



METROPOLITANO DE TENERIFE, S.A.
ANNUAL ACCOUNTS – FISCAL YEAR 2020
(Expressed in euros)



METROPOLITANO DE TENERIFE, S.A.
Annual Accounts and Management Report corresponding to the
fiscal year ended on 31 December 2020

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BALANCE SHEET ON 31 DECEMBER 2020

<i>Assets</i>	<i>Note</i>	<i>2020</i>	<i>2019</i>
A) NON-CURRENT ASSETS		175,851,512.09	178,654,959.37
I. Intangible Fixed Assets	6	136,573,004.11	137,980,350.27
5. IT Applications		166.78	456.27
6. Other Intangible Fixed Assets		8,814,905.50	9,091,146.22
7. Concession Agreement, regulated asset		96,253,562.56	98,609,861.40
8. Financial Capitalisation Concession Agreement		31,504,369.27	30,278,886.38
II. Tangible Fixed Assets	5	29,601,805.70	30,519,730.08
2. Technical installations and other tan. f. assets		2,589,020.40	2,790,871.57
3. Fixed assets in process and advances		27,012,785.30	27,728,858.51
V. Long-term Financial Investments	7	758,031.49	1,063,591.28
2. Credits to third parties		746,529.08	1,052,088.87
5. Other financial assets		11,502.41	11,502.41
VI. Deferred Income Tax Assets	12	8,918,670.79	9,091,287.74
B) CURRENT ASSETS		20,434,331.75	20,302,686.81
II. Stock	9	1,886,169.37	1,980,534.10
2. Raw materials and other provisions		1,863,377.36	1,977,183.04
6. Advances to providers		22,792.01	3,351.06
III. Commercial debtors and other pending payments		7,860,456.93	6,690,614.37
1. Sales and services clients	7	2,035,036.05	2,244,476.63
3. Various debtors	7	2,871,548.89	2,940,009.78
4. Staff	7	40,597.39	16,389.10
5. Current tax assets	12	68,739.95	929,392.07
6. Other credits with Public Administrations	12	2,844,534.65	560,346.79
V. Short-term Financial Investments	7	1,614.49	667.63
5. Other financial assets		1,614.49	667.63
VI. Short-term Accruals		202,220.81	72,305.01
VII. Cash. And other equivalent liquid assets		10,483,870.15	11,558,565.70
1. Treasury	7	10,483,870.15	11,558,565.70
TOTAL ASSETS		196,285,843.84	198,957,646.18

BALANCE SHEET ON 31 DECEMBER 2020

<i>Liabilities</i>	<i>Note</i>	2020	2019
A) Net worth		44,676,277.23	44,364,823.82
A-1) Shareholder's Equity		45,859,481.97	45,859,481.97
I. Capital	10.1	69,200,000.00	69,200,000.00
III. Reserves	10.2	7,893,925.60	7,369,546.93
1. Legal and statutory		927,132.47	402,753.80
2. Other reserves		6,966,793.13	6,966,793.13
VI. (Equity shares and participations)	10.1	-245,000.00	-245,000.00
V. Results of previous fiscal years		-30,989,443.63	-35,708,851.69
2. (Negative results of previous fiscal years)		-30,989,443.63	-35,708,851.69
VII. Result of the fiscal year	3	0.00	5,243,786.73
A-2) Adjustments due to value changes	10.3	-26,756,012.38	-27,273,863.27
II. Coverage operations		-26,756,012.38	-27,273,863.27
A-3) Subsidies, donations and bequests received	10.4	25,572,807.64	25,779,205.12
B) NON-CURRENT LIABILITIES		136,647,642.19	141,703,757.77
II. Long-term debts	11	127,445,641.64	132,386,688.48
2. Debts with credit entities		93,739,464.80	97,695,327.60
3. Financial leasing creditors		1,884,956.03	2,670,204.14
4. Derivatives	8-11	31,821,220.81	32,021,156.74
IV. Deferred income tax liabilities	12	8,524,269.36	8,593,068.60
V. Long-term accruals	13.1	677,731.19	724,000.69
C) CURRENT LIABILITIES		14,961,924.42	12,889,064.59
II. Short-term provisions.	16.2	396,304.77	396,304.77
III. Short-term debts	11	11,905,442.09	9,144,099.82
2. Debts with credit entities		5,941,884.38	3,291,372.79
3. Financial leasing creditors		873,394.97	806,711.08
4. Derivatives	8-11	3,853,462.35	4,343,994.26
5. Other financial liabilities		1,236,700.39	702,021.69
V. Commercial creditors and other pending payments		2,478,782.89	2,846,276.62
1. Providers	11	386,652.50	394,318.41
3. Various creditors	11	709,028.34	825,080.50
4. Staff (remunerations pending payment)	11	565,974.16	334,354.51
6. Other debts with Public Administrations	12	461,224.44	867,356.71
7. Client advances.	11	355,903.45	425,166.49
VI. Short-term accruals	13.1	181,394.67	502,383.38
T O T A L NET WORTH AND LIABILITIES		196,285,843.84	198,957,646.18

PROFIT AND LOSS ACCOUNT CORRESPONDING TO THE 2020 FISCAL YEAR

	Note	Year 2020	Year 2019
A) CONTINUING OPERATIONS			
1. Net revenue	13.1	14,762,736.73	22,340,077.02
a) Sales		1,029.40	3,156.42
b) Service provision		14,761,707.33	22,336,920.60
3. Works conducted by the company		167,474.03	173,858.25
4. Provisions	13.3	-1,361,249.24	-925,307.67
b) Consumption of raw materials and other materials		-1,361,249.24	-925,307.67
5. Other operation revenues	13.2	7,964,705.76	5,603,762.57
a) Other sundry income		5,319,341.22	5,275,385.96
b) Incorporated operation subsidies		2,645,364.54	328,376.61
6. Staff expenses	13.4	-8,371,731.00	-7,740,378.38
a) Wages, salaries and ancillaries		-6,377,369.14	-5,812,034.89
b) Social charges		-1,994,361.86	-1,928,343.49
7. Other operation expenses	13.5	-4,824,430.11	-5,743,255.56
a) External services		-4,377,774.22	-5,139,573.16
b) Taxes		-35,140.49	-37,339.16
c) Provision losses, deterioration and var. caused by comm. Op.		-21,132.21	0.00
d) Other current management expenses		-390,383.19	-566,343.24
8. Depreciation of fixed assets	5-6	-4,267,299.87	-4,324,507.30
9. Allocation of subsidies for non-financial fixed assets	10.4	275,196.72	275,196.72
11. Deterioration resulting from disposal of fixed assets		-65,592.67	0.00
b) Results from disposals and others.		-65,592.67	0.00
13. Other Results		-87,896.95	-42,070.65
A.1) OPERATION RESULTS		4,191,913.40	9,617,375.00
14. Financial revenue	13.6	130,146.91	132,038.75
b) From marketable securities and other financial investments		130,146.91	132,038.75
b2) From third parties		15,960.29	76.60
b3) NPGC Financial income adjustments		114,186.62	131,962.15
15. Financial expenses	13.6	-4,253,681.92	-4,356,346.46
b) From debts with third parties		-4,253,681.92	-4,356,346.46
16. Exchange differences	13.6	-40,103.35	1,786.11
A.2) FINANCIAL RESULT		-4,163,638.36	-4,222,521.60
A.3) RESULT PRIOR TO TAXES		28,275.04	5,394,853.40
19. Corporate income tax	12.2	-28,275.04	-151,066.67
A.4) RESULT FROM CONTINUING OPERATIONS		0.00	5,243,786.73
B) INTERRUPTED OPERATIONS		0.00	0.00
A.5) FISCAL YEAR RESULT	3	0.00	5,243,786.73

STATEMENT OF CHANGES IN EQUITY CORRESPONDING TO THE 2020 FISCAL YEAR

A) Statement of acknowledged revenue and expenses in the fiscal year

	Note	Amount 2020	Amount 2019
A) RESULT OF PROFIT AND LOSS ACCOUNT	3	0.00	5,243,786.73
REVENUE AND EXPENSES DIRECTLY ALLOCATED TO EQUITY			
II. Coverage of cash flow	10.3	-3,747,482.69	-7,547,659.86
VII. Tax impact	12.3	936,870.67	1,886,914.97
B) TOTAL REVENUE AND EXPENSES DIRECTLY ALLOCATED TO EQUITY (II+VII)		-2,810,612.02	-5,660,744.90
TRANSFERS TO PROFIT AND LOSS ACCOUNT			
IX. Coverage of cash flow	10.3	4,437,950.52	4,546,603.86
X. Subsidies, donations and bequests received	10.4	-275,196.72	-275,196.72
XIII. Tax impact	12.3	-1,040,688.37	-1,067,851.73
C) TOTAL TRANSFERS TO PROFIT AND LOSS ACCOUNT (IX+X+XIII)		3,122,065.43	3,203,555.42
TOTAL ACKNOWLEDGED REVENUE AND EXPENSES (A+B+C)		311,453.41	2,786,597.25

(Expressed in euros)

B) STATEMENT OF CHANGES IN EQUITY TOTAL

	Authorised Capital Stock (Note 10.1)	Reserves (Note 10.2)	(Shares and participations in equity) (Note 10.1)	Results of previous fiscal years	Result of the fiscal year (Note 3)	Value changes adjustments (Note 10.3)	Subsidies, donations and bequests received (Note 10.4)	TOTAL
C. BALANCE, END OF 2018 FISCAL YEAR	69,200,000.00	7,017,522.19	-245,000.00	-38,488,087.70	3,131,260.75	-25,023,071.27	25,985,602.60	41,578,226.57
D. ADJUSTED BALANCE, START OF 2019 FISCAL YEAR	69,200,000.00	7,017,522.19	-245,000.00	-38,488,087.70	3,131,260.75	-25,023,071.27	25,985,602.60	41,578,226.57
I. Total acknowledged revenue and expenses	0.00	0.00	0.00	0.00	5,243,786.73	-2,250,792.00	-206,397.48	2,786,597.25
III. Other equity variations	0.00	352,024.74	0.00	2,779,236.02	-3,131,260.75	0.00	0.00	0.00
E. BALANCE, END OF 2019 FISCAL YEAR	69,200,000.00	7,369,546.93	-245,000.00	-35,708,851.69	5,243,786.73	-27,273,863.27	25,779,205.12	44,364,823.82
D. ADJUSTED BALANCE, START OF 2020 FISCAL YEAR	69,200,000.00	7,369,546.93	-245,000.00	-35,708,851.69	5,243,786.73	-27,273,863.27	25,779,205.12	44,364,823.82
I. Total acknowledged revenue and expenses	0.00	0.00	0.00	0.00	0.00	517,850.89	-206,397.48	311,453.41
III. Other equity variations	0.00	524,378.67	0.00	4,719,408.06	-5,243,786.73	0.00	0.00	0.00
E. BALANCE, END OF 2020 FISCAL YEAR	69,200,000.00	7,893,925.60	-245,000.00	-30,989,443.63	0.00	-26,756,012.38	25,572,807.64	44,676,277.23

CASH FLOW STATEMENT CORRESPONDING TO THE 2020 FISCAL YEAR

4. CASH FLOW STATEMENT		FISCAL YEAR	FISCAL YEAR
	Notes	2020	2019
A) OPERATION CASH FLOWS			
1. Result of the fiscal year before taxes		28,275.04	5,394,853.40
2. Result Adjustments.		8,107,618.48	8,160,256.45
a) Depreciation of fixed assets (+).	5 -6	4,267,299.87	4,324,507.30
d) Allocation of Subsidies (-).	10.4	-275,196.72	-275,196.72
e) Results from loss and disposal of fixed assets (+/-)		65,592.67	0.00
g) Financial Revenue (-)	13.6	-15,960.29	-76.60
h) Financial Expenses (+)	13.6	4,253,681.92	4,356,346.46
k) Other Revenue and Expenses (-/+)		-187,798.97	-245,323.99
3. Changes in current Capital.		-3,004,124.19	1,348,701.16
a) Stock (+/-)		94,364.73	-21,048.34
b) Debtors and other pending payments.		-2,295,970.33	1,267,688.93
c) Other current assets (+/-).		-129,915.80	-872.46
d) Creditors and other accounts pending payment(+/-)		26,699.56	-249,851.79
e) Other current liabilities (+/-)		-681,250.93	352,784.82
4. Other Operation Cash Flows.		-4,615,884.58	-6,006,281.73
a) Payment of Interest (-)		-5,479,164.81	-5,584,103.03
c) Collection of Interest (+/-).		15,960.29	76.60
d) Collection (payments) due to corporate income tax(+/-)		847,319.94	-422,255.30
5. Operation Cash Flows (+/-1+/-2+/-3+/-4)		515,884.76	8,897,529.28
B) INVESTMENT ACTIVITIES CASH FLOWS			
6. Payment of investments (-).		-748,903.23	-1,273,563.42
b) Intangible fixed assets.	6	-302,903.08	-11,710.99
c) Tangible fixed assets.	5	-445,053.29	-1,261,768.55
e) Other financial assets		-946.86	-83.88
7. Collection of investments (+)		0.00	0.00
e) Other financial assets		0.00	0.00
8. Investment cash flows (7-6)		-748,903.23	-1,273,563.42
C) FINANCING ACTIVITIES CASH FLOWS.			
9. Collection and payment from equity instruments.		1,182,553.26	815,168.63
e) Subsidies, donations and bequests received (+)		1,182,553.26	815,168.63
10. Collection and payment from financial liabilities		-2,023,915.42	-6,173,296.61
a) Issue	11	1,985,355.50	0.00
2. Debts with credit entities (+)		1,985,355.50	0.00
b) Return and depreciation of:		-4,009,270.92	-6,173,296.61
2. Debts with credit entities (-)		-4,009,270.92	-6,173,296.61
12. Financing activities cash flows (+/-9+/-10-11)		-841,362.17	-5,358,127.98
D) Impact of variations in exchange rates (+/-)		-314.91	21.58
E) NET INCREASE/DECREASE OF CASH OR EQUIVALENTS (+/-5+/-8+/-12+/-D)		-1,074,695.55	2,265,859.46
Cash or equivalents at the start of the fiscal year.		11,558,565.70	9,292,706.24
Cash or equivalents at the end of the fiscal year.		10,483,870.15	11,558,565.70

1 PURPOSE OF THE COMPANY

Sociedad Metropolitano de Tenerife, S.A., (from now on, also Metrotenerife), reviewed in the present report, was founded in 2001 and has its business and tax addresses at Carretera General La Cuesta-Taco, 124, 38108 San Cristóbal de La Laguna, Santa Cruz de Tenerife. The Legal Framework at the time of its foundation was that of a Sociedad Anónima (Public Limited Company).

