complies with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (hereinafter the "IASB") except for certain IFRS standards. Through Ordinary Official Letter 6158 dated March 5, 2012, the Company was authorized by the Financial Market Commission (CMF) to exceptionally apply Public Sector International Accounting Standard (hereinafter "IPSAS") IPSAS21, instead of IAS 36. Note 2.8 provides more details regarding this exception.

These Consolidated Financial Statements were approved by the Board of Directors on March 12, 2018, authorizing their publication by Management.

These consolidated financial statements have been prepared in accordance with historical cost principles, although modified by the revaluation of certain assets included in financial assets and liabilities (including derivative financial instruments) at fair value through profit or loss, as applicable.

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 that management use its judgment in the process of applying the Company's accounting policies. The areas that involve a greater degree of judgment or complexity, in which assumptions or estimates are significant for the financial statements, are described in Note 3 "Management's Estimates and Accounting Criteria".

The translation of these financial statements is provided as a free translation from the Spanish language original, which is the official and binding version. Such translation has been made solely for the convenience of non-Spanish readers.

2.2. Basis of consolidation

Empresa de Transporte Suburbano de Pasajeros S.A. (Transub S.A.) is consolidated from the date on which control of the Company was transferred. Consolidation includes the financial statements of the Parent company and its subsidiary which includes all assets, liabilities, income, expenses and cash flows of the subsidiary, once the adjustments and eliminations for intra-group transactions have been made.

The value of the non-controlling interest of the consolidated subsidiary 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 a pre-operational stage and has not yet registered any activity since its creation to the present date and was consolidated under the guidelines of the Financial Market Commission Memo No.1819 of November 14, 2006.

Tax ID No.	Company's name	Ownership percentage					
		12/31/2017			12/31/2016		
		Direct	Indirect	Total	Direct	Indirect	Total
96.850.680-3	Transub S.A.	66.66	-	66.66	66.66	-	66.66

Participation in this subsidiary is not subject to joint control.

The Company does not have interests in joint ventures or in associates.

2.3. Foreign currency transactions

2.3.1. Functional and presentation currency

The items included in the consolidated financial statements are presented using the currency of the main jurisdiction in which the reporting entity operates in (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 adjustment units

Transactions in foreign currency and adjustment units are converted to the functional currency using the exchange rates in effect on the transaction dates. Profits and losses in foreign currency that result from the settlement of these transactions and from conversion at the closing exchange rates for monetary assets and liabilities denominated in foreign currency are recognized in the comprehensive income statement, unless they have to be deferred, then they are recorded in equity, as in the case of cash flow hedges, if any.

Exchange rate differences affecting financial assets measured at fair value are included in gains or losses.

2.3.3. Foreign currency translations

Assets and liabilities in foreign currency and those negotiated in Unidades de Fomento (inflation-adjusted units, or UF), are presented at the following exchange and conversion rates and closing values, respectively:

Date	US$	EUR	UF
12/31/2017	614.75	739.15	26,798.14
12/31/2016	669.47	705.60	26,347.98
12/31/2015	710.16	774.61	25,629.09

US$ = US dollar

EUR = Euro

UF = Unidad de Fomento (index-adjusted unit)

2.4. Property, plant and equipment

Property, plant and equipment items are initially measured at their acquisition price, plus all costs directly attributable to getting the asset to operating conditions for its intended use.

Subsequent to initial measurement it should be calculated using the historical cost model discounting the corresponding accumulated depreciation and impairment losses, which 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 self-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 the same property, plant and equipment heading to final operating 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 extensions, modernization or improvements that represent an increase in productivity, capacity, efficiency or lengthening of the useful lives of assets, are capitalized as higher cost of the corresponding assets.

Substitutions or renovation of assets that increase their useful lives, or their economic capacity, are recorded as higher value of the respective assets, with the consequent accounting derecognition of the substituted or renovated assets.

Periodic maintenance, conservation and repair expenses are recorded directly in the statement of income as costs for the period in which they are incurred.

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 composes 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 elements that compose it.

Residual values, in the cases defined and useful lives of assets are reviewed and adjusted prospectively in each statement of financial position, in order to have remaining useful lives that are in accordance with the current service use and with the effective use of the asset.

Gains and losses on the sale of property, plant and equipment, are calculated 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 Public Sector IAS 21, as described in Note 2.8.

The effects of the impairment analysis are recognized directly in profit or loss.

2.5. Investment property

Relates to real estate (land and buildings) held by the Company to obtain economic benefits derived from their rental or to obtain capital appreciation from holding on to them.

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.

The estimated useful lives of investment property are detailed as follows:

Type of asset	Residual useful life
Commercial stores	57 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 those 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 internal development and maintenance expenses do not qualify for capitalization and are recognized as an expense as they are incurred.

2.7. Finance income and finance costs

Finance income, composed of interest from investing cash and cash equivalents, from derivative transactions and other finance income is recognized in the Consolidated Statement of Comprehensive Income over the term of the financial instrument, using the effective interest method and fair value in the case of derivative transactions.

Finance costs, both interest and expenses on bank loans, obligations with the public (bonds) and other finance expenses 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.

2.8. Losses due to impairment of non-financial assets

Since the Company is a state-owned entity, its business model is oriented toward public service with emphasis on social benefits. It has an operating, services and infrastructure operation model, which means that its main source of income is established through a technical tariff, determined by the authority that does not cover recovery of its assets.

This business model defined by its shareholders, the Ministry of Finance (Ministerio de Hacienda) and the Corporación de Fomento de la Producción, or CORFO, goes against the concept of economic profitability of assets, as per IAS 36, where the value of 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 CMF to apply IPSAS 21 instead of IAS 36, which is a standard that is specifically for State-owned entities with assets that are not cash generating. Through Ordinary Official Letter 6158 dated March 5, 2012 the Financial Market Commission (CMF) authorized the Company to apply IPSAS 21 to assess the impairment of its assets.

The application of this standard allows the Consolidated Financial Statements of the Company present its economic and financial reality.

This standard defines the value of use of a non-cash generating asset as the present value of an asset maintaining its potential service. This is determined using depreciated replacement cost or cost of reinstatement methods.

However, under specific circumstances in which certain assets lose their service potential, the loss of value is recognized directly in income.

2.9. Financial assets

The Company classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and accounts receivable, financial assets held to maturity and available-for-sale assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at the time of their initial recognition.

In accordance with IFRS 7 "Financial Instruments: Disclosure", we consider that the carrying amounts of assets valued at amortized cost are a reasonable approximation of their fair value, therefore, as indicated in IFRS 7, it is not necessary to provide disclosures related to fair value for each of them.

2.9.1. Financial assets at fair value through profit or loss

They are financial assets held for trading. A financial asset is designated as at fair value through profit or loss if it was acquired mainly with the purpose of selling it in the short term. Derivatives are also included in this category unless they are designated as hedges. Assets classified in this category are classified as non-current assets and obligations for accrued interest is classified as current.

2.9.2. Loans and receivables

Loans and accounts receivables are non-derivative financial assets, with fixed or determinable payments, that are not traded in the local financial market. They are included in current assets, except for those maturing in excess of 12 months as of the date of the statement of financial position, which are classified as non-current assets. Loans and accounts receivable include trade and other accounts receivable. These items are initially recorded at fair value plus any directly attributable transaction costs. These are subsequently valued at amortized cost, using the effective interest method less impairment losses.

2.9.3. Financial assets held to maturity

They are non-derivative financial assets, with fixed or determinable payments and fixed maturity date that the Company owns and which it has the intention and capacity to hold to maturity. They are valued at amortized cost.

2.9.4. Financial assets available-for-sale

Financial assets available-for-sale are non-derivative financial assets that are designated under this category or do not classify for any of the other categories. They are included in non-current assets unless management has the intention of disposing of the investment within the 12 months following the date of the statement of financial position.

2.9.5. Recognition and measurement of financial assets

Financial assets and liabilities are initially recognized at their fair value. In the case of assets and liabilities that are not accounted for at fair value through profit or loss, the fair value shall be adjusted by the cost of transactions that are directly attributable to their purchase or issuance.

Subsequent valuation depends on the category in which the asset has been classified.

Financial assets at fair value through profit or loss: a financial asset is classified at fair value through profit or loss when it is classified as held for trading or designated as such on initial recognition. Directly attributable transaction costs are recognized in profit or loss as incurred. Financial assets recorded at fair value through adjustments in profit or loss are measured at fair value and changes therein, including any interest or dividend income, are recognized in profit or loss.

Loans and receivables: these assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortized cost using the effective interest method.

Held-to-maturity financial assets: these assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortized cost using the effective interest method.

Available-for-sale financial assets: these assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and the changes therein, other than impairment losses and foreign currency differences on debt instruments are recognized in other comprehensive income and accumulated in the fair value reserve. When these assets are derecognized, the gain or loss accumulated in equity is reclassified to profit or loss.

When a derivative financial instrument is not designated for a relationship that qualifies as a hedge, all changes in fair value are recognized immediately in profit or loss.

Profits and losses that arise from changes in the fair value of financial assets at fair value through profit or loss are included in the Consolidated Statement of Comprehensive Income under other profits (losses), in the period in which such changes to fair value have occurred.

Investments are derecognized in the accounting when the rights to receive their cash flows have expired or have been transferred and the Company has substantially transferred all the risks and advantages derived from its ownership of such investments.

At each date of the statement of financial position, the Company evaluates whether there is objective evidence that a financial asset, or a group of financial assets, might have suffered impairment losses.

2.10. Inventories

Inventories correspond to spare/parts required for the operations and which are estimated to be used or consumed during one year.

Inventory is valued initially at acquisition cost. Inventory items are subsequently valued at the lower of cost value or net realizable value. Cost is determined using their weighted average purchase price.

Spare parts classified as inventory are adjusted to their net realizable value, recognizing their technological obsolescence with a direct charge to profit or loss.

2.11. Trade and other receivables

Trade and other receivable are initially recognized at their fair value (nominal value that includes implicit interest) and thereafter at their amortized cost using the effective interest method, less impairment losses. An impairment loss provision is established for trade accounts receivable when there is objective evidence that the Company will not be able to collect all the amounts owed to it in accordance with the original terms of the account receivable. The amount of the provision is the difference between the carrying amount of the asset and the real value of estimated future cash flows discounted at the effective interest rate.

Trade receivables are netted against the allowance for doubtful accounts and the amount of losses is recognized with 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.

2.13. Share capital

The Company´s share capital is represented by 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. Other financial liabilities

Loans, obligations with the public (bonds) and other financial liabilities of a similar nature are initially recognized at their fair value net of the costs incurred in the original transaction. They are subsequently valued at their amortized cost and any difference between the proceeds obtained by the Company (net of the costs necessary to obtain them) and their reimbursement value is recognized in the Consolidated Statement of Comprehensive Income during the term of the debt using the effective interest method.

Financial obligations are classified as current liabilities and non-current liabilities in accordance with the contractual maturity date of the nominal principal.

For loans with financial institutions the nominal rate is similar to the effective rate, since there are no additional transaction costs that must be taken into consideration.

2.16. Income tax and deferred taxes

The income tax provision is determined through the application of the tax rate on the taxable net income base for the period, after applying the permitted tax deductions, plus variations in deferred tax assets and liabilities and tax credits.

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 regime that will affect the Company starting from January 1, 2017 as a shareholders' company not related to final taxpayers is corporate income tax associated with profit obtained from the performance of its business activities.

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 default 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 compliance with 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.

2.18. Provisions

The Company recognizes provisions when:

- ✓ It has a present obligation, legal or implicit, 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 expenses recognition

Revenue is recognized when it is probable that the economic benefit associated with the compensation received or to be received, will flow to the Company and the amount can be reliably measured. The Company recognizes revenues at their fair value, net of value added tax, returns, rebates and discounts.

a) Revenue from transportation of passengers is recognized when the service has been provided.

b) Revenue from operating leases is recognized on an accrual basis.

c) Income from sale of assets relates to exceptional sales of items of property, plant and equipment and is recognized when the asset has been delivered to the client and there is no pending obligation to be fulfilled that might affect its acceptance.

d) Revenue from interest is recognized using the effective interest method.

e) Other revenue is recognized when the services have been rendered.

Expenses include both the losses and expenses that arise from the Company's ordinary activities. Expenses also include cost of sales, remuneration and depreciation. Generally, expenses represent an outflow or decrease in assets, such as cash and cash equivalent and inventory or property, plant and equipment.

2.21. Lease agreements

The Company has a contract that has the characteristics of a financial lease, which has been recorded as established in IAS 17 "Leases". When assets are leased under a financial lease agreement, the value of the lease payments is recognized as an account receivable. The difference between the gross amount receivable and the real value of the amount is recognized as financial yield of the principal.

Income from financial leases is recognized over the term of the lease using the net investment method, which reflects a constant periodic yield rate.

Contracts that do not fulfill the characteristics of a financial lease are classified as operating leases.

A lease is an operating lease when the lessor conserves a significant part of the risks and benefits derived from ownership of the leased goods.

2.22. New IFRS and interpretations issued by the IFRS Interpretations Committee (IFRIC).

New standards, amendments to standards and interpretations exist that are mandatory for the first time for periods beginning on or after January 1, 2017

Amendments to IFRS	Mandatory for
IAS 7: Disclosure Initiative, amendments to IAS 7.	Annual periods beginning on or after January 1, 2017. Early adoption is permitted.
IAS 12: Income Tax: Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to IAS 12).	Annual periods beginning on or after January 1, 2017. Early adoption is permitted.

These standards are effectively applied.

The following standards and interpretations have been issued, but its effective date is not yet mandatory

New IFRS	Mandatory for
IFRS 9: Financial instruments	Annual periods beginning on or after January 1, 2018. Early adoption is permitted.
IFRS 15: Revenue from Contracts with Customers	Annual periods beginning on or after January 1, 2018. Early adoption is permitted.
IFRS 16: Leases	Annual periods beginning on or after January 1, 2019. Early adoption is permitted for entities that apply IFRS 15 on or before that date.
IFRS 17: Insurance Contracts	Annual periods beginning on or after January 1, 2021. Early adoption is permitted for entities that apply IFRS 9 and IFRS 15 on or before that date.
New Interpretations	
IFRIC 22: Foreign Currency Transactions and Advance Consideration	Annual periods beginning on or after January 1, 2018. Early adoption is permitted.
IFRIC 23: Uncertainty over Income Tax Treatments	Annual periods beginning on or after January 1, 2019. Early adoption is permitted.
Amendments to IFRS	
IAS 28: Long-term Interests in Associates and Joint Ventures	Annual periods beginning on or after January 1, 2019. Early adoption is permitted.
IAS 40: Transfers of Investment Property (Amendments to IAS 40, Investment Property).	Annual periods beginning on or after January 1, 2018.
IFRS 2: Share-based payment: Clarifying accounting for certain types of share-based payment transactions.	Annual periods beginning on or after January 1, 2018. Early adoption is permitted.
IFRS 9: Prepayment features with negative compensation	Annual periods beginning on or after January 1, 2019. Early adoption is permitted.
IFRS 10: Consolidated Financial Statements, and IAS 28, Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.	Mandatory date deferred indefinitely.
IFRS 15: Revenue from Contracts with Customers: Amendment clarifying requirements and providing additional transition relief for entities implementing the new standard.	Annual periods beginning on or after January 1, 2018. Early adoption is permitted.
2014-2016 Annual Improvements Cycle to IFRSs. Amendments to IFRS 1 and IAS 28.	Annual periods beginning on or after January 1, 2018. Early adoption is permitted.

IFRS 9:

In July 2014, the IASB issued the final version of IFRS 9 Financial instruments, which replaces IAS 39 Financial instruments: Recognition and measurement, and all previous versions of IFRS 9. This standard is effective for periods beginning on or after January 1, 2018. Early adoption is permitted. The Company plans to adopt the new standard on the effective date and will present no comparative information. During 2017, the Company conducted a detailed assessment of the three aspects of IFRS 9:

- ✓ Classification and measurement of financial assets and financial liabilities
- ✓ Measurement of expected credit losses from trade receivables
- ✓ Hedge accounting

As a result of the study conducted by subject matter specialists, the Company determined IFRS 9 has no significant effects on its financial statements.

This assessment is based on the information currently available and may be subject to changes from the Company's information in 2018 when IFRS 9 is adopted.

The Company expects an immaterial increase from the estimate of uncollectibility for expected losses. In addition, as a result of the assessment the Company will implement no changes in the classification of its financial instruments. With respect to hedge accounting, the Company will continue the application of IAS 39.

IFRS 15:

This standard was issued in May 2014 and amended in April 2016, and is effective on January 1 2018. Early adoption is permitted. The Company plans to adopt the new standard on the effective date using the modified retrospective method. During 2017, the Company engaged a detailed study and analysis of IFRS 15, which was conducted by subject matter specialists and determined the adoption of such standard will have no material effect.

The work conducted followed the five step model to recognize revenue from contracts with customers, determining 5 types of contracts with customers. The main effects noted relate to the identification of performance obligations. The detail of contracts and their impact are as follows:

Type of contract	% Total revenue	Impact
Revenue from passenger transportation	80.40	None
Revenue from sales channel	12.15	Low
Revenue from leases	5.07	None
Income from advisory provided abroad	2.38	Low
Total revenue	100.00	

IFRS 16:

Becomes effective for annual periods beginning on or after January 1, 2019. Early adoption is permitted but not before an entity applies IFRS 15.

The Company has no plans to early adopt this standard, and in 2018, will continue to assess the possible effect of IFRS 16 on its financial statements.

Other standards and amendments reported:

The Company is assessing the effects other standards and amendments reported may generate. Early adoption is not planned.

3. Management 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.

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 or the restatement 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, 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 is involved in different types of legal and administrative proceedings for which it is not possible to exactly determine the economic effect that their outcome might have on the consolidated financial statements of the Company. In cases where the Company's management and legal counsel expect an unfavorable outcome, provisions have been established with a charge to expenses based on estimates of the maximum amounts to be paid.

3.4. Measurements and/or valuations at fair value

The fair value is the price that would be received for selling an asset or paid for transferring a liability in an orderly transaction between market participants on 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:

a) the concrete asset or liability to be measured.

b) for a non-financial asset, the maximum 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.

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 on observable market data.

The Company measures and/or evaluates all financial instruments at their fair value upon initial measurement and they are subsequently valued at amortized cost, except for derivative transactions and cross currency swaps (CCS), which continue to be valued at their 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.

In all cases changes in the fair value of these items are considered components of net income for the period.

Valuation techniques used to measure fair value for assets and liabilities.

The valuation techniques used by the Company are appropriate under the circumstances and there is sufficient data available on the Company's assets and liabilities to measure their fair value, maximizing the use of observable variables and minimizing the use of non-observable variables. The specific technique used by the Company to valuate and/or measure the fair value of its assets (derivative financial instruments) is the discounted cash flow method, based on market demand 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 is 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.

Income items where gains (losses) are recognized on fair value measurements are recognized as other gains (losses).

Fair value measurement for assets and liabilities

A fair value measurement requires determining the particular asset or liability to be measured (Derivative financial instruments). This is why, when measuring fair value the Company keeps in mind the characteristics of the asset or liability in the same manner as market participants would take into account when establishing the price of that asset or liability on the measurement date. The characteristics include the restrictions for asset recognition or the payment of the liability (if any).

On the basis of the previous methodologies, inputs and definitions the Company has determined the following market levels for the financial instruments portfolio that it holds as of December 31, 2017 and 2016:

Financial assets and financial liabilities at fair value, classified by hierarchy through profit or loss	12/31/2017		
	Level 1 ThCh$	Level 2 ThCh$	Level 3 ThCh$
Financial assets			
Cross Currency Swap	-	4,426,356	-
Financial liabilities			
Cross Currency Swap	-	677,478	-

Financial assets and financial liabilities at fair value, classified by hierarchy through profit or loss	12/31/2016		
	Level 1 ThCh$	Level 2 ThCh$	Level 3 ThCh$
Financial assets			
Cross Currency Swap	-	6,690,795	-
Financial liabilities			
Cross Currency Swap	-	500,060	-

4. Cash and cash equivalents

Balances of cash and cash equivalents are detailed as follows:

Concept	Currency	12-31-2017 ThCh$	12-31-2016 ThCh$
Cash			
Cash	Ch$	70,125	49,314
	US$	4,881	13,015
	EUR	-	557
Cash in banks	Ch$	2,593,912	3,823,184
	US$	5,840	1,364,677
Total cash		**2,674,758**	**5,250,747**
Term deposits	Ch$	105,402,589	107,903,520
	US$	42,202,795	-
	UF	-	58,798
Total term deposits		**147,605,384**	**107,962,318**
Repurchase agreements	Ch$	1,664,266	1,000,097
	US$	295,710	4,085,791
Total reverse repurchase agreements		**1,959,976**	**5,085,888**
Total cash and cash equivalents		**152,240,118**	**118,298,953**
Subtotal by currency	Ch$	109,730,892	112,776,115
	US$	42,509,226	5,463,483
	EUR	-	557
	UF	-	58,798

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 2017 and 2016 is as follows:

Term deposits

Type of investment	Currency of origin	Capital in currency of origin in ThCh$ - ThUS$	Annual rate average	Average maturity dates	Capital in domestic currency ThCh$	Accrued interests in domestic currency ThCh$	Carrying amount 12/31/2017 ThCh$
Term deposits	Ch$	105,243,800	3.01%	14	105,243,800	158,789	105,402,589
	US$	68,530.84	2.07%	37	42,129,336	73,459	42,202,795
Total					**147,373,136**	**232,248**	**147,605,384**

Type of investment	Currency of origin	Capital in currency of origin in ThCh$ - ThUF$	Annual rate average	Average maturity dates	Capital in domestic currency ThCh$	Accrued interests in domestic currency ThCh$	Carrying amount 12/31/2016 ThCh$
Term deposits	Ch$	107,654,490	3.95%	18	107,654,490	249,030	107,903,520
	UF	1,525	0.57%	24	-	58,798	58,798
Total					**107,654,490**	**307,828**	**107,962,318**

Resale agreements

Code	Date Beginning	Date End	Counterparty	Currency of origin	Subscription rate ThCh$	Annual rate %	Amount as of closing ThCh$	Instrument identification	Carrying amount 31/12/2017 ThCh$
CRV	12/29/2017	01/02/2018	BCI CORREDOR DE BOLSA S.A.	Ch$	1,500,000	2.88	1,500,480	NON-ADJ P NOTE	1,500,240
CRV	12/29/2017	01/05/2018	BCI CORREDOR DE BOLSA S.A.	Ch$	164,000	2.88	164,091	NON-ADJ P NOTE	164,026
CRV	12/28/2017	01/02/2018	BCI CORREDOR DE BOLSA S.A.	US$	296,575	0.6	295,719	NON-ADJ P NOTE	295,710
Total					**1,960,575**		**1,960,290**		**1,959,976**

Code	Date Beginning	Date End	Counterparty	Currency of origin	Subscription rate ThCh$	Annual rate %	Amount as of closing ThCh$	Instrument identification	Carrying amount 31/12/2016 ThCh$
CRV	12/30/2016	01/03/2017	BCI CORREDOR DE BOLSA S.A.	Ch$	1,000,000	3.48	1,000,387	NON-ADJ P NOTE	1,000,097
CRV	12/30/2016	01/05/2017	BCI CORREDOR DE BOLSA S.A.	US$	4,072,447	4.20	4,085,990	ADJ P NOTE	4,085,791
Total					**5,072,447**		**5,086,377**		**5,085,888**

5. Trade and other receivables, current

As of December 31, 2017 and 2016, this caption is composed of the following:

Trade and other receivables, gross	12-31-2017 ThCh$	12-31-2016 ThCh$
Trade and other receivables, gross	**9,496,113**	**8,914,299**
Trade receivables, gross	2,930,697	3,022,952
Sales channel accounts receivable, gross	4,566,117	4,016,205
Other accounts receivable, gross	1,999,299	1,875,142

Trade and other receivables, net	12-31-2017 ThCh$	12-31-2016 ThCh$
Trade and other receivable, net	**8,743,345**	**7,841,983**
Trade receivables, net	2,177,929	1,950,636
Sales channel accounts receivable, net	4,566,117	4,016,205
Other accounts receivable, net	1,999,299	1,875,142

As of December 31, 2017 and 2016, the analysis of net trade and other accounts receivable by maturity and expiration date are detailed below:

Trade Receivables, Net	12-31-2017 ThCh$	12-31-2016 ThCh$
Maturity up to 3 months	1,880,655	1,113,970
Maturity from 3 months to 1 year	87,918	250,811
Maturity of more than 1 year	209,356	585,855
Total	**2,177,929**	**1,950,636**

Sales Channel Accounts Receivable, Net	12-31-2017 ThCh$	12-31-2016 ThCh$
Maturity up to 3 months	4,115,793	3,241,213
Maturity from 3 months to 1 year	444,012	728,092
Maturity of more than 1 year	6,312	46,900
Total	**4,566,117**	**4,016,205**

Other Accounts Receivable, Net	12-31-2017 ThCh$	12-31-2016 ThCh$
Maturity up to 3 months	554,765	648,811
Maturity from 3 months to 1 year	1,444,534	1,226,331
Total	**1,999,299**	**1,875,142**

Movements as of December 31, 2017 in the allowance for impairment provision are as follows:

Past due and outstanding trade receivables with impairment	ThCh$
Balance as of December 31, 2016	**1,072,316**
Increase for the period	250,579
Decrease for the period	(130,608)
Write-offs for the period	(439,519)
Balance as of December 31, 2017	**752,768**

The Company establishes a provision using evidence of impairment 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 caption comprises the following:

Classes of inventories	31-12-2017 ThCh$	31-12-2016 ThCh$
Inventories and stock	1,489,610	1,404,070
Spare parts and maintenance accessories	9,218,243	10,544,859
Imports in transit and others	14,463	290,546
Total	**10,722,316**	**12,239,475**

As of December 2017 and 2016, inventory consumption was charged to the Statement of Comprehensive Income in the cost of sales line item, in the amount of ThCh$10,027,553 and ThCh$11,699,252, respectively.

As of December 2017, the Company records inventory write-offs of ThCh$4,489 (no inventory write-offs were recorded as of December 2016). Based on the analysis performed by management there is no objective evidence of impairment of spare parts, maintenance accessories and supplies inventory.

During the year, the Company records no inventory items subject to pledge or guarantee.

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 valued at the net cost of the corresponding accumulated amortization and impairment losses which they may have experienced.

Licenses and software are amortized using the straight-line method over the applicable useful life, which is generally estimated at four years. For easements, the contracts are established in perpetuity, considered with undefined 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 2017 and 2016, are as follows:

Concept	12/31/2017			12/31/2016		
	Gross intangible ThCh$	Accumulated amortization ThCh$	Net intangible ThCh$	Gross intangible ThCh$	Accumulated amortization ThCh$	Net intangible ThCh$
Licenses and software	5,785,711	(4,086,150)	1,699,561	5,706,817	(3,769,779)	1,937,038
Easements	4,236,078	-	4,236,078	3,894,449	-	3,894,449
Total	**10,021,789**	**(4,086,150)**	**5,935,639**	**9,601,266**	**(3,769,779)**	**5,831,487**

b) Movements of intangible assets other than goodwill for the year ended December 31, 2017, are as follows:

Movements	Licenses and software ThCh$	Easements ThCh$	Total intangible assets, net ThCh$
Opening balance as of 01-01-2017	1,937,038	3,894,449	5,831,487
Additions	12,077	341,629	353,706
Transfers	66,816	-	66,816
Amortization	(316,370)	-	(316,370)
Closing balance as of 12-31-2017	1,699,561	4,236,078	5,935,639
Average remaining useful life	1 year	Indefinite	

c) Movements of intangible assets other than goodwill for the year ended December 31, 2016, are as follows:

Movements	Licenses and software ThCh$	Easements ThCh$	Total intangible assets, net ThCh$
Opening balance as of 01-01-2016	2,199,599	3,765,286	5,964,885
Additions	81,342	129,163	210,505
Transfers	46,788	-	46,788
Amortization	(390,691)	-	(390,691)
Closing balance as of 12-31-2016	1,937,038	3,894,449	5,831,487
Average remaining useful life	1 year	Indefinite	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017 AND 2016

8. Property, plant and equipment

a) Property, plant and equipment items are composed of the following:

Property, plant and equipment	12/31/2017 ThCh$	12/31/2016 ThCh$
Classes of property and equipment, net		
Property, plant and equipment, net	**4,423,443,320**	**3,963,708,545**
Work in progress, net	1,157,111,593	1,427,326,829
Land, net	120,662,471	119,819,188
Civil works, net	1,925,737,534	1,390,328,467
Buildings, net	113,577,576	76,294,382
Rolling stock, net	779,374,981	687,672,405
Electrical equipment, net	286,157,192	221,976,090
Machinery and equipment, net	24,535,587	25,209,397
Other, net	16,286,386	15,081,787
Classes of property and equipment, gross		
Property, plant and equipment, gross	**5,038,127,127**	**4,504,173,863**
Work in progress, gross	1,157,111,593	1,427,326,829
Land, gross	120,662,471	119,819,188
Civil works, gross	2,086,147,489	1,531,134,610
Buildings, gross	130,695,602	91,239,020
Rolling stock, gross	1,016,912,471	895,715,369
Electrical equipment, gross	467,866,502	383,140,311
Machinery and equipment, gross	42,444,613	40,716,749
Other, gross	16,286,386	15,081,787
Classes of accumulated depreciation and impairment of property and equipment		
Accumulated depreciation and impairment of property and equipment	**614,683,807**	**540,465,318**
Accumulated depreciation of civil works	160,409,955	140,806,143
Accumulated depreciation of buildings	17,118,026	14,944,638
Accumulated depreciation of rolling stock	237,537,490	208,042,964
Accumulated depreciation of electrical equipment	181,709,310	161,164,221
Accumulated depreciation of machinery and equipment	17,909,026	15,507,352

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017 AND 2016

b) The detail of movements in property, plant and equipment for 2017 and 2016, is as follows:

	2017 movements	Work in progress	Land	Civil works	Buildings	Rolling stock	Electrical equipment	Machinery and equipment	Other	Property, plant and equipment, net
	Opening balance as of January 1, 2017	1,427,326,829	119,819,188	1,390,328,467	76,294,382	687,672,405	221,976,090	25,209,397	15,081,787	3,963,708,545
movements	Additions	526,512,061	923,162	-	178,411	11,716,730	120,242	664,855	1,204,599	541,320,060
	Transfers	(796,727,297)	-	555,021,015	39,232,006	111,760,186	85,023,980	1,149,718	-	(4,540,392)
	Derecognition or sales	-	(79,879)	-	-	(87,136)	(343,206)	(15,479)	-	(525,700)
	Depreciation expense	-	-	(19,611,948)	(2,127,223)	(31,687,204)	(20,619,914)	(2,472,904)	-	(76,519,193)
	Total movements	(270,215,236)	843,283	535,409,067	37,283,194	91,702,576	64,181,102	(673,810)	1,204,599	459,734,775
	Balance as of December 31, 2017	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

	2016 movements	Work in progress	Land	Civil works	Buildings	Rolling stock	Electrical equipment	Machinery and equipment	Other	Property, plant and equipment, net
	Opening balance as of January 1, 2016	930,401,620	113,219,655	1,405,884,367	74,223,097	705,045,477	238,339,446	25,749,890	17,202,795	3,510,066,347
movements	Additions	513,658,548	6,599,533	-	-	12,633,126	91,027	788,060	(2,121,008)	531,649,286
	Transfers	(16,733,339)	-	2,780,792	4,098,866	-	3,821,686	1,154,112	-	(4,877,883)
	Derecognition or sales	-	-	-	-	(847,164)	(10,045)	(8,900)	-	(866,109)
	Depreciation expense	-	-	(18,336,692)	(2,027,581)	(29,159,034)	(20,266,024)	(2,473,765)	-	(72,263,096)
	Total movements	496,925,209	6,599,533	(15,555,900)	2,071,285	(17,373,072)	(16,363,356)	(540,493)	(2,121,008)	453,642,198
	Balance as of December 31, 2016	1,427,326,829	119,819,188	1,390,328,467	76,294,382	687,672,405	221,976,090	25,209,397	15,081,787	3,963,708,545

c) The useful lives of the main assets are as follows:

Concept	Estimated useful life, years
Road networks	60
Stations	100
Tunnels	100
Rolling stock	41

d) Impairment

As of the reporting date, the Company did not find objective evidence of impairment of its property, plant and equipment assets as described in Note 2.8.

e) Investment projects (Unaudited)

As of December 31, 2017, the estimated balances necessary to carry out the authorized projects that form part of the Company's expansion plan amount to, approximately, MCh$520,999 and comprised: MCh$201,984 for civil works, MCh$125,036 for systems and equipment, and MCh$193,979 for rolling stock, up to 2023.