The Company has opened a branch in Cuenca (Ecuador) where it offers its services for the preparation of the operation, as well as technical assistance in the commercial operation of Cuenca's tram's Cuatro Ríos line.

Operation:

The Company's corporate purpose is the planning, design, construction, launch, operation and maintenance of railways. Additionally, this purpose includes energy generation, technical counselling, and communication systems, whether directly or in collaboration with third parties. The management and profitability of its patrimony by any means and any ancillary commercial activity that could lead to the improvement of the Company's account results. The Company's operation will be conducted at a national and at an international level.

The functional currency the Company operates in is the Euro, although the Cuenca Branch operates in American Dollars.

2 BASIS FOR THE PRESENTATION OF THE ANNUAL ACCOUNTS

2.1 Accurate review:

The Annual Accounts have been obtained from the Company's accounting records and are presented according to the Royal Decree 1514/2007, of 16 November, that passes the General Accounting Plan, which was modified in 2016 by the Royal Decree 602/2016, of 2 December, as well as the modifications added by Order EHA/3362/2010 of 23 December, which passes the rules of adaptation to the General Accounting Plan for companies with public infrastructure concessions, and by Order EHA/733/2010, of 25 March, which passes accounting aspects of public companies that operate in certain circumstances, so that they show an accurate review of equity, balance, the Company's results and the cash flows during the corresponding fiscal year. The statement of cash Flow has been prepared with the object of truthfully informing about the origin and use of the monetary assets representing cash and other

equivalent liquid assets from the Company. These Annual Accounts, which have been formulated by the Company's Administrators, will be submitted for the approval of the General Meeting of Shareholders, where it will, in all likelihood, be approved without any modifications.

The amounts included in the Annual Accounts are expressed in Euros except where noted.

2.2 Comparison of information:

Following commercial laws, for comparative purposes, apart from the amounts corresponding to the 2020 fiscal year, with each of the balance items, the Profit and Loss account, the statement of changes in equity and the statement of cash flow, the amounts corresponding to the previous fiscal year are also included. Quantitative information about the previous fiscal year is also included in the report, unless an accounting rule specifically establishes it is not needed.

2.3 Critical aspects of the valuation and estimation of uncertainty:

In the production of the Annual Accounts, estimations and hypotheses have been determined according to the best information available about the analysed facts. It is possible that potential future events could modify them (upwards or downwards) in following fiscal years, which would be done prospectively, acknowledging the effects of the modified estimation in the corresponding future Annual Accounts.

On 11 March 2020 the World's Health Organisation raised the public health emergency state due to the coronavirus (COVID-19) outbreak to the international pandemic level. The evolution of the incident, at a national and at an international scale, has brought about an unprecedented health crisis that has had an impact on the macroeconomic environment and the evolution of businesses. During the 2020 fiscal year, a series of measures have been adopted in order to deal with the economic and social impact caused by this situation which, among other things, has restricted people's mobility. Specifically, the Government of Spain declared, among other measures, the state of alarm by issuing the Royal Decree 463/2020, of 14 March, which was lifted on 1 July 2020, and the approval of a series of extraordinary urgent measures to deal with the economic and social impact of COVID-19, through the Royal Decree-Law 8/2020, of 17 March.

On 25 October 2020, the Government declared another state of alarm throughout the national territory in order to contain the propagation of infections caused by the SARSCoV-2. Regarding the state of alarm, for all intents and purposes, the competent authority is the Government of the Nation. In each

autonomous community or city, that competent authority is delegated onto the corresponding president.

The state of alarm declared by the Royal Decree 926/2020 ended at 00:00 hours, 9 November 2020. On 3 November, the Council of Ministers passed an extension of the State of Alarm for a 6-month period from 00:00 hours, 9 November 2020 until 00:00 hours, 9 May 2021.

At the time of the formulation of these annual accounts, said state of alarm is still in place.

The evolution of the pandemic continues to have consequences for the economy in general and for the Company's operations, the effects of which in the following months are still uncertain and will greatly depend on the evolution and reach of the pandemic. Due to the effects of the pandemic, in the 2020 fiscal year the revenue from the Company's provision of services has decreased (Note 13.1). This fall was caused by the effect that the different COVID-19 prevention measures had on the transport of passengers, especially those related to the State of Alarm at a national level and the population lockdown. Additionally, the discontinuation of all school and non-essential work activities caused a sudden and unexpected decrease in demand. Starting in June, once the State of Alarm was over and social and economic activities started to gradually recover, the demand levels started recovering as well until, at the end of October, they reached 75% of the weekly demand level in the same weeks the previous year. During November and December, the emergence and spread of the third wave of COVID-19 together with the restrictive measure imposed by the authorities and the discontinuation of in-person teaching activities at the university, caused a new and significant decline with respect to the equivalent months in the previous year. It should be noted that public transport is an essential activity and, thus, the service had to be continued, so the CIT's Mobility Insular Management, as the competent body in matters of transport, enacted resolutions that regulated not only the service during the state of alarm, but also its gradual adaptation to the situation as the phases change in the return to the so-called "new normality". While adapting to the new restrictions derived from the subsequent waves of infection, these regulations affected frequency, schedules, and conditions of the service during this time.

The Company's Administrators have adopted various measures to mitigate the effects of the Company's decreasing activity, among them: the assessment of the Company's financial situation and measures to maintain the necessary financial balance. Metrotenerife has updated the business model made by PRICEWATERHOUSECOOPERS Business Consultants, S.L., taking into account the new demand

estimation adapted to the new COVID-19 circumstances and has created the Budget for the 2021 fiscal year in the same terms.

Deterioration of the value of non-current Assets

The relevant data about the estimation of uncertainty in the closing date of the fiscal year, which come with an important associated risk of significant changes in the value of assets and liabilities in the next fiscal year, is the valuation of non-current assets, different from the financial ones, which requires conducting estimations with the goal of determining their recoverable value in order to assess a potential deterioration.

2.4 Grouping of items:

During the fiscal year, there has been no grouping of items in the balance sheet, the Profit and Loss account, the statement of changes in equity nor the statement of cash flow.

2.5 Elements collected in various items:

There are no equity elements of Assets or Liabilities that are included in more than one item of the balance sheet, except those that have to be classified according to their expiration date in the short or long term.

2.6 Changes in accounting criteria and errors:

During the 2020 fiscal year there have been no significant accounting criteria changes with respect to those applied in 2019.

3 APPLICATION OF RESULTS

The Company has had a result of 0.00 Euros, so the application of results is not warranted.

There have been no interim dividends distribution during this fiscal year.

There are no limitations for the distribution of dividends apart from those established by the Law of Capital Companies.

4 REGISTRATION AND VALUATION STANDARDS

The main registration and valuation standards used by the Company in the production of its Annual Accounts in the 2020 fiscal year have been the following:

4.1 Intangible Fixed Assets

As is the norm, the intangible fixed assets are initially valued by their acquisition price or production cost. Then, their cost is valued, reduced by the corresponding accrued depreciation and, if applicable, by the experienced deterioration losses.

The Company acknowledges any loss that could have affected the registered value of these assets, originated in their deterioration. The criteria for the recognition of the deterioration losses of these assets and, if applicable, of the recovery of the deterioration losses registered in previous fiscal years, are similar to those applied to tangible assets.

Concession Agreement

The Company designates a concessional agreement as an intangible fixed asset when the compensation received by the concessionaire company involves the right to collect fees based on the degree of use of the public service. The compensation received by the concessionaire company is measured by the reasonable value of the acquired or constructed infrastructure.

If the compensation received involves the unconditional right to receive cash or other financial asset, the Company designates the concession agreement as a financial asset.

If the compensation received involves, on the one hand a financial asset, and on the other hand an intangible fixed asset, the Company registers that compensation in terms of proportion, except if one of the two components represents less than 90% of the received compensation, in which case the totality of the compensation is acknowledged as a financial asset or an intangible fixed asset.

The subsequent valuation of the concession agreements designated as intangible fixed assets will follow the standards of registration and valuation 5th and 6th of the General Accounting Plan.

According to the terms established in the concession, until the infrastructure is in an operational condition, all the planning, construction, expropriation, and other expenses, including administrative and financial expenses and the depreciation of other intangible fixed assets, if applicable, are considered the cost of the concession agreement.

The Company has chosen to apply a linear depreciation method throughout the concession period.

The rights over relinquished assets in use are registered by the completed compensation or by its fair market value, if there is no existing compensation. The right is recouped according to its depreciation

throughout its registration period.

Intangible fixed assets are linearly recouped according to the estimated useful life years, following this:

	YEARS	RATE
Rights of use of relinquished properties for infrastructure construction	until 2053 (*)	
Regulated asset concession agreement		
Brands and commercial name	10	10%
Industrial design	5	20%
IT Applications	3	33.33%
Rights of use	until 2053 (*)	
Repair shops and Garages		
Urbanisation and Infrastructure Rep. shops & Garages	until 2053 (*)	
Facilities Repair shops and Garages	20-25	5%-4%
Commercial Offices	10-30	10%-3.33%
Systems	10	10%
Electrification	35	2.85%
Machinery	8-10	12%-10%
Equipment	5	20%
Other Facilities	8	12%
Civil Works		
Urbanisation, Factory Works and Platform Stations	until 2053 (*)	
Substation	until 2053 (*)	
Furniture	10	10%
Information processing equipment	4	25%
Rolling stock	35	2.85%
Transport elements	between 3-20	between 32%-5%
Other tangible fixed assets	between 4-10	between 25%-10%

(*) Until the end of the concession period.

In the intangible asset “Concession agreement” its composition according to the nature of each good is detailed.

The expenses related to the conservation and/or the replacement of the infrastructure will be allocated to the results account of the corresponding fiscal year. When a big repair is conducted, its cost will be acknowledged in the accounting value of the fixed asset as substitution, as long as the conditions for its acknowledgement are met. When the elements of the fixed asset related to the repair and/or substitution cannot be identified, the repairs will be registered as expenses of that fiscal year.

The capacity improvements or expansions are treated as a new concession if they are compensated with the possibility of gaining more revenue. If not, a provision for the current value of the best

estimation of the expense required to cancel the obligation is acknowledged and a higher acquisition Price of the concession agreement is recognised. When the actions are taken, the provision will be cancelled.

4.2 Tangible fixed assets

a) Cost

The assets included in the tangible fixed assets have been valued according to the acquisition price or production cost and reducing by the corresponding accrued depreciation and, if applicable, by any known deterioration losses. The acquisition price or the production cost include any additional expenses that will necessarily be required to improve the functioning conditions of the asset.

The costs of expansion, substitution or renovation that increase the useful life of the asset, or its economic capacity, are counted as the tangible fixed asset's biggest cost, with the subsequent withdrawal of the substituted or renovated elements. Similarly, the periodic maintenance, conservation and repair expenses are allocated to the results, following the accrual principle, as a cost of the corresponding fiscal year.

For those fixed assets that need a period longer than a year to be in fit condition for use, the capital costs include financial expenses that have been accrued before the optimal functioning conditions have been reached and they correspond to loans or other types of external financing, specific or generic, directly attributed to its acquisition or manufacturing.

The works that the company conducts for its own fixed assets are registered according to the cost of the working force needed.

The expense for valuation corrections is the difference between the book values of the asset and the recoverable amount. The recoverable amount is the higher reasonable amount minus sale costs and the current value of future cash flows derived from the investment.

The valuation corrections for deterioration and, if applicable, their reversal, have been registered as an expense or as revenue respectively in the Profit and Loss Account. The reversal's limit is the book value of the asset.

b) Depreciations

The depreciations have been systematically and rationally established according to the goods' useful life and their residual value, taking into account the depreciation usually caused by functioning, use and enjoyment, potentially affecting technical or commercial obsolescence notwithstanding. Each element of the tangible fixed assets has been independently depreciated, as well as linearly, applying annual depreciation percentages based on the estimated years of useful life of the corresponding goods, according to:

	YEARS	RATE
Technical installations	25	4%

Value deterioration of non-current assets

At the time of the fiscal year's closing, the Company reviews the book value of its non-current assets to determine if there is evidence of those assets suffering losses due to value deterioration. If there is such evidence, an estimation of the corresponding asset's recoverable amount is made in order to determine the necessary deterioration amount. The calculation of the deterioration of the tangible and intangible fixed assets' elements is conducted element by element individually.

The valuation corrections due to deterioration are recorded as an expense in the Profit and Loss Account.

The deterioration losses recorded for a tangible and intangible asset in previous fiscal years are reversed when there is a change in the estimations about their recoverable amount increasing the asset's value with credit to income limited by the book value that the asset would have had it not been for the deterioration.

At the closing of the 2019 and 2020 fiscal years, the Administrators estimate that there is no deterioration in the tangible and intangible assets.

4.3 Leases

Leases are considered financial leasing as long as it can be attested from their conditions that the risks and profits inherent to the ownership of the asset that is the object of the contract are transferred to the leaseholder. The rest of the leases are classified as operational leasing.

In financial leasing operations, the cost of the leased assets is included in the Balance Sheet according to the nature of the contracted Good and, at the same time, a liability for the same amount. Said amount

is the lowest between the reasonable value of the leased good and the current value at the start of the lease of the minimum amounts agreed upon, including the option to purchase when there is no reasonable doubt about its execution. Contingent fees, the cost of the services and the taxes payable by the leaseholder are not included in that calculation. The contract's total financial burden is allocated to the Profit and Loss Account in the corresponding fiscal year, applying the effective interest rate method. Contingent fees are recorded as expenses in the corresponding fiscal year.

The assets registered by this type of operation are recouped with similar criteria to those applied to tangible assets, according to their nature and their useful life.

The payments for operational leasing are registered as expenses in the profit and loss account when accrued.

4.4 Financial instruments

4.4.1 *Financial assets*

For the purpose of their valuation, **financial assets** have been classified as one of the following categories:

Loans and items pending payment

Financial assets originated from the sale of goods or the provision of services for trade operations, or those that, without a commercial origin, are not equity instruments nor derivatives and whose payments are fixed or determinable amounts and are not negotiated in an active market, are included in this category.

The financial assets are initially registered according to the reasonable value of the given compensation plus the transaction costs that are directly attributable.

The credits for commercial operations with an expiration date not longer than a year and that do not have a contractual interest rate, as well as the payments demanded to third parties on participations, the payment of which is expected to be in the short term, have been valued by their nominal value.

Then, those assets have been valued by their depreciated cost, allocating the accrued interests to the Profit and Loss Account, applying the effective interest rate method.

The depreciated cost is the acquisition cost of a financial asset or liability minus the systematic refunds of main corrected (more or less depending on the case) by the responsible party depending on the

result of the difference between the initial cost and the corresponding refund value at closing. In the case of financial assets, the depreciated cost includes value corrections motivated by deterioration.

The effective interest rate is a type of update that equates the book value of a financial instrument with all its estimated cash flows until its expiration date, based on contractual conditions and not considering losses due to future credit risk, in which case, the financial commissions charged in advance in the funding concession.

The allowances and retrocessions of provisions for deterioration of the value of financial assets are recognized by the difference between the book value and the current value of recoverable cash flows.

Cancellation

Financial assets are removed from the Company's balance sheet when the contractual rights over the cash flows of the financial asset have expired or when they are transferred, provided that in said transfer the risks and benefits inherent to their ownership are substantially transferred.

If the Company has not substantially transferred or retained the risks and benefits of the financial asset, it is removed when control is not retained. If the Company maintains control of the asset, it continues to recognize it at the amount to which it is exposed due to changes in the value of the transferred asset, that is, due to its continued involvement, recognizing the associated liability.

The difference between the compensation received net of attributable transaction costs, considering any new asset obtained minus any liability assumed, and the book value of the transferred financial asset, plus any accrued amount that has been recognized directly in equity, determines the profit or loss arising from the removal of the financial asset and is part of the corresponding year's result.

The Company does not remove financial assets in assignments in which it substantially retains the risks and benefits inherent to its ownership, such as discounting of bills, factoring operations and financial asset securitizations in which the Company retains subordinated financing or other types of guarantees that substantially absorb all expected losses. In those cases, the Company recognizes a financial liability for an amount equal to the compensation received.

Interests and dividends received from financial assets

Financial assets' interests and dividends accrued after the time of acquisition are recorded as revenue in the profit and loss account. Interest is recognized using the effective interest rate method and dividends when the right to receive them is declared.

For these purposes, in the initial valuation of financial assets, the amount of explicit interest accrued and not due at that time, as well as the amount of dividends agreed upon by the competent body until the time of acquisition are recorded independently according to their due date. Explicit interests those obtained by applying the contractual interest rate of the financial instrument.

Likewise, when the distributed dividends come unequivocally from results generated prior to the acquisition date because amounts greater than the benefits generated by the investee since the acquisition have been distributed, they are not recognized as revenue, and reduce the book value of the investment.

Corrections of valuations due to deterioration

At the close of the financial year, the necessary valuation corrections have been made due to the existence of objective evidence that the book value of an investment is not recoverable.

In particular, at the end of the year, the existence of objective evidence about the value of a loan (or of a group of credits with similar risk characteristics assessed collectively) deteriorating as a consequence of one or more events that have occurred after their initial recognition and that have caused a reduction or a delay in the cash flows that were estimated to be received in the future and that may be motivated by the insolvency of the debtor is verified.

The loss due to deterioration will be the difference between its book value and the current value of future cash flows that have been estimated to be received, discounting them at the effective interest rate calculated at the time of initial recognition.

4.4.2 Financial Liabilities

Financial liabilities, for the purposes of their valuation, have been classified in one of the following categories:

Debits and items to be paid

This category includes the debits and items payable that the Company has and that have originated in the purchase of goods and services for the company's trade operations, or also those that, without having a commercial origin, cannot be considered as derivative financial instruments.

Initially, these financial liabilities have been recorded at the reasonable value of the compensation received, adjusted for directly attributable transaction costs. Subsequently, these liabilities are valued

according to their depreciated cost. The accrued interest has been recorded in the Profit and Loss Account, applying the effective interest method.

Debits for commercial operations with an expiration date of not more than one year and that do not have a contractual interest rate, as well as the payments required by third parties on participations, the payment of which is expected to be in the short term, have been valued by its nominal value.

Bank loans and overdrafts that accrue interest are recorded at the amount received, net of direct issuance costs. Financial expenses and direct issuance costs are recorded according to the accrual criteria in the income statement using the effective interest method and are added to the book amount of the instrument to the extent that they are not liquidised in the period in which they accrue.

Loans are classified as current unless the Company has the unconditional right to postpone the cancellation of the liability for at least twelve months following the balance sheet date.

Coverage derivatives

The Company conducts cash flow coverage operations of the loans received at a variable interest rate.

Only those coverage operations that effectively eliminate any risk inherent to the covered item or position during the entire term of coverage, which implies that, since the contract, they are expected to act with a high degree of efficiency (prospective efficiency) and with sufficient evidence that the coverage has been effective during the life of the covered item or position (retrospective effectiveness), are designated as coverage operations.

Coverage operations are adequately documented, including how their effectiveness is going to be achieved and measured, in accordance with the Company's risk management policy.

In order to measure the effectiveness of the coverages, the Company performs tests to verify that the differences produced by the variations in the value of the cash flows of the covered item and its coverage remain within a variation range of 80% to 125% throughout the life of operations, thus complying with the provisions established at the time of contracting.

When, at some point, this relationship ceases to be fulfilled, the coverage operations are no longer treated as such and are reclassified to trading derivatives.

For the purposes of its valuation, the Company classifies the coverage operations carried out as cash flow hedges, that is, they cover the exposure to the risk of the variation in cash flows attributable to

changes in the interest rates of the loans received. To change variable rates to fixed rates, financial swaps are contracted. The part of the profit or loss of the coverage instrument, which has been determined as effective coverage, is temporarily recognized in equity, being allocated to the profit and loss account in the year or years in which the covered transaction affects the result.

Cancellation

The Company removes a financial liability when the obligation has expired.

When there is an exchange of debt instruments with a lender, provided that they have substantially different conditions, the original financial liability is written off and the new financial liability that arises is recognized. In the same way, a substantial modification of the current conditions of a financial liability is recorded.

The difference between the book value of the financial liability, or the part of it that has been written off, and the paid compensation, including attributable transaction costs and also any assigned assets other than cash or liability assumed, is recognized in the profit and loss account for the corresponding fiscal year.

When there is an exchange of debt instruments that do not have substantially different conditions, the original financial liability is not removed from the balance sheet, recording the amount of commissions paid as an adjustment to its book value. The new depreciated cost of the financial liability is determined by applying the effective interest rate, which equals the book value of the financial liability on the modification date with the cash flows payable under the new conditions.

For these purposes, the conditions of the contracts are considered to be substantially different when the lender is the one who granted the initial loan and the current value of the cash flows of the new financial liability, including net commissions, differs by at least 10% from the current value of the cash flows pending payment of the original financial liability, both updated at the effective interest rate of the original liability.

4.5 Stock

Stock is valued at the lower of the following: the acquisition price or net realizable value. Trade discounts, rebates obtained, other similar items and interest incorporated into the nominal amount of the debts are deducted when determining the acquisition price.

The Company makes the appropriate valuation corrections, recognizing them as an expense in the Profit and Loss Account when the net realizable value of the stock is lower than the acquisition price.

When the circumstances that previously caused the decrease cease to exist or when there is clear evidence of an increase in the net realizable value due to a change in economic circumstances, the amount of this decrease is reversed.

Those spare parts with a storage cycle of more than a year are classified as fixed assets, the spare parts that are not used and do not have technical depreciation are not recouped but are taken to results with the physical count at the end of the year. The rest of the assets, which, if they are used, are repaired and reused because they are replaceable, are recouped according to the useful life assigned to those fixed assets items in which they are to be incorporated

4.6 Income tax

The income tax expense or revenue comprises the part related to the current tax expense or income and the part corresponding to the deferred tax expense or income.

The current tax is the amount that the Company pays as a result of the financial liquidations of the income tax corresponding to a financial year. The deductions and other tax advantages in the tax quota, excluding retentions and payments on account, as well as compensable tax losses from previous years effectively applied in this one, give rise to a lower amount of current tax.

Deferred tax income or expense corresponds with the recognition and cancellation of deferred tax assets and liabilities. These include temporary differences that are identified as those amounts that are expected to be payable or recoverable derived from the differences between the book amounts of assets and liabilities and their tax value, as well as negative tax bases pending compensation and credits for fiscal deductions not applied fiscally. These amounts are recorded by applying the type of tax that is expected to be recovered or liquidated to the temporary difference or credit that corresponds.

Deferred tax liabilities are recognized for all taxable temporary differences, except those derived from the initial recognition of goodwill or other assets and liabilities in an operation that does not affect tax or accounting results and is not a combination of businesses.

For their part, deferred tax assets are only recognized if it is considered probable that the Company will have future taxable profits against which they can be made effective.

Deferred tax assets and liabilities, originating from operations with direct charges or credits in equity

accounts, are also accounted for with a counterpart in equity.

At each accounting closing, the deferred tax assets recorded are reconsidered, making the appropriate corrections to them if there are doubts about their future recovery. Additionally, at each closing, deferred tax assets not recorded on the balance sheet are evaluated and these are recognized to the extent that their recovery with future tax benefits becomes probable.

4.7 Revenue and expenses: provision of services conducted by the Company

Revenue and expenses are allocated based on the accrual criterion, that is, when the real flow of goods and services that they represent occurs, regardless of when the monetary or financial flow derived from them occurs. Said revenue is valued at the reasonable value of the compensation received, deducting discounts, refunds and taxes.

The Company recognizes revenue when its amount can be reliably measured. It is probable that future economic benefits will flow to the Company and the specific conditions for each of the activities are met as detailed below. It is not considered that the amount of revenue can be reliably valued until all contingencies related to the sale have been resolved. The Company bases its estimates on historical results, taking into account the type of client, the type of transaction and the specific terms of each agreement.

The Company provides public transport services. Revenue is recognized at the current rates for the tickets or passes used by travellers on the different routes made by the trams.

4.8 Provisions and contingencies

Provisions for environmental restoration, restructuring costs and litigation are recognized when the Company has a present obligation, whether 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 can be estimated reliably. Provisions for future operating losses are not recognized

Provisions are valued at the current value of the best possible estimate of the amount necessary to cancel or transfer the obligation, taking into account the information available on the event and its consequences, and recording the adjustments arising from updating said provisions as a financial expense as it accrues.