As of December 31, 2016, the estimated balances necessary to carry out the authorized projects that form part of the Company's expansion plan amount to, approximately, MCh$1,074,277 and comprised: MCh$433,025 for civil works, MCh$387,320 for systems and equipment, and MCh$253,932 for rolling stock, up to 2023.

f) Spare parts and accessories

As of December 31, 2017, spare parts and accessories and maintenance materials amounted to ThCh$18,825,549 (ThCh$17,738,869 in 2016). These amounts include spare parts that have remained idle for over four years, which resulted in an allowance for obsolescence of ThCh$2,713,990 as of 2017 and 2016.

g) Other disclosures

1. There are no property, plant and equipment items that are out of service.

   The gross carrying amount of property, plant and equipment that is fully amortized and is still in use is ThCh$24,842,191 as of December 31, 2017 (ThCh$24,898,791 in 2016).

2. There is no material property, plant and equipment elements that have been removed and not classified, that are recorded as held for sale in accordance with IFRS 5.

3. The Company revalues the useful life of rolling stock NS74.

h) Financing costs

During 2017, costs of capitalized interests of property, plant and equipment amounted to ThCh$36,440,739 (ThCh$20,196,991 in 2016).

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.

As of December 31, 2017, total investment property amounts to ThCh$22,937,637 (ThCh$18,915,614 in 2016).

Investment property	Commercial stores	Land	Buildings	Total
Opening balance as of January 1, 2017	9,687,916	607,816	8,619,882	18,915,614
Increases and decreases	4,473,575	-	(178,410)	4,295,165
Depreciation for the year	(178,502)	-	(94,640)	(273,142)
Closing balance as of December 31, 2017	**13,982,989**	**607,816**	**8,346,832**	**22,937,637**

Investment property	Commercial stores	Land	Buildings	Total
Opening balance as of January 1, 2016	5,034,176	607,816	8,720,292	14,362,284
Increases and decreases	4,831,095	-	-	4,831,095
Depreciation for the year	(177,355)	-	(100,410)	(277,765)
Closing balance as of December 31, 2016	**9,687,916**	**607,816**	**8,619,882**	**18,915,614**

As established by IAS 40, the fair value of investment property measured at costs has to be disclosed. For this reason, we have realized this calculation by means of internal valuations based on discounted future cash flow projections. As of December 31, 2017, such fair value is estimated to amount to MCh$122,206,368 (MCh$139,004,645 in 2016)

Investment property has been classified as a Level 3 fair value, based on the inputs for the valuation technique used (see Note 3.4).

Concept	12/31/2017 ThCh$	12/31/2016 ThCh$
Commercial stores	74,254,295	84,686,386
Land	39,551,579	43,963,610
Buildings	8,400,494	10,354,649
Total	**122,206,368**	**139,004,645**

Income and expenses from investment property as of December 2017 and 2016 is as follows:

Income and expenses from investment property	01/01/2017 12/31/2017 ThCh$	01/01/2016 12/31/2016 ThCh$
Commercial stores	5,060,912	5,816,874
Land	2,756,186	2,896,029
Buildings	654,404	856,609
Total rental income	**8,471,502**	**9,569,512**
Commercial stores (contribution)	(139,953)	(136,968)
Land (contribution)	(41,587)	(39,463)
Buildings (contributions)	(116,461)	(117,909)
Commercial stores (depreciation)	(178,502)	(177,354)
Buildings (depreciation)	(60,129)	(65,900)
Total expenses due to leases	**(536,632)**	**(537,594)**

The Company has no evidence of impairment of investment property not does it have any pledges, mortgages or other collateral.

Lease contracts generally establish the obligation to maintain and repair properties, therefore expenses are attributed to the tenants, except for expenses for the payment of property taxes that are borne by the lessor.

The future cash flow projections associated with commercial stores, land and buildings, based on a discount rate of 5.23% as of December 2017 (4.79% as of December 2016), are the following:

Concept	12/31/2017 ThCh$	12/31/2016 ThCh$
Commercial stores		
Up to 1 year	3,607,036	3,990,782
From 1 up to 5 years	15,517,788	18,211,203
Over 5 years	51,051,381	83,837,496
Land		
Up to 1 year	1,964,402	2,071,753
From 1 up to 5 years	8,451,032	9,454,061
Over 5 years	27,802,731	43,522,922
Buildings		
Up to 1 year	466,410	487,955
From 1 up to 5 years	2,006,536	2,226,692
Over 5 years	6,601,228	10,250,850
Total	**117,468,544**	**174,053,714**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017 AND 2016

10. Other financial assets, current and non-current

Other current and non-current financial assets are detailed below:

Concept	12/31/2017		12/31/2016	
	Current ThCh$	Non-current ThCh$	Current ThCh$	Non-current ThCh$
Financial investments over 3 months	145,038,270	-	60,997,382	-
Derivative transactions	3,382,956	1,043,400	4,425,482	2,265,313
Financial lease agreements	46,551	1,626,957	46,087	1,822,470
Promissory notes receivables	-	583,469	-	451,794
Other accounts receivable	-	7,905	-	6,445
Total	**148,467,777**	**3,261,731**	**65,468,951**	**4,546,022**

Financial investments, over 3 months

Term deposits

Type of investment	Currency of origin	Capital in currency of origin in ThCh$ - ThUS$	Annual rate average	Average maturity days	Capital in domestic currency ThCh$	Accrued interests in domestic currency ThCh$	Carrying amount 12/31/2017 ThCh$
Term deposits	Ch$	105,243,800	3.01%	14	105,243,800	158,789	105,402,589
	US$	68,530.84	2.07%	37	42,129,336	73,459	42,202,795
Total					**147,373,136**	**232,248**	**147,605,384**

Type of investment	Currency of origin	Capital in currency of origin in ThCh$ - ThUF$	Annual rate average	Average maturity days	Capital in domestic currency ThCh$	Accrued interests in domestic currency ThCh$	Carrying amount 12/31/2016 ThCh$
Term deposits	Ch$	107,654,490	3.95%	18	107,654,490	249,030	107,903,520
	UF	1,525	0.57%	24	-	58,798	58,798
Total					**107,654,490**	**307,828**	**107,962,318**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017 AND 2016

Derivative transactions

Financial assets as of 12-31-2017

									Current			Non-current		
									Maturity		Total current	Maturity		Total non-current
Tax ID No.	Entity	Country	Tax ID No.	Entity	Country	Currency	Nominal	Amortization	Up to 90 days	90 days to 1 year	12/31/2017	1 to 3 years	Over 5 years	12/31/2017
							rate	type	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
61.219.000-3	Metro S.A.	Chile	97.004.000-5	Banco de Chile	Chile	US$	4.75000%	Maturity	236,851	-	236,851	-	-	-
61.219.000-3	Metro S.A.	Chile	97.004.000-5	Banco de Chile	Chile	US$	4.75000%	Maturity	355,274	-	355,274	-	-	-
61.219.000-3	Metro S.A.	Chile	97.032.000-8	Bilbao Vizcaya Argentaria	Chile	US$	4.75000%	Maturity	355,274	-	355,274	-	-	-
61.219.000-3	Metro S.A.	Chile	97.036.000-K	Banco Santander	Chile	US$	4.75000%	Maturity	355,274	-	355,274	-	-	-
61.219.000-3	Metro S.A.	Chile	97.036.000-K	Banco Santander	Chile	US$	4.75000%	Maturity	355,274	-	355,274	-	-	-
61.219.000-3	Metro S.A.	Chile	97.036.000-K	Banco Santander	Chile	US$	4.75000%	Maturity	355,274	-	355,274	-	-	-
61.219.000-4	Metro S.A.	Chile	97.036.000-K	Banco Santander	Chile	US$	4.75000%	Maturity	355,274	-	355,274	-	-	-
61.219.000-5	Metro S.A.	Chile	97.004.000-5	Banco de Chile	Chile	US$	4.75000%	Maturity	355,274	-	355,274	-	-	-
61.219.000-3	Metro S.A.	Chile	97.032.000-8	Bilbao Vizcaya Argentaria	Chile	US$	4.75000%	Maturity	355,274	-	355,274	-	-	-
61.219.000-3	Metro S.A.	Chile	59.046.320-5	BNP Paribas	France	US$	4.19000%	Biannual	303,913	-	303,913	1,043,400	-	1,043,400
						Total			**3,382,956**	**-**	**3,382,956**	**1,043,400**	**-**	**1,043,400**

Financial assets as of 12-31-2016

									Current			Non-current		
									Maturity		Total current	Maturity		Total non-current
Tax ID No.	Entity	Country	Tax ID No.	Entity	Country	Currency	Nominal	Amortization	Up to 90 days	90 days to 1 year	12/31/2016	1 to 3 years	3 to 5 years	12/31/2016
							rate	type	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
61.219.000-3	Metro S.A.	Chile	97.032.000-8	Bilbao Vizcaya Argentaria	Chile	US$	1.44711%	Biannual	-	57,643	57,643	-	-	-
61.219.000-3	Metro S.A.	Chile	97.032.000-8	Bilbao Vizcaya Argentaria	Chile	US$	1.44780%	Biannual	-	42,270	42,270	-	-	-
61.219.000-3	Metro S.A.	Chile	97.032.000-8	Bilbao Vizcaya Argentaria	Chile	US$	1.35820%	Biannual	-	97,064	97,064	-	-	-
61.219.000-3	Metro S.A.	Chile	97.032.000-8	Bilbao Vizcaya Argentaria	Chile	US$	1.41456%	Maturity	-	1,571,414	1,571,414	-	-	-
61.219.000-3	Metro S.A.	Chile	97.032.000-8	Bilbao Vizcaya Argentaria	Chile	US$	1.41456%	Maturity	-	1,884,695	1,884,695	-	-	-
61.219.000-3	Metro S.A.	Chile	97.032.000-8	Bilbao Vizcaya Argentaria	Chile	US$	1.35820%	Biannual	-	331,110	331,110	-	-	-
61.219.000-3	Metro S.A.	Chile	59.046.320-5	BNP Paribas	France	US$	4.19000%	Biannual	441,286	-	441,286	1,941,697	323,616	2,265,313
						Total			**441,286**	**3,984,196**	**4,425,482**	**1,941,697**	**323,616**	**2,265,313**

Financial lease agreements

On August 1, 2004 and through July 31, 2034, the Company leased to Enel Distribución Chile S.A. (Ex Chilectra S.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 IAS 17, it is a financial lease. For that reason, machinery and equipment was derecognized from property, plant and equipment and was recognized in accounts receivable at the time of adoption of IFRS.

Additionally, the present value of the lease installments pending from 2009 to 2034 was calculated, considering a 10% discount rate that is expressed in the respective lease agreement, producing a positive effect in the Company's shareholders' equity.

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 debt. The total financial burden is distributed among the years that constitute the term of the lease.

There is no unguaranteed residual value amounts 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	12/31/2017			12/31/2016		
	Gross amount ThCh$	Interest ThCh$	Current amount ThCh$	Gross amount ThCh$	Interest ThCh$	Current amount ThCh$
Up to 1 year	194,456	147,905	46,551	211,765	165,678	46,087
From 1 to 5 years	972,283	659,662	312,621	1,058,827	749,329	309,498
Over 5 years	1,944,565	630,229	1,314,336	2,329,419	816,447	1,512,972
Total	**3,111,304**	**1,437,796**	**1,673,508**	**3,600,011**	**1,731,454**	**1,868,557**

11. Other non-financial assets, current and non-current

Other current and non-current non-financial assets are detailed below:

Other current non-financial assets	12/31/2017 ThCh$	12/31/2016 ThCh$
Prepaid expenses	127,218	25,599
Advances to suppliers and personnel	4,676,758	4,530,569
Other non financial receivables	947,497	900,403
Total	**5,751,473**	**5,456,571**

Other non-current non-financial assets	12/31/2017 ThCh$	12/31/2016 ThCh$
Funds allocated to pay for expropriations of new lines	20,094,640	9,580,038
Value-added tax fiscal credit	6,987,984	8,532,599
Investment land under lease contracts	964,375	948,397
Advances for severance indemnities and other loans	1,294,666	1,464,144
Total	**29,341,665**	**20,525,178**

12. Other financial liabilities, current and non-current

This caption comprises the following:

Concept	12/31/2017		12/31/2016	
	Current ThCh$	Non-current ThCh$	Current ThCh$	Non-current ThCh$
Interest-bearing loans	21,039,962	364,352,490	120,608,843	326,150,198
Bonds payable	55,250,607	1,565,945,325	46,120,011	1,307,450,463
Derivative transactions	2,440,950	6,505,986	500,060	-
Other	-	12,163	-	-
Total	**78,731,519**	**1,936,815,964**	**167,228,914**	**1,633,600,661**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017 AND 2016

Biannual and equivalent interest-bearing loans as of 12-31-2017

								Current			Non-current			
								Maturity		Total current	Maturity			Total non-current
Tax ID No.	Entity	Country	Tax ID No.	Entity	Country	Currency	Nominal and effective rate	Up to 90 days ThCh$	90 days to 1 year ThCh$	12-31-2017 ThCh$	1 to 3 years ThCh$	3 to 5 years ThCh$	Over 5 years ThCh$	12-31-2017 ThCh$
61.219.000-3	Metro S.A.	Chile	59.046.320-5	BNP Paribas	France	US$	4.04%	1,816,334	16,089,167	17,905,501	72,298,705	39,612,643	92,971,846	204,883,194
61.219.000-3	Metro S.A.	Chile	O-E	Natixis Bank	France	US$	0.68%	573,216	2,051,326	2,624,542	7,818,982	5,212,654	7,908,045	20,939,681
61.219.000-3	Metro S.A.	Chile	O-E	Natixis Bank	France	Euros	2.00%	7,797	50,781	58,578	174,411	91,593	6,336	272,340
61.219.000-3	Metro S.A.	Chile	O-E	Sumitomo Mitsui Banking Corp	Japan	US$	2.86%	-	451,341	451,341	46,085,758	36,868,607	55,302,910	138,257,275
						Total		**2,397,347**	**18,642,615**	**21,039,962**	**126,377,856**	**81,785,497**	**156,189,137**	**364,352,490**

Biannual and equivalent interest-bearing loans as of 12-31-2016

								Current			Non-current			
								Maturity		Total current	Maturity			Total non-current
Tax ID No.	Entity	Country	Tax ID No.	Entity	Country	Currency	Nominal and effective rate	Up to 90 days ThCh$	90 days to 1 year ThCh$	31-12-2016 ThCh$	1 to 3 years ThCh$	3 to 5 years ThCh$	Over 5 years ThCh$	12-31-2016 ThCh$
61.219.000-3	Metro S.A.	Chile	59.046.320-5	BNP Paribas	France	US$	3.04%	7,427,823	69,280,421	76,708,244	84,636,672	19,520,768	45,471,597	149,629,037
61.219.000-3	Metro S.A.	Chile	O-E	Natixis Bank	France	US$	0.69%	626,614	2,233,951	2,860,565	11,353,285	5,676,642	8,611,954	25,641,881
61.219.000-3	Metro S.A.	Chile	O-E	Natixis Bank	France	Euros	2.00%	7,513	48,476	55,989	221,993	87,436	6,048	315,477
61.219.000-3	Metro S.A.	Chile	97.032.000-8	Banco Bilbao Vizcaya Argenta	Chile	US$	2.78%	-	40,485,509	40,485,509	-	-	-	-
61.219.000-3	Metro S.A.	Chile	O-E	Sumitomo Mitsui Banking Corp	Japan	US$	2.77%	-	498,536	498,536	50,187,934	40,150,348	60,225,521	150,563,803
						Total		**8,061,950**	**112,546,893**	**120,608,843**	**146,399,884**	**65,435,194**	**114,315,120**	**326,150,198**

Préstamos que devengan intereses:

- ✓ 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, 2017 it has been fully used, leaving a principal balance of US$38,301,763.03 (US$42,541,417.03 in 2016).
- ✓ 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, 2017 it has been fully used, leaving a principal balance of €447,104.14 (€525,758.08 in 2016).
- ✓ 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, 2017 it has been fully used, leaving a principal balance of US$45,479,344.19 (US$89,658,146.16 in 2016).
- ✓ 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 on reducing the authorized amount to US$450,000,000.00. This financing is not guaranteed by the Government. As of December 31, 2017, the amount of US$313,152,871.72 has been used (US$143,517,631.57 in 2016).