Provisions with a due date lower than or equal to one year, with a non-significant financial effect, are not discounted. They are reviewed on the closing date of each balance sheet and are adjusted in order

to reflect the best current estimate of the corresponding liability at all times.

The compensation to be received from a third party at the time of liquidation of the provisions is recognized as an asset, without reducing the amount of the provision, provided that there is no doubt that said payment will be received, and without exceeding the amount of the recorded obligation. When there is a legal or contractual link to externalize the risk, by virtue of which the Company is not obliged to respond for it, the amount of said compensation is deducted from the amount of the provision.

On the other hand, contingent liabilities are those possible obligations that arise as a result of past events, the future materialization of which is conditional on the occurrence, or not, of one or more future events independent of the will of the Company. Said contingent liabilities are not subject to accounting records, and details thereof are presented in the report.

4.9 Staff expenses

Personnel expenses include all salaries and social obligations, compulsory or voluntary, accrued at all times, recognizing the obligations for extra pay, vacations or variable salaries and their associated expenses.

The company does not make long-term compensation to staff.

Severance payments

Severance payments are paid to employees as a result of the Company's decision to terminate their contract before the normal retirement age or when the employee agrees to voluntarily resign in exchange for those benefits. The Company recognizes these benefits as an expense for the year when it has demonstrably undertaken to terminate the employment of workers in accordance with a detailed formal plan without the possibility of turning back or to provide severance pay as a result of an offer to encourage voluntary resignation. Benefits that are not going to be paid in the twelve months following the balance sheet date are discounted from their current value.

4.10 Subsidies, donations and bequests

For the accounting of subsidies, donations and bequests received, the Company follows the following criteria:

- a) Reimbursable subsidies: they are recorded as liabilities until non-reimbursable conditions are met. For these purposes, a subsidy is considered non-refundable when there is an individualized

agreement to grant the subsidy, all the conditions established for its award have been met and there are no reasonable doubts that it will be charged.

- b) Non-refundable subsidies, donations and bequests of capital: they are recorded directly in equity and valued at the reasonable value of the amount or good granted, depending on whether they are monetary in nature or not. They are allocated to results in proportion to the provision for the amortization made in the period for the subsidized elements or, where appropriate, when their disposal or value correction for deterioration occurs, with the exception of those received from partners or owners who are recorded directly in equity and do not constitute any income.
- c) Operating subsidies: They are credited to results right when they are granted, except if they are used to finance operating deficits in future years, in which case they will be charged in those years. If they are granted to finance specific expenses, the allocation will be made as the financed expenses are accrued.

4.11 Management of financial risk

The Company's activities are exposed to various financial risks. The Company's global risk management programme focuses on the uncertainty of financial markets and tries to reduce the potential side effects on its financial profitability. The Company employs coverage derivatives to avoid certain risks.

Risk management policies are established by Management and approved by the Company's Administrators. Based on these policies, Management has established a series of procedures and controls that allow for the identification, measurement and management of the risks derived from activities with financial instruments.

Operations with financial instruments expose the Company to credit, market and liquidity risk.

Credit risk

Credit risk is caused by possible losses due to the non-compliance with contractual obligations by the Company's counterparties, that is, the possibility of not recovering financial assets for the established amount and in the established period.

The main credit risk is the one derived from the pending payments from clients and Public Administrations. Regarding Public Administrations, the credit recovery rate of agreements, contracts, programmes and budgets from Corporations has been evaluated, registering the appropriate damages if applicable. Thus, it is not expected for there to be significant losses derived from the Public

Administrations' net pending payments recorded at the closing of the 2020 fiscal year.

Market risk

The market risk is caused by possible losses due to variations in the reasonable value or in future cash capital flows of financial instruments on account of changes in market prices. The market risk includes interest rate risks, exchange rate risks and other price-related risks.

Interest rate risk

The interest rate risk is caused by possible losses due to variations in the reasonable value or in future cash capital flows of financial instruments on account of changes in the market interest rates. The Company's exposure to interest rate changes risk is mainly caused by the long-term loans and credits received at variable interest rates.

Based on the different scenarios, the Company manages the interest rate risk of cash capital flows through variable to fixed interest rate swaps. These interest rate swaps have the economic effect of converting variable interest rate liabilities to fixed interest rates. Generally, the Company gains long-term liabilities at a variable interest rate and swaps them to fixed interest rates, which are lower than those available if the Company had obtained these liabilities directly at fixed interest rates. With the interest rate swaps, the Company commits to the exchange with other parties, with certain regularity (biannual), of the difference between the fixed and the variable interest rates calculated according to the contracted notional principles.

The liquidation of the coverage is done at 80% of the nominal value of the loans denoted as Debt Risk Project.

Exchange rate risk

The exchange rate risk is caused by possible losses due to variations in the reasonable value or in future cash capital flows of financial instruments on account of fluctuations in exchange rates.

Other price-related risks

Due to the lack of investment in patrimony instruments, there are no other price-related risks for the Company.

Liquidity risks

The liquidity risk is caused by the possibility that the Company could not have liquid assets at its disposal,

or access to them in enough quantity and adequate cost to face its payment obligations at any given moment. The Company has its liquidity needs guaranteed by means of lines of credit with credit entities, which are guaranteed by the majority shareholder, with the Company's goal being maintaining the required liquid assets.

4.12 Transactions between related parties

In general, transactions between related parties are initially accounted for at reasonable value. Where appropriate, if the agreed price differs from its reasonable value, the difference is recorded taking into account the economic reality of the operation. The subsequent valuation is conducted as provided by the corresponding regulations.

4.13 Equity

The Capital Stock is represented by ordinary actions. The costs of issuing new shares or options are presented directly against equity, as minor reserves. In the case of acquisition of the Company's own shares, the compensation paid, including any directly attributable incremental cost, is deducted from equity until it is cancelled, reissued or sold. When these shares are subsequently sold or reissued, any amount received, net of any directly attributable incremental transaction costs, is included in equity.

4.14 Classification of assets and liabilities in current and non-current

Assets and liabilities are presented on the balance sheet classified as current and non-current. For these purposes, assets and liabilities are classified as current when they are linked to the normal operating cycle of the Company and are expected to be sold, consumed, carried out or liquidated during the same; they are different from the previous ones and their expiration, disposal or realization is expected to occur within a maximum period of one year; they are held for trading purposes or they are cash and other equivalent liquid assets whose use is not restricted for a period exceeding one year. Otherwise they are classified as non-current assets and liabilities.

4.15 Equity elements of an environmental nature

Expenses derived from compliance with environmental laws are recorded as expenses for the year in which they occur, unless they correspond to the cost of purchasing items that are incorporated into the Company's equity in order to be used in a lasting manner, in which case they are recorded in the corresponding items under the heading "Tangible fixed assets", being depreciated using the same criteria.

4.16 Joint ventures

The Company records on the balance sheet the joint ventures that are not made manifest through the constitution of a company, based on their participation, accounting for the proportional part of jointly controlled assets and jointly incurred liabilities, as well as assets related to joint operations under its control and liabilities incurred as a result of the joint venture.

The profit and loss account records the proportional part of the revenue generated and the expenses incurred by the joint venture that correspond to the Company, as well as the expenses incurred in relation to its participation in the venture.

Likewise, in the statement of changes in equity and in the statement of cash flows the proportional part of the amounts of the items of the joint venture that corresponds to the Company is integrated based on the percentage of participation.

Unrealized results from transactions between the Company and the joint venture are eliminated in proportion to the participation. The amounts of reciprocal assets, liabilities, revenue, expenses and cash flows are also eliminated.

4.17 Cash Flow and other equivalent liquid assets

This section includes cash on hand, bank checking accounts and temporary deposits and acquisitions of assets that meet all the following requirements:

- They are convertible into cash.
- At the time of acquisition, the expiration date was not more than three months away.
- They are not subject to a significant risk of change in value.
- They are part of the Company's normal treasury management policy.

For the purposes of the statement of cash flows, occasional overdrafts that are part of the Company's cash management are included as less cash and other equivalent liquid assets.

4.18 Foreign currency

The functional currency used by the Company is the euro. Consequently, operations in currencies other than the euro are considered to be denominated in foreign currency and are recorded following the exchange rates in effect at the time of the operations.

At year-end, monetary assets and liabilities in foreign currencies are converted by applying the exchange rate on the balance sheet date. The gains or losses revealed are allocated directly to the profit and loss account for the year in which they occur.

5 TANGIBLE FIXED ASSETS

The turnover during the 2019 and 2020 fiscal years in the items of the attached Balance Sheet included in this section, and of their corresponding accumulated depreciations, as well as the most significant information that affects them, have been the following:

In 2020:

TANGIBLE FIXED ASSETS	By 31/12/2019	Additions	Withdrawals	Transfers	By 31/12/2020
Technical installations	4,977,808.98	0.00	0.00	0.00	4,977,808.98
Cuenca Branch tangible fixed assets	9,081.09	0.00	-788.73	0.00	8,292.36
Fixed assets in progress	27,713,560.13	445,053.30	-60,876.72	-1,100,249.79	26,997,486.92
Advances tangible fixed assets	15,298.38	0.00	0.00	0.00	15,298.38
TOTAL	32,715,748.58	445,053.30	-61,665.45	-1,100,249.79	31,998,886.64

ACCRUED DEPRECIATION	By 31/12/2019	Provisions	Withdrawals/Adjustments	Transfers	By 31/12/2020
Technical installations	-2,192,757.60	-199,112.40	0.00	0.00	-2,391,870.00
Cuenca Branch tangible fixed assets	-3,260.90	-2,233.26	283.22	0.00	-5,210.94
TOTAL	-2,196,018.50	-201,345.66	283.22	0.00	-2,397,080.94

NET BOOK VALUE	By 31/12/2019	By 31/12/2020
Technical installations	2,785,051.38	2,585,938.98
Cuenca Branch tangible fixed assets	5,820.19	3,081.42
Fixed assets in progress	27,713,560.13	26,997,486.92
Advances tangible fixed assets	15,298.38	15,298.38
TOTAL	30,519,730.08	29,601,805.70

In 2019:

TANGIBLE FIXED ASSETS	By 31/12/2018	Additions	Withdrawals	Transfers	By 31/12/2019
Technical installations	4,977,808.98	0.00	0.00	0.00	4,977,808.98
Cuenca Branch tangible fixed assets	8,864.91	216.18	0.00	0.00	9,081.09
Fixed assets in progress	26,471,688.86	1,261,552.36	0.00	-19,681.09	27,713,560.13
Advances tangible fixed assets	15,298.38	0.00	0.00	0.00	15,298.38
TOTAL	31,473,661.13	1,261,768.54	0.00	-19,681.09	32,715,748.58

ACCRUED DEPRECIATION	By 31/12/2018	Provisions	Withdrawals/Adjustments	Transfers	By 31/12/2019
Technical installations	-1,993,645.20	-199,112.40	0.00	0.00	-2,192,757.60
Cuenca Branch tangible fixed assets	-795.82	-2,445.68	-19.40	0.00	-3,260.90
TOTAL	-1,994,441.02	-201,558.08	-19.40	0.00	-2,196,018.50

NET BOOK VALUE	By 31/12/2018	By 31/12/2019
Technical installations	2,984,163.78	2,785,051.38
Cuenca Branch tangible fixed assets	8,069.09	5,820.19
Fixed assets in progress	26,471,688.86	27,713,560.13
Advances tangible fixed assets	15,298.38	15,298.38
TOTAL	29,479,220.11	30,519,730.08

Fixed assets in progress

The amounts of fixed assets in progress are the following:

FIXED ASSETS IN PROGRESS	By 31/12/2019	By 31/12/2020
Expansions and new lines of light rail	1,018,472.90	1,041,670.91
Project rail jacket MTSA design	45,628.16	53,311.25
Project Meter of onboard energy	7,567.01	7,567.01
North Train	1,293,772.46	1,293,772.46
South Train	24,186,993.09	24,586,700.15
Video system	742,968.48	0.00
Renovation of transmission network (fixed and onboard)	0.00	2,026.25
Manager of files	0.00	1,133.47
Project Cronos	0.00	11,305.42
Investments in progress	362,825.31	0.00
Project TEN+VAO	55,332.72	0.00
TOTAL	27,713,560.13	26,997,486.92

The main additions for the year are related to the **railway projects of Tenerife** for North and South trains. It should be noted that Collaboration Agreements have been signed between the General State Administration (AGE) and the CIT for the financing of the railway infrastructures on the island of Tenerife on 16 September 2009, 3 August 2010, 3 September 2012, 24 October 2014, 23 October 2015 and 19 December 2017, the amounts of which amounted, respectively, to 5,000,000,00 Euros, 10,000,000,00 Euros, 5,100,000,00 Euros, 1,360,000,00 Euros, 860,000,00 Euros and 2,860,000,00 Euros, contributions that were collected, executed and justified in accordance with the provisions of the Agreements (Note 10.4 Subsidies)

At the end of the 2020 fiscal year, these projects are still in force and will continue to be developed as the CIT signs new Collaboration Agreements with the AGE for their financing.