  Such agreement establishes that, at December 31, 2017, the maximum debt/equity ratio must be equal to or less than 1.70 times with minimum equity of ThCh$700 million. Note that as of December 31, 2017, this debt/equity ratio is 0.85 times and equity amounts to ThCh$2,601 million.
- ✓ 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, 2017, US$224,900,000.00 (US$224,900,000.00 in 2016) have been used of such financing.

  Such agreement establishes that, at December 31, 2017, the maximum debt/equity ratio must be equal to or less than 1.70 times with minimum equity of ThCh$700 million. Note that as of December 31, 2017, this debt/equity ratio is 0.85 times and equity amounts to ThCh$2,601 million.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017 AND 2016

Obligations with the public - bonds payable

The Company's domestic and foreign liabilities as of 12-31-2017

											Current			Non-current			
											Maturity		Total current	Maturity			Total non-current
Series	Tax ID No. Debtor	Entity	Country Debtor	Tax ID No. Bank	RTB Bank (*) and payer	Country	Currency	Nominal rate	Effective rate	Amortization type	Up to 90 days	90 days to 1 year	12-31-2017	1 to 3 years	3 to 5 years	Over 5 years	12-31-2017
											ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
A	61.219.000-3	Metro S.A.	Chile	97.080.000-K	Banco Bice	Chile	UF	5.6%	6.3%	Biannual	5,107,213	2,813,805	7,921,018	16,882,828	21,103,535	43,851,506	81,837,869
B	61.219.000-3	Metro S.A.	Chile	97.080.000-K	Banco Bice	Chile	UF	5.6%	5.9%	Biannual	1,406,902	1,821,373	3,228,275	8,441,414	8,089,689	24,973,010	41,504,113
C	61.219.000-3	Metro S.A.	Chile	97.080.000-K	Banco Bice	Chile	UF	5.5%	5.5%	Biannual	4,021,657	1,786,543	5,808,200	16,078,884	10,719,256	58,876,881	85,675,021
D	61.219.000-3	Metro S.A.	Chile	97.004.000-5	Banco de Chile	Chile	UF	5.5%	5.1%	Biannual	4,111,062	1,786,543	5,897,605	14,292,342	10,719,256	66,314,597	91,326,195
E	61.219.000-3	Metro S.A.	Chile	97.004.000-5	Banco de Chile	Chile	UF	5.5%	4.9%	Biannual	1,250,580	1,710,152	2,960,732	9,379,350	7,503,479	49,230,348	66,113,177
F	61.219.000-3	Metro S.A.	Chile	97.004.000-5	Banco de Chile	Chile	UF	5.5%	5.0%	Biannual	1,995,222	848,608	2,843,830	5,940,255	5,091,647	34,534,349	45,566,251
G	61.219.000-3	Metro S.A.	Chile	97.004.000-5	Banco de Chile	Chile	UF	4.5%	3.1%	Biannual	1,250,582	2,168,302	3,418,884	7,503,481	7,503,479	59,242,297	74,249,257
H	61.219.000-3	Metro S.A.	Chile	97.036.000-K	Banco Santander	Chile	UF	4.3%	4.5%	Biannual	2,995,267	2,679,814	5,675,081	10,671,300	-	-	10,671,300
I	61.219.000-3	Metro S.A.	Chile	97.036.000-K	Banco Santander	Chile	UF	4.7%	4.8%	Biannual	1,636,205	-	1,636,205	20,829,442	13,886,295	41,112,678	75,828,415
J	61.219.000-3	Metro S.A.	Chile	97.036.000-K	Banco Santander	Chile	UF	4.5%	4.5%	Biannual	-	569,809	569,809	14,292,327	14,292,327	78,223,095	106,807,749
K	61.219.000-3	Metro S.A.	Chile	97.004.000-5	Banco de Chile	Chile	UF	3.8%	4.0%	Biannual	-	1,524,496	1,524,496	-	-	135,558,452	135,558,452
L	61.219.000-3	Metro S.A.	Chile	97.004.000-5	Banco de Chile	Chile	UF	3.9%	3.8%	Maturity	-	200,139	200,139	-	-	39,874,481	39,874,481
M	61.219.000-3	Metro S.A.	Chile	97.080.000-K	Banco Bice	Chile	UF	2.9%	2.5%	Biannual	-	944,747	944,747	-	-	109,806,046	109,806,046
	61.219.000-3	Metro S.A.	Chile		Deutsche Bank T	USA	US$	4.8%	4.9%	Maturity	5,961,794	-	5,961,794	-	-	304,137,990	304,137,990
	61.219.000-3	Metro S.A.	Chile		Deutsche Bank T	USA	US$	5.0%	5.2%	Maturity	6,659,792	-	6,659,792	-	-	296,989,009	296,989,009
							Total				**36,396,276**	**18,854,331**	**55,250,607**	**124,311,623**	**98,908,963**	**1,342,724,739**	**1,565,945,325**

The Company's domestic and foreign liabilities as of 12-31-2016

											Current			Non-current			
											Maturity		Total current	Maturity			Total non-current
Series	Tax ID No. Debtor	Entity	Country Debtor	Tax ID No. Bank	RTB Bank (*) and payer	Country	Currency	Nominal rate	Effective rate	Type Repayment	Up to 90 days	90 days to 1 year	12-31-2016	1 to 3 years	3 to 5 years	Over 5 years	12-31-2016
											ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
A	61.219.000-3	Metro S.A.	Chile	97.080.000-K	Banco Bice	Chile	UF	5.6%	6.3%	Biannual	4,193,195	1,844,359	6,037,554	16,599,227	11,066,152	57,946,222	85,611,601
B	61.219.000-3	Metro S.A.	Chile	97.080.000-K	Banco Bice	Chile	UF	5.6%	5.9%	Biannual	922,179	1,346,667	2,268,846	8,299,614	5,533,076	29,645,802	43,478,492
C	61.219.000-3	Metro S.A.	Chile	97.080.000-K	Banco Bice	Chile	UF	5.5%	5.5%	Biannual	4,042,003	1,756,532	5,798,535	15,808,788	10,539,192	61,412,289	87,760,269
D	61.219.000-3	Metro S.A.	Chile	97.004.000-5	Banco de Chile	Chile	UF	5.5%	5.1%	Biannual	4,129,906	1,756,532	5,886,438	14,052,257	10,539,192	68,982,892	93,574,341
E	61.219.000-3	Metro S.A.	Chile	97.004.000-5	Banco de Chile	Chile	UF	5.5%	4.9%	Biannual	1,229,573	1,698,476	2,928,049	9,221,794	7,377,434	51,142,222	67,741,450
F	61.219.000-3	Metro S.A.	Chile	97.004.000-5	Banco de Chile	Chile	UF	5.5%	5.0%	Biannual	2,003,459	834,353	2,837,812	5,840,469	5,006,116	35,793,078	46,639,663
G	61.219.000-3	Metro S.A.	Chile	97.004.000-5	Banco de Chile	Chile	UF	4.5%	3.1%	Biannual	2,164,104	1,229,575	3,393,679	7,377,436	7,377,434	61,423,168	76,178,038
H	61.219.000-3	Metro S.A.	Chile	97.036.000-K	Banco Santander	Chile	UF	4.3%	4.5%	Biannual	3,048,337	2,634,799	5,683,136	15,727,076	-	-	15,727,076
I	61.219.000-3	Metro S.A.	Chile	97.036.000-K	Banco Santander	Chile	UF	4.7%	4.8%	Biannual	1,608,719	-	1,608,719	20,479,545	13,653,031	40,363,975	74,496,551
J	61.219.000-3	Metro S.A.	Chile	97.036.000-K	Banco Santander	Chile	UF	4.5%	4.5%	Biannual	-	560,238	560,238	14,052,242	14,052,242	76,906,602	105,011,086
K	61.219.000-3	Metro S.A.	Chile	97.004.000-5	Banco de Chile	Chile	UF	3.8%	4.0%	Biannual	1,498,887	-	1,498,887	-	-	133,080,429	133,080,429
L	61.219.000-3	Metro S.A.	Chile	97.004.000-5	Banco de Chile	Chile	UF	3.9%	3.8%	Maturity	-	196,777	196,777	-	-	39,200,225	39,200,225
M	61.219.000-3	Metro S.A.	Chile	97.080.000-K	Banco Bice	Chile	UF	2.9%	2.5%	Biannual	928,877	-	928,877	-	-	108,172,048	108,172,048
	61.219.000-3	Metro S.A.	Chile		Deutsche Bank T	USA	US$	4.8%	4.9%	Maturity	6,492,464	-	6,492,464	-	-	330,779,194	330,779,194
							Total				**32,261,703**	**13,858,308**	**46,120,011**	**127,458,448**	**85,143,869**	**1,094,848,146**	**1,307,450,463**

(*) RTB: Bondholders' Representative.

On July 31, 2001, December 5, 2001, August 9, 2002, September 3, 2003, June 23, 2004 and September 14, 2005, the Company placed 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 biannual 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 biannual 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 biannual 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 semiannual 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 biannual 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 in the basis of a 360-day year, at 10-year term with 10 years of grace period for principal payment, with payment of biannual interest and allowing early redemption.

On September 29, 2016, the Company placed 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 biannual 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 in the basis of a 360-day year, at 30-year term with 30 years of grace period for principal payment, with payment of biannual 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.

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 filed with the Financial Market Commission (CMF). International bonds are not subject to related restrictions or covenants.

Note that as of December 31, 2017, this debt/equity ratio is 0.85 times, equity amounts to ThCh$2,601 million, and the interest coverage is 2.03 times, calculated as set forth in the covenant for such bond issuances.

Derivative transactions

Financial liabilities as of 12-31-2017

Tax ID No.	Entity	Country	Tax ID No.	Entity	Country	Currency	Nominal rate	Amortization type	Current: Maturity: Up to 90 days ThCh$	Current: Maturity: 90 days to 1 year ThCh$	Total current 12/31/2017 ThCh$	Non-current: Maturity: Over 5 years ThCh$	Total non-current 12/31/2017 ThCh$
61.219.000-3	Metro S.A.	Chile	97.004.000-5	Banco de Chile	Chile	UF	3.73%	Maturity	195,465	-	195,465	873,687	873,687
61.219.000-3	Metro S.A.	Chile	97.004.000-5	Banco de Chile	Chile	UF	3.66%	Maturity	288,096	-	288,096	1,261,851	1,261,851
61.219.000-3	Metro S.A.	Chile	97.032.000-8	Bilbao Vizcaya Argentaria	Chile	UF	3.59%	Maturity	280,972	-	280,972	1,030,215	1,030,215
61.219.000-3	Metro S.A.	Chile	97.036.000-K	Banco Santander	Chile	UF	3.51%	Maturity	266,790	-	266,790	330,611	330,611
61.219.000-3	Metro S.A.	Chile	97.036.000-K	Banco Santander	Chile	UF	3.41%	Maturity	261,394	-	261,394	362,609	362,609
61.219.000-3	Metro S.A.	Chile	97.036.000-K	Banco Santander	Chile	UF	3.44%	Maturity	268,103	-	268,103	754,421	754,421
61.219.000-4	Metro S.A.	Chile	97.036.000-K	Banco Santander	Chile	UF	3.51%	Maturity	270,820	-	270,820	627,941	627,941
61.219.000-5	Metro S.A.	Chile	97.004.000-5	Banco de Chile	Chile	UF	3.45%	Maturity	266,756	-	266,756	606,388	606,388
61.219.000-3	Metro S.A.	Chile	97.032.000-8	Bilbao Vizcaya Argentaria	Chile	UF	3.50%	Maturity	270,251	-	270,251	658,263	658,263
61.219.000-3	Metro S.A.	Chile	59.046.320-5	BNP Paribas	France	US$	1.00%	Biannual	72,303	-	72,303	-	-
						Total			2,440,950	-	2,440,950	6,505,986	6,505,986

Financial liabilities as of 12-31-2016

Tax ID No.	Entity	Country	Tax ID No.	Entity	Country	Currency	Nominal rate	Amortization type	Current: Maturity: Up to 90 days ThCh$	Current: Maturity: 90 days to 1 year ThCh$	Total current 12/31/2016 ThCh$	Non-current: Maturity: Over 5 years ThCh$	Total non-current 12/31/2016 ThCh$
61.219.000-3	Metro S.A.	Chile	97.032.000-8	Bilbao Vizcaya Argentaria	Chile	UF	2.63%	Biannual	-	6,216	6,216	-	-
61.219.000-3	Metro S.A.	Chile	97.032.000-8	Bilbao Vizcaya Argentaria	Chile	UF	2.59%	Biannual	-	10,527	10,527	-	-
61.219.000-3	Metro S.A.	Chile	97.032.000-8	Bilbao Vizcaya Argentaria	Chile	UF	2.75%	Biannual	-	19,999	19,999	-	-
61.219.000-3	Metro S.A.	Chile	97.032.000-8	Bilbao Vizcaya Argentaria	Chile	UF	3.10%	Maturity	-	312,015	312,015	-	-
61.219.000-3	Metro S.A.	Chile	97.032.000-8	Bilbao Vizcaya Argentaria	Chile	UF	1.91%	Maturity	-	60,292	60,292	-	-
61.219.000-3	Metro S.A.	Chile	97.032.000-8	Bilbao Vizcaya Argentaria	Chile	UF	1.97%	Biannual	-	12,198	12,198	-	-
61.219.000-3	Metro S.A.	Chile	59.046.320-5	BNP Paribas	France	US$	0.75%	Biannual	78,813	-	78,813	-	-
						Total			78,813	421,247	500,060	-	-

Reconciliation of financial liabilities derived from financing activities.

Concept	Balance as of 01/01/2017	Cash flows from financing activities		Changes that have no effect on the cash flow from financing activities			Balance as of 12/31/2017
		From	Used	Exchange rate differences	Changes in Fair Value	Other	
Interest-bearing loans	446,759,041	110,137,796	(142,860,299)	(34,667,624)	-	6,023,538	385,392,452
Bonds payable	1,353,570,474	319,256,995	(70,301,156)	(29,475,000)	-	48,144,619	1,621,195,932
Derivative transactions	500,060	47,533,831	(45,056,511)	-	5,969,556	-	8,946,936
Total	**1,800,829,575**	**476,928,622**	**(258,217,966)**	**(64,142,624)**	**5,969,556**	**54,168,157**	**2,015,535,320**

13. Other non-financial liabilities, current and non-current

Other current and non-current non-financial liabilities are detailed below:

Current	12-31-2017 ThCh$	12-31-2016 ThCh$
Real estate taxes	4,215,006	3,347,456
Deferred income	738,578	1,088,076
Guarantees received	13,570,893	12,994,395
Total	**18,524,477**	**17,429,927**

Non-current	12-31-2017 ThCh$	12-31-2016 ThCh$
Deferred income (*)	3,165,020	3,347,215
Total	**3,165,020**	**3,347,215**

(*) Corresponds to long-term operational leases.

14. Balances and transactions with related parties

Trade and other receivables:

As of December 31, 2017 and 2016, the Company records no outstanding balances of receivables from related parties.