The amount activated in the year 2020 amounts to 399,707.06 Euros.

The main transfers in 2020 correspond to the activation as intangible assets of the following investments:

- The hyperconverged platform, for the amount of 169,134.51 Euros,
- New video surveillance system that replaces the one currently operated, both for Fixed Installations and for on-board equipment, as well as the administrative areas of repair shops and garages (742,968.48 Euros)
- The improvement of the industrial design of the onboard equipment and the installation in our trams of the SIMOVE Project (On-board Speed Monitoring System), a safety system developed by Metrotenerife that allows a tram to automatically stop when the maximum permitted speed is exceeded in a specific position along the track (173,020.27 Euros) (Note 6).

Totally depreciated fixed assets

At the end of the 2019 and 2020 fiscal years, the Company does not have fully depreciated fixed assets that are still in use.

Other data on fixed assets

The Company has signed two financial leasing contracts included in the heading "Technical installations and other tangible fixed assets", corresponding to a 600kW photovoltaic plant (phase I), installed in 2008, and another photovoltaic plant (phase II), of 280 kW, incorporated into fixed assets in 2009. The details of these elements would be as follows:

	2019	2020
Cost – capitalised financial leasing- Phase I	3,618,926.02	3,618,926.02
Accrued depreciation Phase I	-1,619,996.37	-1,764,753.45
Book value Phase I	1,998,929.65	1,854,172.57

	2019	2020
Cost – capitalised financial leasing- Phase II	1,358,882.96	1,358,882.96
Accrued depreciation Phase II	-572,761.23	-627,116.55
Book value Phase II	786,121.73	731,766.41

The liabilities for financial leasing are detailed in Note 11.1.2.

The Company's policy is to formalize insurance policies to cover the possible risks to which the various elements of its tangible fixed assets are subject. At the end of 2019 and 2020, the Administrators estimate that the coverage of the policies in force is sufficient to cover any type of contingency.

6 INTANGIBLE FIXED ASSETS

The turnover produced during the years 2019 and 2020 of each item included in this section, and of its corresponding accumulated depreciations, as well as the most significant information that affects this section, is the following:

In 2020:

INTANGIBLE FIXED ASSETS	By 31/12/2019	Additions	Withdrawals/adjustments	Transfers	By 31/12/2020
Cuenca Branch IT applications	821.11	0.00	-71.32	0.00	749.79
Right of use of land given for infrastructure construction	11,562,886.64	0.00	0.00	0.00	11,562,886.64
Concession agreement, regulated asset	153,759,887.56	301,297.08	18,957.81	1,102,899.79	155,183,042.24
Financial activation of Concession agreement	30,278,886.38	1,225,482.89	0.00	0.00	31,504,369.27
Advances for intangible fixed assets	5,030.00	1,606.00	0.00	-2,650.00	3,986.00
TOTAL	195,607,511.68	1,528,385.97	18,886.49	1,100,249.79	198,255,033.94

ACCRUED DEPRECIATION	By 31/12/2019	Provisions	Withdrawals/adjustments	Transfers	By 31/12/2020
Cuenca Branch IT applications	-364.84	-249.86	31.70	0.00	-583.01
Right of use of land given for infrastructure construction	-2,476,770.42	-275,196.72	0.00	0.00	-2,751,967.14
Concession agreement, regulated asset	-55,150,026.16	-3,790,507.63	11,054.11	0.00	-58,929,479.68
TOTAL	-57,627,161.42	-4,065,954.21	11,085.81	0.00	-61,682,029.83

NET BOOK VALUE	By 31/12/2019	By 31/12/2020
Cuenca Branch IT applications	456.27	166.79
Right of use of land given for infrastructure construction	9,086,116.22	8,810,919.50
Concession agreement, regulated asset	98,609,861.40	96,253,562.56
Financial activation of Concession agreement	30,278,886.38	31,504,369.27
Advances for intangible fixed assets	5,030.00	3,986.00
TOTAL	137,980,350.26	136,573,004.11

In 2019:

INMOVILIZADO INTANGIBLE	By 31/12/2018	Additions	Withdrawals/adjustments	Transfers	By 31/12/2019
Cuenca Branch IT applications	801.56	19.55	0.00	0.00	821.11
Right of use of land given for infrastructure construction	11,562,886.64	0.00	0.00	0.00	11,562,886.64
Concession agreement, regulated asset	153,612,040.41	6,661.44	113,361.85	27,823.86	153,759,887.56
Financial activation of Concession agreement	29,051,129.81	1,227,756.57	0.00	0.00	30,278,886.38
Advances for intangible fixed assets	8,142.77	5,030.00	0.00	-8,142.77	5,030.00
TOTAL	194,235,001.19	1,239,467.56	113,361.85	19,681.09	195,607,511.69
ACCRUED DEPRECIATION	By 31/12/2018	Provisions	Withdrawals/adjustments	Transfers	By 31/12/2019
Cuenca Branch IT applications	-89.04	-273.63	-2.17	0.00	-364.84
Right of use of land given for infrastructure construction	-2,201,573.70	-275,196.72	0.00	0.00	-2,476,770.42
Concession agreement, regulated asset	-51,302,547.29	-3,847,478.87	0.00	0.00	-55,150,026.16
TOTAL	-53,504,210.03	-4,122,949.22	-2.17	0.00	-57,627,161.42

NET BOOK VALUE	By 31/12/2018	By 31/12/2019
Cuenca Branch IT applications	712.52	456.27
Right of use of land given for infrastructure construction	9,361,312.94	9,086,116.22
Concession agreement, regulated asset	102,309,493.12	98,609,861.40
Financial activation of Concession agreement	29,051,129.81	30,278,886.38
Advances for intangible fixed assets	8,142.77	5,030.00
TOTAL	140,730,791.16	137,980,350.27

The concession agreements with the CIT are the following:

	Start	End	Years
Line 1	2007	2053	46
Line 2	2009	2053	44

There have been no significant actions on the infrastructure throughout the concession period except for those aimed at corrective and preventive maintenance of the elements that compose it.

The Management Contract establishes in its Title XXII, "Conclusion of the contract due to the expiration of the established term" that "when the contractual term ends, the service will revert to the Administration, and the contractor must deliver the works and facilities related to the service to the competent Administration. , in an adequate state of conservation and functioning, without this entailing any compensation in favour of MTSA ".

All the obligations and rights of the parties are included in the aforementioned Management Contract,

with non-compliance giving rise to the possible termination of the contract. Likewise, the clauses of said agreement establish the right to annually receive the so-called Availability Payment (from now on PPD), as a price for the exploitation of the service under the required conditions of continuity, capacity, regularity, cleanliness and satisfaction of the customers.

In relation to financial expenses corresponding to external financing, specific or generic, directly attributable to construction, incurred by the Company once the infrastructure is in operating conditions, they will be activated, provided that the conditions detailed in Order EHS / 3362/2010 of 23 December are met. For this, the data of the financial model updated by the company Pricewaterhousecoopers Asesores de Negocios, S.L. will be taken as a reference, as follows:

The proportion of the estimated income for the year compared to the total income for the entire life of the project is calculated. This proportion is applied to the sum of the financial expenses foreseen throughout the concession, obtaining the amount of the financial expenses that are going to be allocated to the profit and loss account each year. From the financial expense already calculated, the difference between the financial expense foreseen for each year and the amount obtained in the previous calculation is determined, recording it as an item of intangible assets. When the amount of the financial expenses paid in a year differs from the forecast, the difference is treated as a higher or lower amount of the financial expense to be allocated to the profit and loss account.

The amounts that make up the balance of the Concession Agreement Financial Activation item, from the attached Balance Sheet, are as follows:

Year of Activation	Amount
2007	2,756,819.40
2008	2,722,085.58
2009	3,902,957.42
2010	3,292,966.51
2011	2,976,951.74
2012	2,662,331.18
2013	2,478,311.51
2014	2,264,373.09
2015	2,024,561.52
2016	1,573,236.98
2017	1,300,689.72
2018	1,095,845.16
2019	1,227,756.57
2020	1,225,482.89
TOTAL ACTIVATED	31,504,369.27

The deviation of the financial expenses expected to be allocated to results and the actual ones at the end of the 2019 and 2020 financial years are not very significant.

Totally depreciated fixed assets

At the end of 2019 and 2020, the Company has fully depreciated items of the intangible assets that are still in use for the following amount:

Description	2019	2020
	Book value (gross)	Book value (gross)
Concession agreement, regulated asset	6,621,198.27	7,026,030.61
Total	6,621,198.27	7,026,030.61

At the end of 2019 and 2020, the Company has no intangible assets not directly affected by operations.

Other data on fixed assets

In the attached Profit and Loss Account, operating lease expenses corresponding to the rental of computer equipment and vehicles have been included, amounting to 52,368.00 Euros (54,237.82 Euros at the close of fiscal year 2019), whose contracts are cancellable annually (Note 13.5).

In the financial year 2020, the spare parts with a storage cycle of more than one year and without rotation have been regularized for an amount of 62,752.34 Euros (Note 13) (94,874.53 Euros in 2019).

In accordance with Order EHA / 3362/2010, of 23 December, which approves the standards for adapting the General Accounting Plan to public infrastructure concession companies as set out in its second standard "Accounting treatment of concession agreements", in point 1 "Criteria for qualification, recognition and valuation of the agreement ", the company will value the compensation received for the construction or improvement services at the reasonable value of the service provided. In this way, Metrotenerife, in the item "Concession Agreement, regulated asset" has included all the additional and directly related expenses that occur until it reaches operating conditions, including the location and any other conditions necessary for it to operate as intended, among others: expenses for earthworks and demolition, transportation, installation, assembly and other similar, as well as technical and economic studies, projects, expropriations, compensation and replacement of services and easements; construction of works and facilities; construction management and administration expenses; financial expenses accrued during the construction period and, in general, all costs necessary for construction that have been incurred before the infrastructure is put into operating conditions. Considering all this,

the investments made in the execution of L1 and L2 of the light rail include execution costs associated with the granting of the concession on public domain assets, with the corresponding municipal authorities being the owner and responsible for conservation and maintenance. In the following table, we quantify its value, as well as the depreciation provision for the year:

Investments Line 1 and Line 2	Starting Investments	Concession Plan adjustment	Balance Investments	Metrotenerife Investments	Town Council Investments	CIATFE Investments
Right of use expropriations Line 1	4,357,275.65	4,213,227.96	144,047.69	144,047.69	0.00	0.00
Right of use expropriations Line 2	1,302,491.95	12,001.33	1,290,490.62	1,290,490.62	0.00	0.00
C.B. Repair shops and Garages TyC	34,880,450.53	22,953,184.01	11,927,266.52	11,927,266.52	0.00	0.00
C.B. Systems Line 1	19,007,310.90	15,599,424.74	3,407,886.16	3,407,886.16	0.00	0.00
C.B. Systems Line 2	3,664,490.04	1,453,149.24	2,211,340.80	2,211,340.80	0.00	0.00
C.B. Electrification Line 1	17,599,126.74	14,426,606.26	3,172,520.48	3,172,520.48	0.00	0.00
C.B. Electrification Line 2	1,356,354.26	536,605.48	819,748.78	819,748.78	0.00	0.00
C.B. Civil Works Line 1- OC1	56,906,476.84	43,878,065.32	13,028,411.52	5,923,739.82	7,104,671.70	0.00
C.B. Civil Works Line 1- OC2	118,615,748.84	85,460,134.58	33,155,614.26	15,075,148.04	18,080,466.22	0.00
Footbridge Príncipes España	666,040.14	270,397.36	395,642.78	179,890.30	215,752.48	0.00
Rain Sanitation Network HUC	344,836.98	212,936.83	131,900.15	59,972.17	71,927.98	0.00
C.B. Civil Works Line 2- OC3	14,708,829.24	5,892,254.61	8,816,574.63	3,840,060.12	4,318,959.01	657,555.50
C.B. Civil Works Line 2- OC4	20,261,820.28	9,936,668.79	10,325,151.49	4,497,120.95	5,057,962.75	770,067.80
Transport Elements	25,366.20	6,000.00	19,366.20	19,366.20	0.00	0.00
Rolling Stock Line 1	55,461,037.60	23,673,478.11	31,787,559.49	31,787,559.49	0.00	0.00
Rolling Stock Line 2	19,164,047.01	354,337.80	18,809,709.21	18,809,709.21	0.00	0.00
Total Line 1 + Line 2	368,321,703.19	228,878,472.41	139,443,230.78	103,165,867.36	34,849,740.12	1,427,623.30

DEPRECIATIONS	BALANCE INVESTMENTS	INVESTMENTS	TOWN COUNCIL INVESTMENTS	CIATFE INVESTMENTS
Depreciation provision 2020 of Metrotenerife's fixed assets	4,264,816.75	3,472,445.50	760,292.62	32,078.63

7. FINANCIAL ASSETS (LONG AND SHORT TERM)

7.1 Long-term financial assets

The balance of the accounts under the heading "Long-term financial investments" at the end of 2019 and 2020 is as follows:

Long-term financial instruments			
Categories	Classes	Credits, derivatives and other	
		2019	2020
Loans and items pending payment		1,063,591.28	758,031.49
Total		1,063,591.28	758,031.49

The detail of the items that are part of the heading "Long-term financial investments" as of 31 December

2020 is as follows:

Loans and items pending payment	2022	2023	2024	Total
Credits to third parties (Note 14.2)-Acquisition SBSC	318,398.89	341,337.63	86,792.56	746,529.08
Other financial assets	0.00	0.00	11,502.41	11,502.41
Total	318,398.89	341,337.63	98,294.97	758,031.49

On May 19, 2014, the Insular Government Council of the CIT approved a multi-year expenditure for the acquisition of equipment for a contactless ticketing system and exploitation aid system, the total amount being 2,605,273. 00 Euros. The approved collection schedule is as follows:

Collection Schedule	2017	2018	2019	2020	2021	2022	2023	2024	TOTAL
Annuity	279,136.39	372,181.86	372,181.86	372,181.86	372,181.86	372,181.86	372,181.86	93,045.45	2,605,273.00

The following table shows the nominal amounts of the annuities to be received, together with the effect generated by the update of said values as of 31 December 2020, taking 7,204% as the effective interest rate of the operation (Note 14.2):

Year	CIT Subsidy Acquisition SBSC	Adjustment Current Value	CIT Subsidy Current Value
2022	372,181.86	-53,782.97	318,398.89
2023	372,181.86	-30,844.23	341,337.63
2024	93,045.45	-6,252.89	86,792.56
Total	837,409.17	-90,880.08	746,529.08

The amounts receivable in the 2021 fiscal year are included in the heading "Other credits with Public Administrations" of the attached Balance Sheet (Note 12.1).