Trade and other payables:

Corresponds to capital contributions received from the Government of Chile for network expansion projects. As of December 31, 2017, the Company records no contributions pending capitalization (ThCh$41,296,200 for 2016).

Transactions:

The Company received contributions from the Chilean Government for ThCh$298,496,046.

On June 22, 2017, ThCh$108,150,000 were capitalized through the issuance and placement of 3,617,056,856 shares.

On December 28, 2017, ThCh$231,642,246 were capitalized through the issuance and placement of 7,667,734,043 shares (such capitalizations are detailed in Note 20).

Year 2016

The Company received contributions from the Chilean Government of ThCh$341,296,200.

On December 29, 2016, ThCh$349,737,277 through the issuance and placement of 11,459,281,684 shares (such capitalization is detailed in Note 20).

As of December 31, 2016, balances pending capitalization amounted to ThCh$41,296,200, which are composed of contributions received during 2016.

As detailed in Note 12 to the financial statements, the Government of Chile is the guarantor of certain bank loans and bonds issued by the Company.

Key management personnel

The Company's key personnel are composed of those individuals having the authority and responsibility to plan, manage and control the entity's activities. The Company has determined that key management personnel are composed of the Directors, General Manager and Managers of the Company's different areas (senior executives).

The expense for compensation received by key management personnel is detailed as follows:

Directors' income are as follows:

Directors' income	01/01/2017 12/31/2017 ThCh$	01/01/2016 12/31/2016 ThCh$
Fixed remunerations	143,338	140,529
Variable remunerations	60,935	62,577
Total	**204,273**	**203,106**

Board of Directors' expenses

During 2017, airplane ticket expenses amounted to ThCh$6,093 (there was no expenditure in 2016).

In 2017, there was no expenditure related to per diem travel allowance (ThCh$563 in 2016).

Remunerations of the General Manager and Other Managers:

During 2017, the compensation paid to the General Manager amounted to ThCh$215,778 (ThCh$206,858 as of December 2016) and compensation paid to Other Managers amounted to ThCh$2,108,528 (ThCh$1,672,917 as of December 2016).

15. Trade and other payables

This caption comprises the following:

Current liabilities	**12/31/2017 ThCh$**	**12/31/2016 ThCh$**
Debt for purchases or services received	61,377,509	67,155,258
Accounts payable - Transantiago	8,125,730	7,420,912
Withholdings	2,725,041	2,539,214
Supplier of property, plant and equipment	69,855,119	-
Megaproject contract retentions	4,674,308	-
Other payables	868,068	1,332,807
Total	**147,625,775**	**78,448,191**

Non-current liabilities	**12/31/2017 ThCh$**	**12/31/2016 ThCh$**
Megaproject contract retentions	326,515	11,422,979
Total	**326,515**	**11,422,979**

16. Segment information

The Company reports segmented information in accordance with what is established in IFRS 8 "Operating Segments." IFRS 8 stipulates that this Standard must be applied by entities with capital stock or debt securities of which are publicly traded or by entities that are in the process of issuing securities to be traded in public markets.

The Company is a joint-stock company that is subject to the rules of open stock corporations in Chile, and its corporate purpose is to carry out all activities related to providing transportation services on underground railways or other complementary electric modes of transportation and services associated with its ordinary course of business.

Its main income is derived from passenger transportation services. The processes associated with the services provided by the Company are based on a common technological and administrative infrastructure. Current activities focus on providing services in a domestic environment with common 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 by this main business.

17. Employee benefits

Current

Concept	12/31/2017 ThCh$	12/31/2016 ThCh$
Accrued vacations	3,918,370	3,843,803
Employee benefit obligations	2,424,557	2,254,138
Production bonus obligations	6,681,546	6,573,223
Total	**13,024,473**	**12,671,164**

Non-current

Concept	12/31/2017 ThCh$	12/31/2016 ThCh$
Provision for dismissal	14,114,928	14,452,258
Provision for resignations	52,559	61,482
Provision for mortality	747,758	796,476
Advance for severance indemnity payments	(1,723,878)	(1,791,101)
Total	**13,191,367**	**13,519,115**

Movements in severance indemnity payments for the year ended December 31, 2017 and 2016, are detailed as follows:

Concept	ThCh$
Liabilities as of 01.01.2017	13,519,115
Service interest	629,761
Benefits paid	(704,286)
Actuarial profit (loss)	(253,223)
Liabilities as of 12.31.2017	**13,191,367**

Concept	ThCh$
Liabilities as of 01.01.2016	13,663,705
Service interest	651,274
Benefits paid	(970,155)
Actuarial profit (loss)	174,291
Liabilities as of 12.31.2016	**13,519,115**

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:

2017

Concept	Increases	Base	Decrease	Increases ThCh$	Decrease ThCh$
Discount rate (change of 0.5)	4.650%	5.150%	5.650%	12,939,886	13,451,546
Increase in salary (change of 0.5)	4.530%	4.030%	3.530%	13,502,083	12,981,718
Labor rotation (change of 25%)	1.813%	1.450%	1.088%	13,184,282	13,198,835
Mortality rate (change of 25%)	25.00%	CB14 & RV14	-25.00%	13,181,135	13,201,757

2016

Concept	Increases	Base	Decrease	Increases ThCh$	Decrease ThCh$
Discount rate (change of 0.5)	5.160%	4.660%	4.160%	13,225,192	13,823,739
Increase in salary (change of 0.5)	4.530%	4.030%	3.530%	13,890,639	13,161,755
Labor rotation (change of 25%)	1.813%	1.450%	1.088%	13,507,804	13,531,011
Mortality rate (change of 25%)	25.00%	CB14 & RV14	-25.00%	13,490,981	13,547,829

Projection of the actuarial calculation for the following year: (Unaudited)

The projected calculation for the following year amounts to ThCh$13,821,288.

Estimate of expected cash flows for the following year: (Unaudited)

The Company estimates that for the following year there will be expected payment flows for obligations on a monthly average of ThCh$58,690 as of December 31, 2017 (ThCh$80,846 as of December 31, 2016).

Actuarial revaluation of obligations:

The Company revalued its obligations as of December 31, 2017, determining a profit due to the update of financial parameters of ThCh$681,154 (profit of ThCh$353,407 as of December 31, 2016) and a loss due to experience of ThCh$427,932 (loss of ThCh$527,698 as of December 31, 2016).

Concept / profit (loss)	12/31/2017 ThCh$	12/31/2016 ThCh$
Revaluation of financial parameters	681,154	353,407
Revaluation due to experience	(427,932)	(527,698)
Total deviation for the period	253,222	(174,291)

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 indemnity

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.

Legal indemnity:

The company does not record liabilities associated to legal severance pay since this qualifies under IAS 19 as a termination benefit and it is an uncertain obligation.

Actuarial assumptions:

Actuarial assumptions are long-term assumptions and should there be sufficient substantive evidence, they must be updated.

1. Mortalidad:

   The CB-H-2014 men and RV-M-2014 women's mortality tables established by the Chilean Superintendence of Pensions and Financial Market Commission were used.

2. Workforce rotation:

   The rotation tables were prepared using information available to the Company. Constant ratios may be observed in the following table:

Reason	Rate %
Dismissal	1.26
Resignation	0.12
Other	0.07

3. Discount rate:

   The real annual discount rates used for each year are as follows:

Year	Rate %
12-31-2016	1.61
12-31-2017	2.09

4. Termination:

   The estimated maximum average termination ages are:

Concept	Age
Women	62 years
Men	68 years

18. Income tax

The Company had a negative first category (corporate) tax base of ThCh$935,063,104 as of December 2017 and ThCh$903,314,152 as of December 2016, determined in accordance with current legal provisions, therefore no income tax provision has been recognized as of these dates.

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	
	12-31-2017 ThCh$	12-31-2016 ThCh$	12-31-2017 ThCh$	12-31-2016 ThCh$
Provision for impairment of receivables	188,192	268,079	-	-
Deferred revenue	975,899	1,108,823	-	-
Accrued vacations	979,593	960,951	-	-
Severance indemnity payments	1,601,702	1,637,838	-	-
Provisions for law suits	436,115	157,648	-	-
Provisions for maintenance	780,509	588,227	-	-
Provision for employee benefits	606,139	563,534	-	-
Provisions for spare parts	678,498	678,498	-	-
Irrecoverable value added-tax fiscal credit for extensions	-	-	30,560,188	29,990,371
Capitalized expenses	-	-	44,435,439	32,455,826
Property, plant and equipment	101,218,958	85,403,036	-	-
Tax loss	233,765,776	225,828,538	-	-
Other	3,601,562	3,399,078	-	-
Subtotal	344,832,943	320,594,250	74,995,627	62,446,197
Net deferred tax assets	269,837,316	258,148,053	-	-
Reduction of deferred tax assets (1)	-269,837,316	-258,148,053	-	-
Deferred tax, net	-	-	-	-

19. Provisions, contingencies and guarantees

As of December 31, 2017 and 2016, 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 their almost non-existent probability of unfavorable judgment.

The amount of the provision for lawsuit is as follows:

Other short-term provisions	12/31/2017 ThCh$	12/31/2016 ThCh$
Provisions for lawsuits	1,744,461	630,590
Total	**1,744,461**	**630,590**

According to the current status of legal proceeding, 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, is impossible to determinate a reasonable payment schedule.

Movements of provisions are as follows:

Concept	Amount ThCh$
Balance as of 01.01.2016	2,168,773
Accrued provisions	641,598
Effective payments	(2,179,781)
Balance as of 12.31.2016	630,590
Accrued provisions	4,138,030
Effective payments	(3,024,159)
Balance as of 12.31.2017	1,744,461

Direct guarantees

The guarantees granted by the Company are in UF and U.S. dollars, expressed in thousands of Chilean pesos as of December 31, 2017, are according to the following detail.

Type of guarantee	No. of guarantee	Issuing entity	Currency	Amount	Beneficiary	Issue date	Maturity date	Status	Amount ThCh$
Note	53057	Banco de Chile	UF	500,000	Enorchile S.A.	8/1/2017	2/28/2018	Effective	307,375
Note	354796-2	Banco de Chile	US$	10,000	SanJuan S.A.	8/1/2017	4/2/2018	Effective	267,981
Note	123830	BBVA	US$	1,000	Subsecretaría de Transportes	8/9/2017	10/2/2018	Effective	26,798
Note	123831	BBVA	UF	5,000	Subsecretaría de Transportes	8/9/2017	10/2/2018	Effective	133,991
Note	123832	BBVA	UF	5,000	Subsecretaría de Transportes	8/9/2017	10/2/2018	Effective	133,991
Note	123833	BBVA	UF	5,000	Subsecretaría de Transportes	8/9/2017	10/2/2018	Effective	133,991
Note	123834	BBVA	UF	5,000	Subsecretaría de Transportes	8/9/2017	10/2/2018	Effective	133,991
Note	123835	BBVA	UF	5,000	Subsecretaría de Transportes	8/9/2017	10/2/2018	Effective	133,991
Note	123836	BBVA	UF	5,000	Subsecretaría de Transportes	8/9/2017	10/2/2018	Effective	133,991
Note	123837	BBVA	UF	5,000	Subsecretaría de Transportes	8/9/2017	10/2/2018	Effective	133,991
Note	123838	BBVA	UF	5,000	Subsecretaría de Transportes	8/9/2017	10/2/2018	Effective	133,991
Note	123839	BBVA	UF	5,000	Subsecretaría de Transportes	8/9/2017	10/2/2018	Effective	133,991
Note	123840	BBVA	UF	5,000	Subsecretaría de Transportes	8/9/2017	10/2/2018	Effective	133,991
Note	141234	BBVA	UF	22,500	Total Sunpower El pelicano SPA	10/18/2017	11/17/2018	Effective	602,958
Note	127926	Itau Corpbanca	UF	10,000	Enel Distribución Chile S.A.	12/18/2017	11/19/2018	Effective	267,981
Note	1006397	Banco Santander	UF	1,128	General Director of Public Works	11/7/2016	12/31/2018	Effective	30,228
Note	292112	Banco Santander	UF	150	Constructora San Francisco S.A.	1/3/2014	12/31/2018	Effective	4,020
Note	123790	BBVA	UF	24,941	Junaeb	7/27/2017	8/19/2019	Effective	668,383

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

2017 Capital increase

At the Extraordinary Shareholders' Meeting held on December 28, 2017, the shareholders of the Company agreed to:

- ✓ Increase the issued and fully-paid capital of the Company by capitalizing government contributions of ThCh$231,642,246 at a nominal value, intended for financing Lines 6 and 3 and investing in improvements for Metro Network and debt service, through the issuance of 7,667,734,043 Series A shares subscribed and fully-paid by Government and CORFO at pro rata of their interests and ownership percentage.

At September 26, 2017, CORFO paid the fiscal contributions signed on June 22, 2017.

At an Extraordinary Shareholders' Meeting held on June 22, 2017, the shareholders of the Company agreed to

- ✓ Increase the issued and fully-paid capital of the Company by capitalizing government contributions of ThCh$108,150,000 at a nominal value, intended for financing Lines 2 and 3 extensions and projects to strengthen the Metro Transportation System, through the issuance of 3,617,056,856 Series A shares that will be subscribed and fully-paid by CORFO no later than December 31, 2017.

2016 Capital increase

At an Extraordinary Shareholders' Meeting held on December 29, 2016, the shareholders of the Company agreed to:

- ✓ Increase the issued and fully-paid capital of the Company by capitalizing government contributions of ThCh$349,737,277, at a nominal value, intended for financing Lines 6 and 3 projects, investing in network improvements, debt service, Lines 2 and 3 extensions, improvement plan for high impact failure management and Metro's security plan, through the issuance of 11,459,281,684 Series A shares subscribed and fully-paid by the Government and CORFO, in proportion to their interests and social participation.

a. Capital

As of December 31, 2017, the capital of the Company is represented by 66,742,385,146 and 19,163,677,063 Series A and B nominative shares with no par value, respectively, with 55,385,920,183 shares corresponding to CORFO and 30,520,142,026 to the Chilean Government.

As of December 31, 2016, the capital of the Company is represented by 55,457,594,247 and 19,163,677,063 Series A and B nominative shares with no par value, respectively, with 46,825,475,189 shares corresponding to CORFO and 27,795,796,121 to the Chilean Government.

Series A shares correspond to the initial capital and capital increases that are subscribed and paid 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:

Shareholder	12/31/2017		12/31/2016	
	Number of shares and percentages			
	Subscribed and paid shares	Ownership %	Subscribed and paid shares	Ownership %
Corporación de Fomento de la Producción	55,385,920,183	64.47%	46,825,475,189	62.75%
Ministry of Finance	30,520,142,026	35.53%	27,795,796,121	37.25%
Total	**85,906,062,209**	-	**74,621,271,310**	-
Corporación de Fomento de la Producción				
Series A	43,282,448,877	-	34,722,003,883	-
Series B	12,103,471,306	-	12,103,471,306	-
Total	**55,385,920,183**	-	**46,825,475,189**	-
Ministry of Finance				
Series A	23,459,936,269	-	20,735,590,364	-
Series B	7,060,205,757	-	7,060,205,757	-
Total	**30,520,142,026**	-	**27,795,796,121**	-

b. Distribution of net income and dividends

The Company's dividend policy is in accordance 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 24, 2017, the shareholders resolved not to distribute net income or dividends.

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 years ended December 31, 2017 and 2016, respectively, is as follows:

Subsidiary	Percentages Non-controlling interests		Non-controlling interests equity		Share of profit or loss income (expense)	
	2017 %	2016 %	2017 ThCh$	2016 ThCh$	2017 ThCh$	2016 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 change in IFRS accounting standard, as stated in Circular 456 issued by the Financial Market Commission:

Other reserves	**12/31/2017 ThCh$**	**12/31/2016 ThCh$**
Price-level adjustment of paid-in capital	30,336,377	30,336,377
Revaluation surplus	3,042,584	3,042,584
Total	**33,378,961**	**33,378,961**

Additional and complementary information is presented in the consolidated statement of changes in equity.