The detail by expiration of the heading "Long-term financial investments" as of 31 December 2019 was as follows:

Loans and items pending payment	2021	2022	2023	2024	Total
credits to third parties (Note 14.2)- Technical assistance SBSC	8,557.55	0.00	0.00	0.00	8,557.55
credits to third parties (Note 14.2)- Acquisition SBSC	297,001.69	318,398.89	341,337.63	86,792.56	1,043,530.77
Other financial assets	0.00	0.00	0.00	11,502.96	11,502.96
Total	305,559.24	318,398.89	341,337.63	98,295.52	1,063,591.28

7.2 Short Term Financial Assets

At the end of 2019 and 2020, the breakdown of financial assets included in the attached Balance Sheet is as follows:

Short Term Financial Instruments			
Categories	Classes	Credits, derivatives and other	
		2019	2020
Loans and items pending payment		5,200,859.26	4,948,796.82
Sales and service provision clients		2,244,476.63	2,035,036.05
Various debtors		2,940,009.78	2,871,548.89
Staff		16,389.10	40,597.39
Other financial assets		667.63	1,614.49
Total		5,201,543.14	4,948,796.82

The amounts pending collection that appear in "Sales and provision of services clients" mainly include the debt pending collection from the CIT derived from the monthly liquidation of the subsidy related to the public transport service that is made through the "Clearing House" of the CIT (Note 14.2), for the amount of 1,427,932.58 Euros (1,415,054.95 Euros in the 2019 financial year).

The item "Various Debtors" for 2,871,548.89 Euros corresponds mainly to the amounts accrued in the second semester of the "Payment By Availability" to the CIT, which amounts to 2,624,077.09 Euros (2,603,251.08 Euros in fiscal year 2019) (Note 14.2)

Treasury

The Treasury item is detailed as follows:

	2019	2020
Balance in banks-non-available	5,958,000.75	6,604,934.55
Balance in banks-available	5,382,146.46	3,695,952.83
Cash Balance+ Ticket machines + Revenue	218,418.49	182,982.77
TOTAL	11,558,565.70	10,483,870.15

8. DERIVATIVE FINANCIAL INSTRUMENTS

The reasonable value of the coverage derivative, recognized as a financial liability, is detailed below:

LIABILITIES	2019	2020
Interest Rate swaps – cash Flow coverage -Long term	32,021,156.74	31,821,220.81
Interest Rate swaps – cash Flow coverage -Short term	4,343,994.26	3,853,462.35
Total	36,365,151.00	35,674,683.16

The effect of the liability generated by coverage derivatives reduces the equity as of 31 December 2020 by an amount of 26,756,012.38 Euros, included in the heading “Coverage transactions”, within the Equity (27,273,863.27 Euros as of 31 December 2019) (Note 10.3), generating a deferred tax asset in the amount of 8,918,670.79 Euros (9,091,287.74 Euros as of 31 December 2019), as detailed in the later Note 12.3.

To calculate the valuation of derivatives, the Company has taken into account the credit risk of the counterparty and its own credit risk and it is classified as a non-current asset or liability if the remaining maturity of the covered item is greater than 12 months, and as a current asset or liability if the remaining maturity of the covered item is less than 12 months. At the close of the 2020 fiscal year, the reasonable value corresponding to the counterparty risk amounts to 37,192,161.83 Euros (37,313,387.00 Euros in 2019), with the estimate of the reasonable value of own risk being -1,517,478.67 Euros (948,236.00 Euros in 2019), including the net risk of both valuations on the balance sheet.

The notional amounts of the interest rate swap contracts pending at 31 December 2020 amounted to 78,156,262.08 Euros (80,780,726.68 Euros at 31 December 2019).

The expiration of the coverage contracts is detailed below:

Ref. / entity	Start Date	End Date
DEXIA NEGO85	29/05/2008	15/12/2037
SANTANDER	29/05/2008	15/12/2037
NOMURA INTERNATIONAL PLC	29/05/2008	15/12/2037

These interest rate swaps meet the accounting requirements to be treated as accounting coverage instruments.

Contracts outstanding as of 31/12/2020 present a fixed rate of 5,243%, while variable interest rates have oscillated in 2020 between 0,00% and 0,642% (0,00% and 0,586% in 2019). Likewise, it has been verified that the sensitivity of the value of the covered asset is offset in the opposite direction by the change in the value of the coverage derivative with an effectiveness that is between 80% -125%.

Coverage accounting

Metrotenerife signed on 29 May 2008, and maintains in force, the interest rate coverage contracts detailed below. The objective of contracting these derivatives with Dexia Sabadell, S.A., (currently Dexia

Credit Local), Banco Santander, S.A. and Nomura International plc (which received the positions from Ahorro Corporación Financiera SV, SA), is to cover the risk of interest rate increases on the loans that the Company maintains with the European Investment Bank and with a banking syndicate formed mainly by Dexia Credit Local and Banco Santander, SA. The conditions of the coverage instruments and the covered instrument coincide; therefore, the coverage is considered to be effective.

The liquidations are detailed below:

Ref. / entity	Notional Amount by 31/12/2020	Fixed Rate	Liquidations 2019	Liquidations 2020
DEXIA NEGO85	19,343,675.00	5.243%	1,125,284.46	1,464,523.68
SANTANDER	25,791,566.08	5.243%	1,500,379.26	1,098,392.76
ACF/NOMURA INTERNATIONAL PLC	33,021,021.00	5.243%	1,920,940.14	1,875,034.08
Total	78,156,262.08		4,546,603.86	4,437,950.52

The table above includes the net liquidations of the interest rate swap contracts corresponding to the years 2019 and 2020.

9. STOCK

The detail about stock as of 31 December 2019 and 2020 corresponding to spare parts and other supplies is as follows:

Account	Concept	Amount 2019	Amount 2020
320	Other provisions	140,867.61	128,518.56
321	Spare parts	680,426.57	572,451.08
322	Tram Spare parts	770,016.76	700,248.29
323	Uniforms	75,000.65	64,172.60
324	Individual protection equipment	3,040.86	8,011.83
325	Signage similar	1,197.51	1,580.76
328	Ticketing	291,503.78	383,734.24
329	Merchandising	15,129.30	4,660.00
407	Advances providers	3,351.06	22,792.01
	Total	1,980,534.10	1,886,169.37

Spare parts are made up of parts that are expected to be used over the next 12 months.

Stock purchases have been made both in national territory and abroad.

The Company has taken out insurance policies to cover the risks to which the stock may be subject. The coverage of these policies is considered sufficient. The Company considers that the stock has not been

affected by obsolescence.

10. NET WORTH AND SHAREHOLDER'S EQUITY

The refinancing of L1 debt and financing of L2 subscribed with Dexia Credit Local, as agent bank, on 29 May 2008 (Note 11.1), entailed the pledge of Metrotenerife's shares in the following terms:

- As a guarantee of compliance with the obligations guaranteed under the loan called "Risk Project", a real pledge right has been established on shares number 40,001 to 41,630, both included.
- As a guarantee of compliance with the obligations guaranteed under the line of guarantees called "Risk Project", a real pledge right has been established on shares number 41,631 to 49,692, both included.
- As a guarantee of compliance with the obligations guaranteed under the Credit Coverage Contracts called "Risk Project", a real pledge right has been established on shares number 49,693 to 49,857, both included.
- As a guarantee of compliance with the obligations guaranteed under the Contribution Financing Agreements, a real pledge right has been established on shares number 49,858 to 50,000, both included.

Shares numbers 40,001 to 47,000 are owned by the Tenerife Island Council and numbers 47,001 to 50,000 are Treasury Shares.

Article 363 of the Royal Legislative Decree 1/2010, of 2 July, which approves the revised text of the Capital Companies Law establishes that a company is in the process of dissolution, among other reasons, when there are losses that reduce the net worth to an amount less than half of the share capital. For the purposes of evaluating equity when the Company is in the case of the aforementioned article 363, and in accordance with the first final provision of Royal Decree-Law 10/2008 of 12 December that modifies art. 36.1.c) of the Commercial Code, the Company's equity must be corrected by the balance of adjustments for changes in value derived from cash flow coverage operations:

	31/12/2019	31/12/2020
Equity	44,364,823.82	44,676,277.23
Adjustments due to value changes	27,273,863.27	26,756,012.38
Corrected Equity	71,638,687.09	71,432,289.61
Capital Stock	69,200,000.00	69,200,000.00
50% Capital Stock	34,600,000.00	34,600,000.00

Therefore, at the end of the 2019 and 2020 financial years, Metrotenerife is not involved in causes of dissolution.

10.1- Capital Stock

The Share Capital is fully subscribed and 100% paid up.

A General Meeting of Shareholders was held on 24 June 2014 during which the purchase in treasury shares of Caixabank, S.A. was unanimously authorised, that is, three thousand (3,000) Class C nominal shares are acquired, numbered 47,001 to 50,000, both included, and a thousand and one hundred and fifty two (1,152) Class C2 nominal shares, numbered 68,049 to 69,200, both included, with the purchase total being 245,000.00 Euros.

On 30 June 2017, Metrotenerife's Extraordinary and Universal General Meeting of Shareholders passed a statutory modification according to which, among other aspects, the Company's different classes of actions were suppressed, with the Privileged Actions ceasing to exist (Note 10.2.2).

Thus, the shareholding composition of Metrotenerife in 2019 and as of 31/12/2020 is as follows:

Shareholders	Percentage	Subscribed Capital	Paid Capital	Number of shares	Numbers	Series
Excmo. Cabildo Insular de Tenerife (CIT)	94.00%	65,048,000.00	65,048,000.00	65,048	1-47,000/50,001-68,048	Unique
Own Shares	6.00%	4,152,000.00	4,152,000.00	4,152	47,001-50,000/68,049-69,200	Unique
Total	100.00%	69,200,000.00	69,200,000.00	69,200		

The Company's shares are not listed on the Stock Exchange.

10.2-Reserves

The detail of the reserves established by the Company as of 31 December 2019 and 2020 is as follows:

Legal and statutory:	2019	2020
- Legal Reserve	402,753.80	927,132.47
Subtotal	402,753.80	927,132.47
Other reserves:		
Reserve for Adjustments Order EHA /3362/2010	4,439,963.31	4,439,963.31
Reserve for capitalisation	71,742.40	71,742.40
Reserve for adjustment NPGC 08	-565,312.81	-565,312.81
Correction adjustments	20,400.23	20,400.23
Voluntary Reserves	3,000,000.00	3,000,000.00
Subtotal	6,966,793.13	6,966,793.13
Total	7,369,546.93	7,893,925.60

10.2.1-Legal Reserve

In accordance with the Consolidated Text of the Capital Companies Law, a figure equal to 10% of the profit for the year must be allocated to the legal reserve until it reaches at least 20% of the Capital Stock. The legal reserve may be used to increase the Capital Stock in the part of its balance that exceeds 10% of the capital already increased. Except for the purpose mentioned above, and as long as it does not exceed 20% of the Capital Stock, this reserve may only be used to offset losses and provided that there are no other sufficient reserves available for this purpose.

The amount of the legal reserve has not been fully established and at the end of 2020 amounts to 927,132.47 Euros (402,753.80 Euros in 2019).

10.2.2- Negative results of previous fiscal years.

The movement in this item of the balance sheet in 2019 and 2020 is indicated below:

Negative result previous fiscal years:	2019	2020
Starting Balance	-38,488,087.70	-35,708,851.69
Compensation of losses in distribution of result	2,779,236.01	4,719,408.06
Final Balance	-35,708,851.69	-30,989,443.63

10.2.3-Other Reserves

The *Reserve for Concessionaire Plan Adjustments* presents an amount of 4,439,963.31 Euros as of 31 December 2020 and 2019. They were generated as a result of the adjustments derived from the first application of the rules for adapting the General Accounting Plan to public infrastructure concessionaire

companies approved by Order EHA / 3362/2010.

The provision of a Capitalization Reserve allows a reduction in the tax base of 10% of the increase in the company's equity, subject to compliance with certain requirements:

- That the amount of the increase in Equity is maintained for 5 years.
- That a reserve be set aside for the amount of the reduction of the tax base that will be unavailable during the period of 5 years.
- It has the limit of 10% of the tax base

A Capitalization Reserve has been provided in accordance with the provisions of article 25 LIS. (Note 12.2)

10.3 Adjustments due to value changes

The detail and movements of the adjustments due to value changes are as follows:

	Starting Balance	(Revenue) / Expenses	Transfers to profit and loss account	Tax effect (Note 12.3)	Final Balance
Fiscal Year 2019					
Cash flow coverage (Note 8)	25,023,071.27	7,547,659.86	-4,546,603.86	-750,264.00	27,273,863.27
	25,023,071.27	7,547,659.86	-4,546,603.86	-750,264.00	27,273,863.27
Fiscal Year 2020					
Cash flow coverage (Note 8)	27,273,863.27	3,747,482.69	-4,437,950.52	172,616.94	26,756,012.38
	27,273,863.27	3,747,482.69	-4,437,950.52	172,616.94	26,756,012.38

10,4-Subsidies, donations and bequests received

The detail of the variations of the subsidies included in the Equity of the attached Balance Sheet, as well as of the results allocated to the Profit and Loss Account from them, net of the tax effect, is as follows:

- a) Capital grants received to finance the South Train and North Train projects:

SUBSIDIES	Starting Balance 01/01/2019	Increases	Allocation to the result	Tax effect	Final Balance 31/12/2019
ECIT AGREEMENT AGE	18,964,618.13	0.00	0.00	0.00	18,964,618.13
TOTAL	18,964,618.13	0.00	0.00	0.00	18,964,618.13

SUBSIDIES	Starting Balance 01/01/2020	Increases	Allocation to the result	Tax effect	Final Balance 31/12/2020
ECIT AGREEMENT AGE	18,964,618.13	0.00	0.00	0.00	18,964,618.13
TOTAL	18,964,618.13	0.00	0.00	0.00	18,964,618.13

The tax effect has been adjusted in accordance with current regulations (Note 12.3).

The transfer to results will occur once such projects come into operation.

b) Free use of the Tram platform:

SUBSIDIES	Starting Balance 01/01/2019	Increases	Allocation to the result	Tax effect	Final Balance 31/12/2019
ECIT-Free use of the Tram platform	7,020,984.47	0.00	-275,196.72	68,799.24	6,814,586.99
TOTAL	7,020,984.47	0.00	-275,196.72	68,799.24	6,814,586.99

SUBSIDIES	Starting Balance 01/01/2020	Increases	Allocation to the result	Tax effect	Final Balance 31/12/2020
ECIT- Free use of the Tram platform	6,814,586.99	0.00	-275,196.72	68,799.24	6,608,189.51
TOTAL	6,814,586.99	0.00	-275,196.72	68,799.24	6,608,189.51

During the years 2019 and 2020, the revenue obtained from accruing the amount of the valuation of the transferred asset between the years of validity of the Management Contract (until 2053) has been transferred to the results account.

At the end of the 2019 and 2020 fiscal years, the Company had met all the necessary requirements to receive and enjoy the subsidies detailed above.

The tax effect has been adjusted in accordance with current regulations. (Note 12.3).

10.5- Information regarding the right of separation of the partner due to lack of distribution of dividends (article 348 bis of the consolidated text of the Capital Companies Act)

During the last five years, no dividends have been distributed. At the ordinary general shareholders' meetings held on 26 April 2016, 28 April 2017, 27 April 2018, 30 April 2019 and 12 June 2020, the proposed application of the results of the fiscal years 2015, 2016, 2017, 2018 and 2019 respectively, was approved, where there was no dividend distribution.

11. DEBTS (LONG AND SHORT TERM)

11.1 Long-term financial liabilities

The detail of long-term financial liabilities at the end of fiscal years 2019 and 2020 is as follows:

	Long-term financial instruments	
	2019	2020
Debts and items pending payment	100,365,531.74	95,624,420.83
Coverage Derivatives (Note 8)	32,021,156.74	31,821,220.81
Total	132,386,688.48	127,445,641.64

The detail by expiration as of 31 December 2020 is as follows:

	2022	2023	2024	2025	2026 and subsequent years	Total
Debts and items pending payment	4,104,797.91	4,302,711.73	4,963,274.35	5,311,596.55	76,942,040.30	95,624,420.83
Debts with credit entities	3,329,514.00	3,769,915.50	4,505,954.00	5,192,041.00	76,942,040.30	93,739,464.80
BEI Tranche B	2,771,200.00	3,160,900.00	3,637,200.00	4,156,800.00	57,233,940.00	70,960,040.00
BEI Tranche E	360,544.00	411,245.50	473,214.00	540,816.00	7,446,360.30	9,232,179.80
Banking Syndicate Tranche	197,770.00	197,770.00	395,540.00	494,425.00	12,261,740.00	13,547,245.00
Creditors for lease of Photovoltaic Plants (BBVA)	379,160.08	107,172.59	0.00	0.00	0.00	486,332.67
Creditors for financial leasing SBSC (Indra Sistemas)	396,123.83	425,623.64	457,320.35	119,555.55	0.00	1,398,623.36
Derivatives (Note 8)	4,156,146.88	3,988,824.03	3,818,933.64	3,580,423.80	16,276,892.46	31,821,220.81
Total	8,260,944.79	8,291,535.76	8,782,207.98	8,892,020.35	93,218,932.76	127,445,641.64

The detail by expiration as of 31 December 2019 is as follows:

	2021	2022	2023	2024	2025 and subsequent years	Total
Debts and items pending payment	4,741,045.32	4,104,790.28	4,302,784.95	4,963,274.35	82,253,636.85	100,365,531.74
Debts with credit entities	3,955,862.80	3,329,514.00	3,769,915.50	4,505,954.00	82,134,081.30	97,695,327.60
BEI Tranche B	3,325,440.00	2,771,200.00	3,160,900.00	3,637,200.00	61,390,740.00	74,285,480.00
BEI Tranche E	432,652.80	360,544.00	411,245.50	473,214.00	7,987,176.30	9,664,832.60
Banking Syndicate Tranche F	197,770.00	197,770.00	197,770.00	395,540.00	12,756,165.00	13,745,015.00
Creditors for lease of Photovoltaic Plants (BBVA)	416,513.89	379,152.45	107,245.81	0.00	0.00	902,912.15
Creditors for financial leasing SBSC (Indra Sistemas)	368,668.63	396,123.83	425,623.64	457,320.35	119,555.55	1,767,291.99
Derivatives (Note 8)	4,168,150.90	3,915,113.28	3,705,432.36	3,477,623.66	16,754,836.52	32,021,156.74
Total	8,909,196.22	8,019,903.55	8,008,217.32	8,440,898.01	99,008,473.37	132,386,688.48

The debt with the European Investment Bank (EIB, BEI in Spanish) has been divided into two tranches in the Financing Contract: tranches B and E.

In the case of tranche B, the outstanding balance as of 31 December 2019 was 77,013,380.00 Euros. In 2020, the amount of 2,727,900.00 Euros was amortized (in 2019 the amount of 2,165,000.00 Euros was amortized), resulting in an outstanding balance of 74,285,480.00 Euros as of 31 December 2020. The purpose of this section is the partial financing of the works of execution of the L1.

Tranche E presented an outstanding balance as of 31 December 2019 of 10,019,743.10 Euros. During 2020, capital was amortized for the amount of 354,910.50 Euros (in 2019, capital for the amount of 281,675.00 Euros was amortized), with the outstanding balance on 31 December 2020 being 9,664,832.60 Euros. The goal of this section is the partial financing of L2.

On the other hand, the Company subscribed on 29 May 2008 a loan with a banking syndicate formed, mainly, by Dexia Sabadell, S.A. (currently Dexia Credit Local), and Banco Santander, S.A., the purpose of which is the financing of the L2 from the funds generated by the operation of the Line itself (Tranche F). As of 31 December 2019, it had an outstanding balance of 13,942,785.00 Euros, the amortization in 2020 amounted to 197,770.00 Euros (the amortization in 2019 was 197,770.00 Euros), leaving an outstanding balance on 31 December 2020 of 13,745,015.00 Euros.

11.1.1-Debts with credit entities:

The following table shows, in each column, the nominal amount of each of the loan tranches as of 31 December 2020:

Financial Entity / Loan Tranche	Expiration	Nominal Amounts (long term) 31/12/20	Nominal Amounts (short term) 31/12/20
European Bank of Investments (EIB)			
TRANCHE B PROJECT L1	15/06/2033	70,960,040.00	3,325,440.00
TRANCHE E PROJECT L2	15/06/2033	9,232,179.80	432,652.80
Subtotal		80,192,219.80	3,758,092.80
Banking Syndicate			
TRANCHE F PROJECT L2	15/12/2037	13,547,245.00	197,770.00
Subtotal		13,547,245.00	197,770.00
TOTAL		93,739,464.80	3,955,862.80

On 31 December 2019:

Financial Entity / Loan Tranche	Expiration	Nominal Amounts (long term) 31/12/19	Nominal Amounts (short term) 31/12/19
European Bank of Investments (EIB)			
TRANCHE B PROJECT L1	15/06/2033	74,285,480.00	2,727,900.00
TRANCHE E PROJECT L2	15/06/2033	9,664,832.60	354,910.50
Subtotal		83,950,312.60	3,082,810.50
Banking Syndicate			
TRANCHE F PROJECT L2	15/12/2037	13,745,015.00	197,770.00
Subtotal		13,745,015.00	197,770.00
TOTAL		97,695,327.60	3,280,580.50

The management of the company considers that the Company will be able to comply promptly with all the contractual obligations derived from the current loans.

The interest rates for loans with the European Investment Bank (EIB) and the banking syndicate have been as follows:

Financial Entity	Interest Rate 2019	Interest Rate 2020
EIB	0.00%	0.00%
Banking Syndicate	between 0.566% and 0.586%	between 0.485% and 0.642%

11.1.2-Creditors due to financial leasing:

At the end of the 2019 and 2020 fiscal years, the Company, as financial lessee, has recognized leased assets (Notes 5 and 6).

The Company has signed two financial leasing contracts included in the heading "Technical installations and other tangible fixed assets", corresponding to a 600kW photovoltaic plant (phase I), installed in 2008, and another photovoltaic plant (phase II) , 280 kW, incorporated into fixed assets in 2009 (Note 5). The total amount paid to BBVA for these financial leasing contracts is detailed below:

PHASE I	2019	2020
Depreciation of Capital- Phase I	291,993.00	297,886.70
Financial Leasing Expenses Phase I	19,984.20	14,090.50
Total paid amount Leasing Phase I	311,977.20	311,977.20
PHASE II	2019	2020
Depreciation of Capital- Phase II	108,966.35	110,880.04
Financial Leasing Expenses Phase II	8,077.02	6,094.45
Total paid amount Leasing Phase II	117,043.37	116,974.49

At the end of 2019 and 2020, the Company has contracted with the financial entity BBVA the following capital maturities, in accordance with the current contracts in force, without taking into account the impact of common expenses, future increases due to IPC, or future income updates contractually agreed:

Financial leasing	Nominal Value 2019	Nominal Value 2020
Less than a year	408,766.74	416,623.11
Between one and five years	902,912.15	486,332.67
Total	1,311,678.89	902,955.78

The financial leasing contracts that the Company has signed with BBVA at the close of the 2020 financial year are as the following:

1. 1. Photovoltaic plant (phase I), 600kW. The lease contract was signed on 23 October 2008 and ends on 23 October 2022. The nominal value of the purchase option is established at 32.833,03 Euros.
2. 2. Photovoltaic plant (phase II), 280 KW. The lease contract was signed on 18 June 2009 and ends on 24 November 2023. The nominal value of the purchase option is established at 10,566.79 Euros.

In the 2018 fiscal year, a contactless ticketing equipment lease agreement was entered into with the provider Indra Sistemas, S.A. This contract was formalized on 27 January 2015, with a duration of 7 years, stipulating that the payment obligation would accrue from the date of provisional receipt of the contactless ticketing system. The payment of 84 instalments of 40,331.32 Euros, interest included, is stipulated, representing a total of 3,387,830.88 Euros.

At the close of the 2020 fiscal year, the short-term outstanding balance with Indra Sistemas, S.A. collects the fees corresponding to the months of October, November and December 2020, as well as the amounts to be paid in 2021.