21. Income and expenses

Revenue:

For the years ended December 31, 2017 and 2016, revenue is detailed follows:

Revenue	01/01/2017 12/31/2017 ThCh$	01/01/2016 12/31/2016 ThCh$
Revenues from passenger transportation services	273,323,752	257,847,919
Sales channel income	41,333,583	38,609,320
Lease of commercial stores, spaces and advertising	15,527,648	15,473,579
Lease in intermodal terminals	1,767,386	2,067,673
Other	8,096,709	6,562,017
Total	340,049,078	320,560,508

Other income, by function

For the year ended December 31, 2017 and 2016, other income by function is detailed as follows:

Other income, by function	01/01/2017 12/31/2017 ThCh$	01/01/2016 12/31/2016 ThCh$
Income from fines and indemnities	544,774	1,273,405
Welfare income	440,623	413,438
Sale of proposals	30,797	32,044
Other income	1,474,254	303,071
Total	2,490,448	2,021,958

Expenses by nature:

Cost of sales, administrative expenses and other expenses by function for the years ended December 31, 2017 and 2016, are detailed as follows:

Expenses by nature	01/01/2017 12/31/2017 ThCh$	01/01/2016 12/31/2016 ThCh$
Personnel expenses	85,961,220	82,778,924
Maintenance and operating expenses	60,685,683	57,450,652
Purchase of energy	43,830,963	42,051,389
General expenses and other	61,784,725	59,773,174
Depreciation and amortization	77,108,704	72,931,551
Total	329,371,295	314,985,690

Personnel expenses:

As of December 31, 2017 and 2016, personnel expenses are detailed as follows:

Personnel expenses	01/01/2017 12/31/2017 ThCh$	01/01/2016 12/31/2016 ThCh$
Salaries and wages	56,855,068	51,703,470
Other benefits	24,310,231	25,655,224
Expenses in social and collective benefits	2,198,284	3,179,157
Social security contribution	2,597,637	2,241,073
Total	85,961,220	82,778,924

Maintenance and operating expenses:

As of December 31, 2017 and 2016, maintenance and operating expenses are detailed as follows:

Maintenance and operating expenses	01/01/2017 12/31/2017 ThCh$	01/01/2016 12/31/2016 ThCh$
Maintenance of rolling stock, stations and others	45,403,324	43,605,841
Spare parts and materials	10,637,146	10,127,955
Repair, leases and others	4,645,213	3,716,856
Total	60,685,683	57,450,652

Depreciation and amortization:

As of December 31, 2017 and 2016, depreciation and amortization are detailed as follows:

Depreciation, amortization	01/01/2017 12/31/2017 ThCh$	01/01/2016 12/31/2016 ThCh$
Depreciation	76,792,334	72,540,860
Amortization	316,370	390,691
Total	77,108,704	72,931,551

General and other expenses:

As of December 31, 2017 and 2016, general and other expenses are detailed as follows:

General expenses and other	01/01/2017 12/31/2017 ThCh$	01/01/2016 12/31/2016 ThCh$
Service contracts	25,625,792	24,936,251
Real estate taxes	4,623,950	3,669,873
Corporate image expenses	2,723,214	1,610,011
Sales channel operator expenses	22,013,936	19,653,195
Insurance, materials and others	6,797,833	9,903,844
Total	61,784,725	59,773,174

Financial result and exchange differences:

The Company's financial result and exchange differences for the years ended December 31, 2017 and 2016, are detailed as follows:

Finance income and finance costs	01/01/2017 12/31/2017 ThCh$	01/01/2016 12/31/2016 ThCh$
Finance income		
Interest on cash and other cash equivalents	7,891,823	3,045,671
Finance income from swaps	1,261,488	2,468,363
Other finance income	301,653	210,989
Subtotal	9,454,964	5,725,023
Finance expenses		
Interest and expenses on bank loans	(5,292,797)	(6,911,240)
Interest and expenses on bonds	(48,080,293)	(42,828,620)
Other finance costs	(936,028)	(486,077)
Subtotal	(54,309,118)	(50,225,937)
Profit (loss) financial result	(44,854,154)	(44,500,914)

Foreign currency translation and index-adjusted differences	01/01/2017 12/31/2017 ThCh$	01/01/2016 12/31/2016 ThCh$
Foreign currency translation difference		
Profit (loss) on Foreign currency translation difference	72,537,510	38,250,364
Total foreign currency translation difference	72,537,510	38,250,364
Inflation-adjusted unit		
Profit (loss) on index-adjusted unit (bonds)	(16,925,084)	(25,923,588)
Total index-adjusted unit	(16,925,084)	(25,923,588)

Other profit (losses):

Other profit (losses) of the Company for the years ended December 31, 2017 and 2016, are detailed as follows:

Other income (expenses)	01/01/2017 12/31/2017 ThCh$	01/01/2016 12/31/2016 ThCh$
Net present value of swaps US$	47,756,751	6,905,041
Net present value of swaps UF	(56,396,061)	(13,457,773)
Net present value, value-added tax	(685,800)	761,553
Total	(9,325,110)	(5,791,179)

Other comprehensive income:

As of December 31, 2017 and 2016, other comprehensive income is detailed as follows:

Other comprehensive income	01/01/2017 12/31/2017 ThCh$	01/01/2016 12/31/2016 ThCh$
Actuarial profit (loss) on defined benefit plans	253,223	(174,291)
Total	253,223	(174,291)

22. Third-party guarantees

Guarantees received as of December 31, 2017, are detailed as follows:

Provider	Guarantee amount ThCh$	Originating operation	Relationship
Abengoa Chile S.A.	54,382,709	Service contract	Supplier
Alstom	11,768,871	Service contract	Supplier
Alstom Chile S.A.	152,251,937	Service contract	Supplier
Alstom Transport S.A.	64,081,163	Service contract	Supplier
Arrigoni Ingenieria y Construcción	5,994,706	Service contract	Supplier
Besalco Dragados Grupos 5 y 6	60,937,149	Service contract	Supplier
CAF Chile S.A.	717,843,787	Service contract	Supplier
Ingenieria Electrica e Inversiones S.A.	3,208,659	Work contract	Supplier
Colas Rail Establecimiento Permanente	21,420,497	Work contract	Supplier
Compañía Americana de Multiservicio	3,694,809	Service contract	Supplier
Construciones Piques y Tuneles	26,268,644	Service contract	Supplier
Consorcio Acciona -Brotec -Icafal S.A.	12,129,924	Service contract	Supplier
Consorcio Copisa Chile SPA	3,225,495	Supply contract	Supplier
Consorcio El-OSSA S.A.	4,570,085	Work contract	Supplier
Construcción y Auxiliar de Ferrocarriles	56,149,762	Work contract	Supplier
Constructora Jorge Orellana Lavanderos	8,158,962	Work contract	Supplier
Construcciones Especializadas	8,512,955	Work contract	Supplier
Construcciones y Auxiliares	179,497,709	Service contract	Supplier
Dragados Besalco Estaciones S.A.	10,403,188	Service contract	Supplier
ETF	21,606,110	Service contract	Supplier
ETF Agencia en Chile	84,442,022	Service contract	Supplier
Faiveley Transport Far East	6,167,446	Service contract	Supplier
Ferrovial Agroman Chile S.A.	48,880,425	Service contract	Supplier
Hidronor Chile S.A.	6,227,637	Supply contract	Supplier
Inabensa S.A.	3,688,500	Service contract	Supplier
Indra Sistemas Chile S.A.	42,051,661	Service contract	Supplier
ISS Servicios Integrales Limitada	3,960,335	Service contract	Supplier
Obrascon Huarte Lain S. A. Agencia	2,688,523	Service contract	Supplier
Servicio de Energia Teknica	4105473	Service contract	Supplier
Sice Agencia Chile S.A.	63,246,032	Revenue contract	Supplier
Sociedad de Mantención e Instalaciones Técnicas	64,582,089	Service contract	Supplier
Soler y Palau S.A.	59,626,744	Service contract	Supplier
Strukton Arrigoni SPA	28,040,129	Supply contract	Supplier
Strukton International	3,172,257	Work contract	Supplier
Thales Canada Inc.	30,357,090	Supply contract	Supplier
Thales Communications & Security	2,844,287	Service contract	Supplier
Thyssenkrupp Elevadores S.A.	47,543,438	Service contract	Supplier
Other	68,209,641	Service contract	Supplier
TOTAL	**1,995,940,850**		

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 to changes in market conditions or fortuitous or force majeure cases, among others.

23.1 Description of the market in which the Company operates

The main market in which the Company participates is that of 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.

Rates

On February 10, 2007, the Company became part of the Integrated Public Passenger Transportation System of Santiago, or Transantiago, and its fare revenues was originally based on the effectively confirmed number of passengers transported and the technical tariff established in Exhibit 1 of the Tender Documents for the Use of the Thoroughfares of the City of Santiago.

On December 14, 2012 a new transportation agreement was signed by the Company with the Ministry of Transportation and Telecommunications of Chile to replace the aforementioned Exhibit 1, which established a flat-rate technical tariff of Ch$302.06 per confirmed transported passenger, taking September 2012 as a base, and which is updated monthly by the indexation polynomial, included in this new agreement, which takes into consideration the variation of the variables that compose the Company's long-term cost structure (CPI, US dollar, euro, price of power and electric energy). This allows for a natural match in case of cost variations, due to an increase in any of the variables that compose the polynomial.

The fare paid by the public is different than the one received by the Company per transported passenger. In December 2017, customers paid Ch$740 at peak hours, Ch$660 at valley hours and Ch$610 at low hours, while, on average the Company received a technical tariff of Ch$427.03 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 the Ministry of Transportation and Telecommunication of Chile and Metro S.A. became effective.

Demand (Unaudited)

To date, the Company is the structuring pillar of the Integrated System of Public Passengers Transportation (Transantiago) and during 2017 reached a level of 2.347 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 fact, the demand for passenger transportation is derived from the rest of the economic activities. During 2017, an increase of 15.0 million trips was observed, 2.2% compared to 2016, mainly because of an increase in passenger flow due to the start of operations of Central Train (January 2017) and Line 6 (November 2017).

23.2 Financial risks

The main risks to which the Santiago Metro is exposed to and which arise from financial assets and liabilities are: market risk, liquidity risk and credit risk.

In loans with 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 tariff received by the Company is updated monthly by the indexation polynomial which takes into consideration changes in the variables that compose the Company's long-term cost structure (CPI, US dollar, euro, price of power and electric energy). This allows for a natural hedge in case of cost variations due to an increase in certain variables that compose the polynomial.

To reduce the Company's exposure to financial debt denominated in US dollars and to interest rate changes, the Company has a financial risks economic hedge policy. In the framework of this policy, the Company performed derivative cross currency swap ("CCS") transactions of MUS$260 during the second half of 2017, reaching a balance of MUS$260 as of December 31, 2017 (MUS$71 as of December 31, 2016), which do not meet the hedge accounting criteria.

In January 2017, the Company placed bonds in the international financial market for the second time for an amount of MUS$500 at a 30-year term with a rate of 5.151%, highlighting the high degree of participation from the foreign investors, which reached an over-demand of 8 times the placement amount.

Particularly, the Company is exposed to two market risks, which are: interest rate risk and foreign currency exchange risk.

Interest rate risk

Market risks include possible changes in the Libor rate, affecting foreign loans obtained by the Company at variable rates.

In order to mitigate the risks of interest rate fluctuation, the Company has entered into derivative transactions (cross currency swaps) and placed fixed rate bond in dollar and UF.

As of December 2017, the share of the debt at a variable rate records a significant change with respect to December 2016, as indicated in the following table:

Debt composition	12/31/2017 %	12/31/2016 %
Fixed rate	81.9	80.3
Variable rate	18.1	19.7
Total	100.0	100.0

In conducting a sensitivity analysis as of December 31, 2017 on the net debt at a variable Libor rate, not hedged by current derivatives, which amounts to MUS$582 (MUS$520 as of December 31, 2016), we note in the following table, 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$5.8 (MUS$5.2 as of December 31, 2016).

Sensitivity analysis	Equivalent in MUS$	Total %
Total debt (equivalent to MUS$)	**3,217**	**100%**
Debt at LIBOR rate	538	
IRS	44	
Total variable rate debt	582	18%
CCS (fixed rate)	(260)	
Total fixed rate debt	2,635	82%

Variation in financial expenses	MCh$	Equivalent in MUS$
Impact on financial expenses of a variation of 100 basis points in LIBOR	3,565.6	5.8

Exchange rate risk and inflation

The Company has obligations with financial institutions and has issued bonds in foreign markets, agreed in foreign currencies, to finance the extensions in the Metro network. To minimize exchange currency risks, the Company has contracted cross currency swap (CCS) financial derivatives, which amount to MUS$260 as of December 31, 2017.

The Company is also confronted with inflationary risk, as it maintains a debt with bondholders related to bonds issued in the domestic market in UF.

The following table shows the composition of the Company's debt, expressed in millions of US dollars (considers current derivatives transactions):

Financial debt structure	12/31/2017				12/31/2016			
	Original Currency		Eq. in MUS$	%	Original Currency		Eq. in MUS$	%
Debt UF	ThUF$:	42,770	1,864	58%	ThUF$:	39,308	1,547	59%
Debt US$	MUS$	1,353	1,353	42%	MUS$	1,094	1,094	41%
Total financial debt			**3,217**	**100%**			2,641	100%

As of December 31, 2017, the structure of the financial debt is divided into UF (58%) and US dollars (42%).

This is in line with the operating flows of Metro, given the adjustment formula, which updates the Company's technical tariff in case of changes in the US dollar and the Euro, in addition to other variables, which produces a natural hedge in long-term operating cash flows.

When we analyze the sensitivity of the Consolidated Statement of Comprehensive Income as of December 31, 2017, in case of a possible 10% depreciation/appreciation of the Chilean peso in respect to the US dollar, leaving all the rest of the parameters constant, we estimate that a loss or profit of ThCh$83,175,675.

Sensitivity analysis Effect on profit or loss as of December 2017	10% depreciation ThCh$	10% appreciation ThCh$
Impact of 10% variation in the Ch$/US$ exchange rate	(83,175,675)	83,175,675

Likewise, an estimation in the event of a possible appreciation of 3% of the value of UF, considering that all other parameters remain constant, would result in a loss of ThCh$34,384,693.

Sensitivity analysis Effect on profit or loss as of December 2017	3% appreciation ThCh$
Impact of 3% variation in UF	(34,384,693)

Liquidity risk

Income from tariffs associated with Metro S.A. passenger transportation, based on the new transport contract, are discounted daily from the funds collected by the Company's sales channel, generating the liquidity necessary to cover the Company's commitments. This income corresponds to 80% of total revenue.

Additionally, the Company has duly approved bank credit lines, which reduces liquidity risk (see Note 12).

The expiration 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$
Capital	45,897,180	250,737,434	183,156,540	1,498,016,359	1,977,807,513
Interests	83,822,280	252,072,838	155,122,933	587,812,149	1,078,830,200
Total	**129,719,460**	**502,810,272**	**338,279,473**	**2,085,828,508**	**3,056,637,713**

Financial liability structure

The Company's financial debt classified by maturity is presented as follows.

Financial liabilities	12/31/2017 Up to 1 year ThCh$	1 to 3 years ThCh$	3 to 5 years ThCh$	Over 5 years ThCh$	Total ThCh$
Interest-bearing loans	21,039,962	126,377,856	81,785,497	156,189,137	385,392,452
Bonds payable	55,250,607	124,311,623	98,908,963	1,342,724,739	1,621,195,932
Derivative transactions	2,440,950	-	-	6,505,986	8,946,936
Total	**78,731,519**	**250,689,479**	**180,694,460**	**1,505,419,862**	**2,015,535,320**

Financial liabilities	12/31/2016 Up to 1 year ThCh$	1 to 3 years ThCh$	3 to 5 years ThCh$	Over 5 years ThCh$	Total ThCh$
Interest-bearing loans	120,608,843	146,399,884	65,435,194	114,315,120	446,759,041
Bonds payable	46,120,011	127,458,448	85,143,869	1,094,848,146	1,353,570,474
Derivative transactions	500,060	-	-	-	500,060
Total	**167,228,914**	**273,858,332**	**150,579,063**	**1,209,163,266**	**1,800,829,575**

In general, the Company's debt structure is composed mainly of long-term bonds and bank loans, focusing on ensuring financial stability and improving 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, 2017 are detailed as follows.

	Carrying amount ThCh$	Fair Value ThCh$
Credits	385,392,452	433,354,753
Bonuses	1,621,195,932	1,855,619,120

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:

Credits: 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 RiskAmerica, 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 on the quarter-end.

Credit risk

The Company's credit risk arises from its exposure to its counterparties in a certain contract or financial instrument which may not fulfill its obligations. Thus, it considers both credit granted to customers and financial assets in portfolio.

Accounts receivable

The risk of accounts receivable arising from commercial activities (passenger transportation) is limited, since 80% of the Company's revenue is received daily in cash, whereas the remaining 20% corresponds to income not related to the main business.

The maximum exposure to credit risk arises from commercial debtors.

Trade and other receivables	12/31/2017 ThCh$	12/31/2016 ThCh$
Trade receivables, gross	2,930,697	3,022,952
Impairment of trade receivables	(752,768)	(1,072,316)
Trade receivables, net	**2,177,929**	**1,950,636**
Sales channel accounts receivables, net	4,566,117	4,016,205
Other accounts receivable, net	1,999,299	1,875,142
Total	**8,743,345**	**7,841,983**

Debtors relate mainly to commercial leases, 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, considering the level of default of the account and the judicial collection and non-judicial collection measures taken.

Analysis of accounts receivable based on age is detailed as follows:

Aging of trade receivables, net	12/31/2017 ThCh$	12/31/2016 ThCh$
Less than 3 months	1,880,655	1,113,970
From 3 months to 1 year	87,918	250,811
Over 1 year	209,356	585,855
Total	**2,177,929**	**1,950,636**

Aging of sales channel accounts receivable, net	12/31/2017 ThCh$	12/31/2016 ThCh$
Less than 3 months	4,115,793	3,241,213
From 3 months to 1 year	444,012	728,092
Over 1 year	6,312	46,900
Total	**4,566,117**	**4,016,205**

Aging of other receivables, net	12/31/2017 ThCh$	12/31/2016 ThCh$
Less than 3 months	554,765	648,811
From 3 months to 1 year	1,444,534	1,226,331
Total	**1,999,299**	**1,875,142**

Financial assets

The level of exposure of financial assets to risk is established in the Company's financial investment policy.

As of December 31, 2017 and 2016, this caption comprises the following:

Financial assets	12/31/2017		
	Up to 1 year ThCh$	1 to 5 years ThCh$	Total ThCh$
Cash and cash equivalents			
Cash	2,674,758	-	2,674,758
Term deposits	147,605,384	-	147,605,384
Reverse repurchase agreements	1,959,976	-	1,959,976
Subtotal	**152,240,118**	-	**152,240,118**
Other financial assets			
Financial investments	145,038,270	-	145,038,270
Derivative transactions	3,382,956	1,043,400	4,426,356
Financial lease agreements	46,551	1,626,957	1,673,508
Promissory notes receivables	-	583,469	583,469
Other accounts receivable	-	7,905	7,905
Subtotal	**148,467,777**	**3,261,731**	**151,729,508**
Total	**300,707,895**	**3,261,731**	**303,969,626**

Financial assets	12/31/2016		
	Up to 1 year ThCh$	1 to 5 years ThCh$	Total ThCh$
Cash and cash equivalents			
Cash	5,250,747	-	5,250,747
Term deposits	107,962,318	-	107,962,318
Reverse repurchase agreements	5,085,888	-	5,085,888
Subtotal	**118,298,953**	-	**118,298,953**
Other financial assets			
Financial investments	60,997,382	-	60,997,382
Derivative transactions	4,425,482	2,265,313	6,690,795
Financial lease agreements	46,087	1,822,470	1,868,557
Promissory notes receivables	-	451,794	451,794
Other accounts receivable	-	6,445	6,445
Subtotal	**65,468,951**	**4,546,022**	**70,014,973**
Total	**183,767,904**	**4,546,022**	**188,313,926**

The average period of maturity of financial investments as of December 31, 2017 is less than 90 days and they are invested in banks. None of them are a significant percentage with respect to others.

The above is due to the Company's financial investment policy, which focuses on reducing the risks through diversifying the portfolio, establishing maximum limits to be invested by each bank, together with considering minimum risk ratings by each issuer.

23.3 Capital risk management

Pursuant to capital management, the Company seeks to maintain an optimal capital structure reducing its cost and ensure its long-term financial stability, together with ensuring compliance with its financial obligations and covenants established in the debt contracts.

Every year the Company, through the Extraordinary Shareholders' Meeting, capitalizes Government contributions associated to the financing of its expansion projects.

The Company follows up on the capital structure through debt and equity ratios, which are detailed below:

Index	12/31/2017	12/31/2016
Leverage (times)	0.85	0.88
Equity (MCh$)	2,600,609	2,245,962

23.4 **Commodities risk** (Unaudited)

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 Central Interconnected System (SIC), which supply Lines 1, 2, 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 the operation of the network in a normal manner.

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, maintaining the normal operation of the network.

In the case of Lines 1, 2, 5 and 6, if there is an interruption in the SIC, 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, El Pelicano was sold solely changing its controller (Sunpower), generating no operating risks for Metro’s electrical supply.

24. Environment

Disbursements related to improvements and/or investments that directly or indirectly affect protection of the environment, for the periods ended December 31, 2017 and 2016, are detailed as follows:

Project	Allocated to administrative expenses		Allocated to property, plant and equipment		Expenditures committed in the future
	01/01/2017 12/31/2017 ThCh$	01/01/2016 12/31/2016 ThCh$	01/01/2017 12/31/2017 ThCh$	01/01/2016 12/31/2016 ThCh$	2018 Amount ThCh$
Noise and vibrations	34,157	20,835	796,455	494,785	3,848,291
Waste treatment	215,046	442,392	103,914	41,699	404,144
Run-off water	123,114	128,396	-	-	151,337
Environmental management	148,438	77,156	840,599	884,553	4,986,251
Monitoring of polluting parameters	28,420	6,606	-	-	7,500
Total	**549,175**	**675,385**	**1,740,968**	**1,421,037**	**9,397,523**

The aforementioned projects are currently in progress as of December 31, 2017.

25. Sanctions

During 2017 and 2016, the Company and its Directors have not been sanctioned by Chilean Financial Market Commission or any other supervising entity.

26. Subsequent events

Between January 1 and March 12, 2018, there have been the following subsequent events that have no significant effect on the Company's financial position or profit or loss.

Through letter No. 020 of January 8, the Company communicated that at the Board of Directors' Meeting held on January 8, the Directors unanimously agreed to schedule an Extraordinary Shareholders' Meeting for January 25 at 11:00 am, in the Company's office, to address the amendment of by-laws in regard to the Board's remuneration. The contents to be addressed at such meeting will be timely send to such Committee.

Through letter No. 044 of January 23, the Company communicated that at the Board of Directors' Meeting held on January 22, it was agreed to appoint Mrs. Marcela Munizaga Muñoz as Director, subsequent to the resignation of the now former Director Claudio Soto Gamboa, which was communicated on October 11, 2017.

Through letter No. 046 of January 26, the Company communicated that at the 38th Extraordinary Shareholders' Meeting held on January 25, the shareholders agreed to replace the current Article No. 23 of the Company's by-laws, establishing a new system to determine the Directors' remuneration.

Julio E. Pérez Silva
General Accountant

Rubén Alvarado Vigar
General Manager

ANALYSIS OF THE CONSOLIDATED FINANCIAL STATEMENTS

INTRODUCTION

This document aims to present an analysis of the economic/financial position of the Company and its subsidiary as of December 31, 2017, analyzing the financial structure and its main trends, through comparative tables of the Consolidated Statements of Financial Position as of December 31, 2017 and 2016, and the Consolidated Statements of Comprehensive Income as of December 31, 2017 and 2016, expressed in millions of Chilean pesos.

STATEMENT OF FINANCIAL POSITION

As of December 31, 2017, Total Assets and Liabilities-Equity amounted to MCh$ 4,813,759, reflecting an increase of MCh$ 588,202, equivalent to 13.9% compared to December 2016.

In terms of total assets, they are clearly dominated by the fixed portion of the resources. Accordingly, as of December 31, 2017, Property, Plant & Equipment and Net Investment Properties represent 92.4% of total Assets. Additionally, Current Assets and the Other Non-current Assets represent 6.8% and 0.8% of total Assets, respectively.

Net Property, Plant & Equipment and Investment Properties (commercial premises and other properties granted under operating lease) increased by 11.6% or MCh$ 463,757, as of December 2017, compared to December 2016, as a result of the acquisition of assets which amounted to MCh$541,320, associated with expansion projects of the Metro subway network, mainly on Lines 3 and 6 and the extension of Line 2, that include MCh$ 526,512 for Works In Progress, MCh$ 120 for electrical equipment, MCh$ 11,717 for railway rolling stock and MCh$ 2,971 for Machinery, equipment and Other. The aforementioned was offset by depreciation expenses associated with the Company's assets for MCh$76,519 and to a lesser extent MCh$ 4,540 for transfer and MCh$ 526 for disposals. In addition, Investment Property increased by MCh$ 4,022.

Current assets as of December 2017 increased by 55.3% or MCh$ 116,532, compared to December 2016, mainly due to an increase in Other Current Financial Assets of MCh$ 82,999, resulting from an increase in the level of investments in term deposits higher than 90 days of MCh$ 84,041, despite a decrease in interests receivable related to derivative transaction of MCh$ 1,042. Another significant increase was recorded in Cash and Cash Equivalents of MCh$ 33,941, due to an increase in the level of investments in term deposits lower than 90 days. To a lesser extent, Trade and other receivables and Other current non-financial assets increased by MCh$ 901 and MCh$ 295, respectively. Inventories and Current tax assets decreased by MCh$ 1,517 and MCh$ 87, respectively. The increase in Finance investments is mainly due to proceeds from the last issue and placement of Series 2 bonds in the international market for MUS$ 500 on January 25, 2017, and contributions received from the Chilean Government. Among the main components of Current assets, there are items including Cash and cash equivalents of MCh$ 152,240, Other current financial assets of MCh$ 148,468, Inventories MCh$10,722, Trade receivables of MCh$ 8,743, Other non-financial assets of MCh$ 5,752, and Current tax assets of MCh$ 1,290.

Non-current assets excluding Property, plant and equipment and Investment Properties, increased by 24.5% or MCh$ 7,913 and the movement was mainly due to increases in Other non-financial assets of MCh$ 8,816, due to new land allocation for Line 3 and the extension of Line 2, an in a lesser extent non-current receivables and intangible assets other than goodwill of MCh$ 277 and MCh$ 104, respectively. This is offset by a decrease in other non-current financial assets of MCh$ 1,284.

In terms of total Liabilities, the main variations were reflected in Non-current liabilities and Equity which increased by MCh$ 250,313 and MCh$ 354,647, respectively. These increases are offset by a decrease in Current liabilities of MCh$ 16,758. The movement in non-current liabilities was due to an increase of MCh$ 303,215 in Other non-current financial liabilities resulting from a second placement of Series 2 bonds in the international market of MUS$ 500. This increase was offset by a decrease in Trade payables due to related parties of MCh$ 41,296, due to the capitalization of fiscal contributions, non-current accounts payable of MCh$ 11,096, provisions for employee benefits of MCh$ 328 and Other current non-financial liabilities of MCh$ 182. Variations in Equity are due to an increase of MCh$339,793 in share capital as agreed at the Extraordinary Shareholders' Meetings held on June 22, 2017 and December 28, 2017. To a lesser extent, Equity varied because of a decrease of MCh$ 14,854 in accumulated losses, due to the final profit recognized for the year 2017. Current liabilities varied due to a decrease in Other financial liabilities of MCh$ 88,497, due to the payment of short-term installments and Interest-bearing loans and bonds. This variation was offset by increases in Trade payables of MCh$ 69,178, other short-term provisions of MCh$ 1,114, Other current non-financial liabilities of MCh$ 1,094 and Current employee benefits of MCh$ 353.

Non-current liabilities of MCh$ 1,953,499 are composed of 49.4% or MCh$ 965,480, liabilities denominated in foreign currency obligations and 50.6% or MCh$ 988,019, in obligations in local currency readjustable. Foreign currency obligations include those with banks and financial institutions (interest-bearing loans) of MCh $ 364,353 and bonds of MCh $ 601,127. The readjustable local currency component is composed of Obligations with the public (Bonds) of MCh$ 964,818, Non-current provisions for employee benefits of MCh$ 13,191, Other non-current non-financial liabilities of MCh$ 3,165, Derivative transactions of MCh$ 6,506 and accounts payable of MCh$ 339.

In terms of liquidity ratios, net working capital is positive of MCh$ 67,564, which increased by MCh$133,290 compared to December 2016. Current liquidity ranged from 0.76 to 1.26 times and the acid ratio ranged from 0.43 to 0.59 times. All these changes are due to increases in Current assets of MCh$ 116,532 and a decrease in Current liabilities of MCh$ 16,758.

In terms of indebtedness ratios, total debt-to-equity ratio ranged from 0.88 to 0.85 times; the current portion of short-term debt from 13.96% to 11.73% and the portion of long-term debt from 86.04% to 88.27%.

STATEMENT OF COMPREHENSIVE INCOME

As of December 31, 2017, the Company recorded a Gross profit (Revenue less Cost of sales) of MCh$52,038, a Loss from gains or losses other than Cost of sales of MCh$ 37,437, reaching an after tax profit for the year of MCh$ 14,601. Other comprehensive income of MCh$ 254 is added to such profit or loss, resulting in Total comprehensive income of MCh$ 14,855.

As of December 31, 2017, operating income amounted to MCh$ 340,049, which represents an increase of MCh$ 19,489 or 6.1% when compared to the same period of last year. The main increases include: Revenue from passenger transportation service of MCh$ 15,476 due to higher average prices of the technical fare per passenger of Ch$ 14.2 during 2017, due to increases in variables included in the indexation polynomial, mainly U.S. dollar and inflation. Notwithstanding this, as of December 2017, an increase of 15.0 million trips or 2.2%, was observed compared to the same period of 2016, mainly due to an increase in passenger flow due to the commencement of operations of Tren Central (January 2017) and Line 6 (November 2017). To a lesser extent, Sales channel income increased by MCh$ 2,724 and Other operating income increased by MCh$ 1,535; despite a decrease in Rental income of MCh$ 246.

Cost of sales of MCh$ 288,011 increased by 4.7% or MCh$ 12,904 compared to December 2016, mainly due to an increase in depreciation and amortization expenses of MCh$ 4,177, Operating and maintenance expenses of MCh$ 2,810, Energy expenses of MCh$ 1,780, Personnel expenses of MCh$1,777, and General expenses of MCh$ 2,360.

Movement in depreciation expense is explained by the commencement of operations of assets associated with Line 6, which opened on November 2, 2017.

Movement in operation and maintenance expenses is explained by increases in expenses in spare parts and materials, contractor services for elevators-escalators, stations, railways and other maintenance contracts mainly due to higher train load, an increase in average amounts for such services and the commencement of operations of Line 6, which opened on November 2, 2017.

Energy costs increased as a result of higher consumption due to the commencement of operations of Line 6 and higher average prices compared to September 2016. Note that, currently, electricity supply is provided by three Companies: San Juan, Total Sunpower El Pelicano and Enel Distribución S.A. The first two, correspond to wind-power generation plants and a photovoltaic-power plant, respectively, which contracts entered into on May 19, 2016, with a term of 15 years and they supply 60% of the energy needed by Metro through Non-Conventional Renewable Energies (NCRE). Likewise, the last Company (ENEL), is a Power distribution Company, with which the Company entered into a contract in September 2015 for 40% of the power supply until 2023.

Gains or losses other than gross profit, recorded a loss of MCh$ 37,437 due to the negative effect of Finance costs of MCh$ 54,309, External credits, Bonds and Derivative transaction interests, Administrative expenses of MCh$ 39,852, Results from Inflation Adjusted Units MCh$ 16,925, Other losses of MCh$ 9,325, Net swap valuation, Other expenses by function of MCh$ 974 and Depreciation and amortization of MCh$ 534. This was offset by the positive effects of Foreign currency exchange differences of MCh$ 72,537, Finance income of MCh$ 9,455 Financial investment revenue and Other income by function of MCh$ 2,490. Complementing the aforementioned, the profit of the foreign currency exchange differences, was due to an appreciation of 8.17% of the Chilean peso compared to the U.S. dollar (from Ch$ 669.47 in December 2016 to Ch$ 614.75 in December 2017), which generates a greater profit for the year 2017, mainly as a result of liabilities being held in U.S. dollars.

Compared to the same period of the previous year, the other results other than gross profit decreased its losses by Ch$ 38,385. This was due to positive effects of Foreign currency exchange differences, which increased by MCh$ 34,287, Results from Inflation Adjusted Units which decreased their losses by MCh$8,999, finance income increased by MCh$ 3,730, Other expenses by function decreased by MCh$3,678 and Other income by function increased by MCh$ 468. This was offset by increases in Administrative expenses of MCh$ 5,160, Finance costs of MCh$ 4,083, other losses of MCh$ 3,534.

VALUATION OF MAIN ASSETS

No information is available in relation to differences between the carrying amounts and economic and/or market values that are worth mentioning, except for those that may arise in property, plant and equipment, given the particular characteristics of the Company's assets, such as tunnels, stations and civil works.

STATEMENT OF CASH FLOWS

Net cash generated from operating activities.

As of December 31, 2017, total net cash generated from operating activities was positive by MCh$109,639, which at the same date in prior year was also positive by MCh$ 70,847. Positive cash flows include: Collection from sales of assets and the rendering of services of MCh$ 329,772, representing an increase of MCh$ 16,031 when compared to December 2016, which represents the main source of the Company's revenue, which are the transport of passengers, sales channel and nontariff related revenue (leases). To a lesser extent Other receipts for operating activities amounted to MCh$ 9,340 and primarily include interests in financial investments with a duration of less than 90 days and other operating charges.

The negative operating cash flows consist of payments of MCh$ 143,002 to suppliers for the provision of goods and services, MCh$ 80,665 for payment to or on behalf of employees and MCh$ 5,806 for Other payments for operating activities associated with the payment of performance bonds for contracts, taxes and other operating payments.

Operating cash flows are of the same nature as in the prior year, reflecting an increase in positive net cash flow of MCh$ 38,792 due to higher positive cash flows of MCh$ 50,849, and higher negative cash inflows of MCh$ 12,057.

Net cash generated from financing activities.

Net cash flows as of December 31, 2017 was positive and amounted to MCh$ 517,207, while on the same date last year it amounted to MCh$ 467,120. As of December 2017, cash was obtained from a long-term loan amounting to MCh$ 429,395, which includes a new placement of Series 2 Bonds of MUS$ 500 in the international market on January 25, 2017. In addition, cash was obtained from issue of shares of MCh$ 298,496, related to contributions capitalized received from the Chilean Government for expansion and improvement projects of the Metro subway network and debt services. This capital increase was agreed at the Extraordinary Shareholders' Meetings held on June 22, 2017 and December 28, 2017. Other cash was received from Cross Currency Swap derivative transactions amounting to MCh$ 47,534.

Moreover, cash outflows include the Payment of loans or External loans and bonds of MCh$ 162,174, Interest paid of MCh$ 52,445 or External loans and Bonds, and Other cash outflows of MCh$ 43,599 associated with payments of Cross Currency Swap derivative transactions.

Compared to the same period last year, net positive cash flows increased by MCh$ 50,086. Among cash flows from financing activities, there were higher cash inflows of MCh$ 185,634 and used cash flows amounted to MCh$ 135,548. Among cash inflows, there were cash from long-term loans of MCh$159,927 and other cash receipts (derivative transaction interests) of MCh$ 25,707, which were offset by lower cash inflows in cash from the issue of shares of MCh$ 1,503 and loans from related entities of MCh$ 41,296. Among cash outflows, there are higher payment of loans of MCh$ 64,426, Interest of MCh$ 2,201 and Other cash outflows (derivative transaction interests) of MCh$ 26,122.

Net cash generated from investment activities.

As of December 31, 2017, investing activities recorded negative net cash flows of MCh$ 588,504, while at the same date last year net investing activities were also negative of MCh$ 566,806. Positive cash flows include: Other receipts of equity or debt instruments from other entities of MCh$ 271,109 relating to the redemption of term deposit investments for periods greater than 90 days and Sales of property, plant and equipment of MCh$ 13. Negative cash flows include: Purchase of property, plant and equipment of MCh$ 468,940, mainly associated with Line 3 and 6 projects and the extension of Line 2, the acquisition of intangible assets -software and transit easements- of MCh$ 413, Interest paid of MCh$ 30,586 (Financing Cost of International Bond and external loans), and Other payments related to the acquisition of debt instruments from other entities of MCh$ 359,687.

Negative cash flows increased by MCh$ 21,699 compared to last year, due to higher cash outflows from debt securities from other entities (purchase of investments greater than 90 days) of MCh$ 261,285, higher interest paid of MCh$ 10,981 and higher acquisition of intangible assets of MCh$ 300. The aforementioned was offset by lower acquisitions of Property, plant and equipment of MCh$ 39,823, higher proceeds from receipts of debt instruments from other entities (redemption of investments greater than 90 days) of MCh$ 211,031 and Sale of property of MCh$ 13.

Increase (decrease) in cash and cash equivalents.

At the beginning of the year 2017, an opening balance of cash and cash equivalents (financial investments not exceeding 90 days) amounted to MCh$ 118,299. The closing balance of cash and cash equivalents as of December 31, 2017 amounted to MCh$ 152,240. Consequently, the net variation in cash and cash equivalents for the year was a favorable variation of MCh$ 33,941.

In comparison with 2016, the opening balance of cash and cash equivalents amounted to MCh$ 152,906. The closing balance for cash and cash equivalent amounted to MCh$ 118,299; accordingly, the net change for the period was negative and amounted to MCh$ 34,607. The effects of the variation in exchange rates on cash and cash equivalents had a negative effect of MCh$ 4,400 as of December 31, 2017 as result of a decrease in the exchange rate, (8.17%) mainly U.S. dollars. A negative effect of MCh$ 5,769 was recognized at the same date in the prior year.

MARKET RISK ANALYSIS

The Company faces various risks inherent to the activities performed in the public transportation of passengers, in addition to the risks associated with economic/financial changes in market conditions, accidental events or force majeure, among others.

Pricing structure.

The Company is part of the Integrated System of Public Passenger Transport of Santiago, Transantiago, and its tariff revenue is based on the number of transported passengers effectively validated and the technical fare established in Appendix No.1 based on the Tender conditions for the use of ways in Santiago.

On December 14, 2012 a new Transport agreement was entered into replacing the aforementioned Appendix No.1, where a flat fee of Ch$ 302.06 per validated transported passenger was established, using September 2012 as the basis. It is updated on a monthly basis by an indexation polynomial, which is included in such new agreement and results in an adjustment for fluctuations in variables associated with the structure of the Company's long-term expenses (CPI, U.S. dollars, Euros, price of power and electricity). This allows a natural hedge for changes in costs resulting from an increase in any of the variables included in such polynomial.

Passenger demand

The demand for passenger transport is driven by economic activities. During December 2017, an increase of 15.0 million trips, a positive variation of 2.2% was observed, compared to 2016, mainly due to an increase in passenger flow because of the commencement of operations of Tren Central (January 2017) and Line 6 (November 2017).

Interest rate and currency exchange rate risk.

In order to reduce the exposure to changes in exchange and interest rates of financial debt, the Company has a Financial Risk Coverage Policy. Within the framework of this policy, the Company undertook Cross Currency Swap (CCS) derivative transactions which amounted to MUS$ 260 from August through December 2017, amounting to MCh$ 260 as of December 31, 2017 (MCh$ 71 as of December 31, 2016), and in January 2017, Metro S.A. placed, for the second time, bonds in the international financial market for MUS$ 500 for 30 year term and at a rate of 5.151%, highlighting the high degree of participation of foreign investors, which reached an over demand of 8 times the placement amount. These actions helped reduce de level of exposure to changes in the aforementioned variables.

In addition, it is worth noting that the indexation polynomial, through which the technical rate of Metro S.A. is updated, includes the U.S. dollar and Euro variables, among others, which is a “natural hedge” in the long-term cash flow.

Liquidity risk and financial liabilities structure

Income from tariffs associated with Metro passenger transportation, based on the new transport contract, are discounted daily from the funds collected by the Company's sales channel, generating the liquidity necessary to cover the Company's commitments. This income corresponds to 80% of total revenue.

In general, the Company's debt structure is composed mainly of long-term bonds and bank loans, focusing on ensuring financial stability and improving matching with the maturity terms of the Company's assets.

Credit risk

Credit risk of accounts receivable from commercial activity (passenger transportation) is limited as 80% of the revenue received by the Company is in cash, received on a daily basis, while the remaining 20% corresponds to revenue not related to the main business.

Debtors relate mainly to commercial leases, advertising and invoices receivable with low delinquency. In addition, there are no customers who owe significant amounts relative to the total of accounts receivable.

Credit risk of financial assets (cash and short-term investments), is limited as the Company's Financial Investments Policy aims to reduce risks by means of portfolio diversification, setting maximum investment limits for each bank, as well as considering minimal risk classifications by issuers.

Electricity Supply Risk

One of the main risk factors is the supply of electrical energy required to operate the Metro and the need for service continuity, to avoid possible interruptions in supply. In this regard, the Company has a feeding system that allows it to reduce exposure to outages, having a direct connection to two points of the Central Interconnected System (SIC), which feeds Lines 1, 2, 5 and 6, as well as two points for the feeding of Line 4. Additionally, please note the following:

- ✓ The electricity feeding systems are duplicated and in the event of failure of one of them there is always a backup that keeps the power supply for the regular operation of the network.
- ✓ 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, maintaining the normal operation of the network.
- ✓ For Lines 1, 2, 5 and 6, in the event of a crash of the Central Interconnected System, the distributing company has defined as a first priority the replenishment of the supply that feeds the center of Santiago, which allows the Metro network to have energy simultaneously, since Metro is supplied by the same feeder.

Currently, electricity supply is provided by three Companies: San Juan, Total Sunpower El Pelicano and Enel. The first two, correspond to wind-power generation plants and a photovoltaic-power plant, respectively, the contracts of which were entered into on May 19, 2016, consider a term of 15 years and supply 60% of the of the energy needed by Metro. The last company (Enel) is a Power distribution Company, with which the Company entered into a contract in September 2015 for 40% of the time-variant electricity, which expires in 2023.

1.- COMPARATIVE TABLE OF THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

CONCEPT		December 2017 MCh$	December 2016 MCh$	VARIANCES MCh$	%
Assets :					
Current assets		327,215	210,683	116,532	55.3
Property, plant and equipment and investment property		4,446,381	3,982,624	463,757	11.6
Non-current assets		40,163	32,250	7,913	24.5
Total assets		4,813,759	4,225,557	588,202	13.9
Liabilities / Total debt :					
Current liabilities		259,651	276,409	(16,758)	(6.1)
Non-current liabilities		1,953,499	1,703,186	250,313	14.7
Total liabilities / total debt		2,213,150	1,979,595	233,555	11.8
Net Equity:					
Share capital		3,082,362	2,742,569	339,793	12.4
Other reserves		33,379	33,379		
Retained earnings (losses)		(515,121)	(529,975)	14,854	2.8
Non-controlling interests		(11)	(11)		
Total net equity		2,600,609	2,245,962	354,647	15.8
Net equity and liabilities, total		4,813,759	4,225,557	588,202	13.9
Liquidity and indebtedness indicators :					
Liquidity index :					
Net working capital					
(Current assets (-) Current liabilities)	MCh$	67,564	(65,726)	133,290	202.8
Current liquidity					
(Current assets / Current liabilities)	times	1.26	0.76		65.8
Acid test					
(Cash and cash equivalents / Current liabilities)	times	0.59	0.43		37.2
Indebtedness ratio :					
Indebtedness ratio:					
(Total debt / Equity)	times	0.85	0.88		(3.4)
	%	85.10	88.14		(3.4)
Short-term debt ratio:					
(Current liabilities / Total debt)	%	11.73	13.96		(16.0)
Long-term debt ratio:					
(Non-current liabilities / Total debt)	%	88.27	86.04		2.6

2.- COMPARATIVE TABLE OF THE CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME, BY FUNCTION

CONCEPT		December 2017	December 2016	VARIANCES	
		MCh$	MCh$	MCh$	%
Total passenger flow (million of trips)		685.06	670.07	15.0	2.24
Total passenger flow, paid (million of trips)		684.45	669.44	15.0	2.24
Revenue					
Passenger transport service revenue		273,324	257,848	15,476	6.0
Sales channel revenue		41,333	38,609	2,724	7.1
Revenue from operating leases		17,295	17,541	(246)	(1.4)
Other income		8,097	6,562	1,535	23.4
Total revenue		340,049	320,560	19,489	6.1
Cost of sales					
Personnel		(64,395)	(62,618)	(1,777)	(2.8)
Maintenance and operating expenses		(57,983)	(55,173)	(2,810)	(5.1)
Electricity		(43,831)	(42,051)	(1,780)	(4.2)
General		(45,227)	(42,867)	(2,360)	(5.5)
Depreciation and amortization		(76,575)	(72,398)	(4,177)	(5.8)
Total cost of sales		(288,011)	(275,107)	(12,904)	(4.7)
Gross profit		52,038	45,453	6,585	14.5
Other income, by function		2,490	2,022	468	23.1
Administrative expenses		(39,852)	(34,692)	(5,160)	(14.9)
Administrative depreciation and amortization		(534)	(534)		
Other expenses by function		(974)	(4,652)	3,678	79.1
Other profit (loss)		(9,325)	(5,791)	(3,534)	(61.0)
Finance income		9,455	5,725	3,730	65.2
Finance expenses		(54,309)	(50,226)	(4,083)	(8.1)
Foreign currency translation differences		72,537	38,250	34,287	89.6
Income (expense) from inflation-adjusted units		(16,925)	(25,924)	8,999	34.7
Profit or loss other than gross profit		(37,437)	(75,822)	38,385	50.6
Profit (loss) before tax		14,601	(30,369)	44,970	148.1
Income tax expense					
Profit (loss)		14,601	(30,369)	44,970	148.1
Other comprehensive income (loss)					
Actuarial gains (losses) for defined benefit plans		254	(174)	428	246,0
Total comprehensive income		14,855	(30,543)	45,398	148.6
Indebtedness ratio:					
Finance expense hedge:					
(Profit or loss before taxes and interests/Finance expenses)	%	124.77	38.49		224.2
Profit or loss ratios:					
R.A.I.I.D.A.I.E - EBITDA					
(Earnings before taxes, interest, depreciation , amortization and extraordinary items)		144,870	92,263	52,607	57.0
Operating profit (*)					
(Gross profit less Administrative expenses, depreciation and amortization)		11,652	10,227	1,425	13.9
E.B.I.T.D.A. (Operating profit plus Depreciation and amortization) (*)		88,761	83,159	5,602	6.7
Ebitda margin. (Ebitda / Revenue) (*)	%	26.10	25.94		0.6
(*) Per contracts entered into					
Profitability ratio:					
Operating profitability (Operating profit / Property, plant and equipment)	%	0.26	0.26		0.0
Equity profitability (Profit (loss) /Average equity)	%	0.60	(1.46)		141.1
Asset profitability (Profit (loss)/Average asset)	%	0.32	(0.76)		142.1
Operating assets return (Operating profit/Average operating assets) (**)	%	0.28	0.27		3.7
Profit (loss) per share (Profit (Loss)/No. of shares)	Ch$	0.17	(0.41)		141.5
2017 - 85.906.062.209 shares					
2016 - 74.621.271.310 shares					

(**) Operating assets relate to Property, plant and equipment and investment properties