The amount of capital maturities, in accordance with the contract in force, without taking into account the impact of common expenses, future increases by IPC, or future updates of contractually agreed income:

Financial leasing	Nominal Value 2019	Nominal Value 2020
Less than a year	397,944.34	456,771.86
Between one and five years	1,767,291.99	1,398,623.36
Total	2,165,236.33	1,855,395.22

The nominal value of the purchase option is set at 0.00 Euros.

11.2 Short-term financial liabilities

The detail of the short-term accounts pending payment at the end of fiscal year 2019 and 2020 is as follows:

Short-term financial instruments							
Categories	Classes	Debts with credit entities and financial leasing		Derivatives and others		Total	
		2019	2020	2019	2020	2019	2020
Debts and items pending payment:		4,098,083.87	6,815,279.35	7,024,935.86	7,107,721.19	11,123,019.73	13,923,000.54
Total		4,098,083.87	6,815,279.35	7,024,935.86	7,107,721.19	11,123,019.73	13,923,000.54

In turn, they are separated in:

Debts with credit entities and financial leasing	2019	2020
Debts with credit entities	3,291,372.79	5,941,884.38
financial leasing (Note 11.1.2)	806,711.08	873,394.97
TOTAL	4,098,083.87	6,815,279.35

Derivatives and others	2019	2020
Short term derivatives (Note 8)	4,343,994.26	3,853,462.35
Other financial liabilities (Note 11.2.2)	702,021.69	1,236,700.39
Commercial creditors and accounts pending payment (*)	1,978,919.91	2,017,558.45
TOTAL	7,024,935.86	7,107,721.19

(*) Excluding "Other debts with Public Administrations"

11.2.1- Short-term debts with credit entities:

Short-term debts with credit entities are detailed as follows:

Nominal Values	2019	2020
Loan EBI Tranche B	2,727,900.00	3,325,440.00
Loan EBI Tranche E	354,910.50	432,652.80
Loan DEXIA Tranche F	197,770.00	197,770.00
Subtotal	3,280,580.50	3,955,862.80
Credit Policy Caixabank	0.00	1,985,355.50
Subtotal	0.00	1,985,355.50
Other short-term debts	10,792.29	666.08
TOTAL	3,291,372.79	5,941,884.38

The book value of short-term debts is close to their reasonable value, since the effect of the discount is not significant. Reasonable values are based on discounted cash flows at a rate based on the weighted average IRR of borrowings in 2020, which was 0,90% (0,90% in 2019).

In the financial year 2020, the following credit policy has been maintained to cover the working capital needs derived from the delays in payments by the CIT.

Date Signature	Entity	Limit 31/12/2019	Set to 31/12/2019	Average rate 2019	Limit 31/12/2020	Set to 31/12/2020	Average rate 2020
30/07/2010	Caixabank	-	-	0.60%	2,000,000.00	1,985,355.50	0.47%

11.2.2-Other financial liabilities:

As of 31 December 2020, among the most important items that make up the heading "Other financial liabilities" for 1,236,700.39 Euros, we find 854,216.00 Euros of debts that can be converted into short-term subsidies and guarantees and deposits received, for the amount of 320,853.96 Euros (80,081.96 Euros and 276,417.98 Euros respectively in fiscal year 2019).

11.2.3-Commercial creditors and other accounts pending payment:

The breakdown of this heading of the Balance Sheet as of 31 December 2019 and 2020 is as follows:

Commercial creditors and other accounts pending payment	2019	2020
Providers	394,318.41	386,652.50
Various creditors	825,080.50	709,028.34
Staff	334,354.51	565,974.16
Client Advances (Cuenca Branch)	425,166.49	355,903.45
TOTAL	1,978,919.91	2,017,558.45

11.2.4- Information on the average period of payment to suppliers. Third additional provision. "Duty of information" of Law 15/2010, of 5 July

Article 5 of the Resolution of 29 January 2016, of the Accounting and Auditing Institute, on the information to be included in the annual accounts report in relation to the average period of payment to suppliers in commercial operations establishes the form calculation of the average period of payment to suppliers according to the following formula:

$$\text{Average period of payment to suppliers} = \frac{(\text{Ratio of operations paid} \times \text{Total amount of payments made}) + (\text{Ratio of operations pending payment} \times \text{Total amount pending payments})}{\text{Total amount of payments made} + \text{Total amount of pending payments}}$$

Understanding the ratio of paid operations as:

$$\text{Ratio of operations paid} = \frac{\sum (\text{number of days of payment} \times \text{Amount of the transaction paid})}{\text{Total amount of payments made}}$$

The number of days of payment shall be understood as the calendar days that have elapsed from the date on which the calculation of the term begins until the material payment of the operation.

The ratio of operations pending payment will be calculated according to the following formula:

$$\text{Ratio of operations pending payment} = \frac{\sum (\text{number of days pending payment} \times \text{Amount of transaction pending payment})}{\text{Total amount of pending payments}}$$

According to the previous calculation system, the data obtained have been the following:

	2019	2020
(Days)		
Average period of payment to suppliers	20.78	20.97
Ratio of paid operations	21.60	22.37
Ratio of operations pending payment	6.38	6.49
(Euros)		
Total payments made	6,013,936.52	6,104,069.77
Total pending payments	341,959.36	590,587.77

12- PUBLIC ADMINISTRATIONS AND FINANCIAL SITUATION

12.1 Current balances with Public Administrations

The composition of current balances with Public Administrations is as follows:

a) *Debtor balances:*

Debtor balances	2019	2020
Current tax assets	929,392.07	68,739.95
Public Treasury VAT Supported	17,584.01	17,584.02
Public Treasury IGIC Supported Pending Deduction	759.41	0.00
Public Treasury debtor Cuenca Branch	36,480.91	34,760.67
Corporate tax to be returned	869,195.86	13,372.54
Debtor Social Security	5,371.88	3,022.72
Other credits with public administrations	560,346.79	2,844,534.65
CIT debtor for subsidies	553,440.46	2,838,729.35
Chosica Train Consortium	6,906.33	5,805.30
UTE Bahía de Cádiz Tram	0.00	0.00
Total	1,489,738.86	2,913,274.60

The item "Other credits with Public Administrations" includes the following credits:

- **Capital subsidies** granted by the CIT amounting to 305,988.46 Euros in the 2020 fiscal year (553,440.46 Euros in 2019) and which are broken down as follows:

1. Subsidy for the financing of technical assistance for the coordination and supervision of the implementation of the contactless ticketing system for TITSA and Metrotenerife (See Note 7.1). The amount pending collection corresponds to the 2021 annuity for the amount of 8,986.77 Euros (17,973.54 Euros in 2019) (Note 14.2).
2. Subsidy to finance the acquisition of the contactless ticketing system equipment for TITSA and Metrotenerife (See Note 7.1). The amount pending collection corresponds to the 2021 annuity for the amount of 297,001.69 Euros (535,466.92 Euros in 2019) (Note 14.2).

- **Operating subsidy** amounting to 2,532,740.89 corresponding to a contribution to be made by the CIT as a result of the pandemic caused by COVID-19. The health crisis situation caused by COVID-19 in the 2020 financial year has meant an unprecedented change in all areas, assuming a decrease in the expected results for most entities. In the case of Metrotenerife, an activity of public interest is carried out, and so, the continuity of the activity was necessary for the fulfilment of the public service it provides That is why the CIT, as the competent body in transport matters, through the Insular Directorate of Mobility, issued resolutions in which the frequencies, schedules and conditions of service provision were regulated. All this has implied the need to establish certain guidelines and principles in relation to the economic rebalancing

of the management contract signed with the CIT, taking into account the economic uncertainties and especially the restrictions on mobility and capacity that especially affect companies that provide the public transport service such as Metrotenerife. Among the possibilities of economic rebalancing, the management contract establishes in Title XVII the regulation of the mechanisms and conditions for restoring the economic and financial balance of the contract in cases where there has been an alteration that requires compensation from the CIT, specifically in its clause 37 it establishes that direct compensation may be considered. Thus, on 9 November, Metrotenerife requests the CIT to apply the reestablishment of the economic and financial equilibrium covered by the aforementioned clauses of the aforementioned contract, estimating a loss of 2,371,676 Euros. On 17 November, the Insular Director of Mobility issued a resolution for the appointment of an expert appraiser to determine if there is a breach in the economic and financial balance of the contract derived from the health crisis caused by the COVID-19 pandemic and the measures adopted to alleviate their effects, quantify its scope and assess each of the possibilities of compensation for the Company, in the terms established in Title XVII of the Management Contract. Subsequently, the Council of Insular Government of the CIT, in an extraordinary session held on 3 December, approved the Draft Budget of the CIT for fiscal year 2021, consigning a specific current contribution in the amount of 2,371,676 Euros estimated by Metrotenerife. The final imbalance has amounted to 2,532,740.89 Euros.

- **Other credits:** lower balances derived from the integration of the UTES in which the Company participates (Note 18).

b) Credit balances:

Credit balances	2019	2020
Public Treasury creditor for tax concepts	134,602.55	127,918.99
Public Treasury creditor for fiscal concepts-Cuenca Branch	12,070.65	30,023.19
Public Treasury creditor for tax concepts-Consorcio Trenes Chosica	3,250.99	1,669.31
Public Treasury creditor for fiscal concepts-UTE Tranvía Bahía Cádiz	3,718.61	4,337.14
Public Treasury creditor for IGIC	17,452.15	8,387.09
CIT creditor for subsidies	489,332.72	101,473.51
Credit Social Security	201,387.63	184,763.80
Creditor Social Security-Cuenca Branch	5,541.41	2,651.41
Total	867,356.71	461,224.44

12.2 Reconciliation of accounting results and tax base

The reconciliation between the accounting result and the corporate income tax base in 2019 and 2020 is as follows:

CONCEPT	2019	2020
ACCOUNTING RESULT BEFORE TAX	5,394,853.40	28,275.04
ADJUSTMENTS TO THE ACCOUNTING RESULT		
POSITIVE	329,431.01	1,900,604.74
NEGATIVE	-405,048.13	-407,950.71
PREVIOUS TAX BASE	5,319,236.28	1,520,929.07
NEGATIVE TAX BASES APPLIED	-3,723,465.40	-760,464.54
FINAL TAX BASE	1,595,770.88	760,464.54
FULL FEE	398,942.72	190,116.13
DEDUCTIONS APPLIED	-258,099.99	-190,116.13
LIQUID FEE	140,842.73	0.00
WITHHOLDINGS AND INCOME ON ACCOUNT	-1,019,938.37	-13,372.54
INCREASE DUE TO TAX LOSS	9541.55	0.00
DELAY INTEREST	358.23	0.00
TO RETURN	-869,195.86	-13,372.54

Additionally, the profit and loss account includes 28,275.04 Euros corresponding to the income tax of the Ecuador branch (10,223.94 Euros in 2019).

The tax base for the year differs from the accounting result due to the fact that certain operations have different considerations for the purpose of the taxation of Corporation Tax and the preparation of these Annual Accounts.

In accordance with the provisions of article 16 of Law 27/2014, of 27 November, on Corporation Tax, the deduction of net financial expenses would be limited to the limit of 30% of operating profit with a minimum deduction of one million of euros. In the 2020 fiscal year, the tax base has increased by 1,777,450.38 Euros (255,898.74 Euros in 2019), as a result of the application of such limit.

In accordance with the provisions of article 7 of Law 16/2012, of 27 December, by which various tax measures are adopted aimed at the consolidation of public finances and the promotion of economic activity, the accounting depreciation of tangible and intangible fixed assets and real estate investments corresponding to the tax periods that begin within the years 2013 and 2014 for those entities that, in the same years, do not meet the requirements established in sections 1, 2 or 3 of article 108 of the Text Consolidated from the Corporation Tax Law, approved by Royal Legislative Decree 4/2004, of 5 March, up to 70 percent of that which would have been tax deductible had not applied the referred percentage. The accounting depreciation that is not tax deductible by virtue of the provisions of the aforementioned

article will be deducted linearly over a period of 10 years or optionally during the useful life of the equity element, from the first tax period that begins in the year 2015. In fiscal year 2020, the tax base was reduced by 374,687.15 Euros (374,687.15 Euros in 2019).

As of 31 December 2020, the detail of the tax bases pending compensation is as follows:

FISCAL YEAR	Pending on 31/12/2019	Applied 2020	Pending on 31/12/2020
2008	3,513,544.04	760,464.54	2,753,079.50
2009	3,505,048.32	0.00	3,505,048.32
2010	7,237,631.41	0.00	7,237,631.41
2011	1,758,266.18	0.00	1,758,266.18
2013	5,287,497.13	0.00	5,287,497.13
Total	21,301,987.08	760,464.54	20,541,522.55

In this fiscal year, negative tax bases have been offset with the limit of 50% of the previous tax base established by the tax regulations.

The detail of the deductions applied and the rest of the deductions pending to be applied in future years is presented in the following tables:

	Pending on 31/12/2019	Deduction 2020	Applied 2020	Pending on 31/12/2020
Fixed assets (Law 20/1991) 2010	90,985.54	0.00	0.00	90,985.54
Fixed assets (Law 20/1991) 2011	73,295.09	0.00	0.00	73,295.09
Fixed assets (Law 20/1991) 2013	22,073.05	0.00	0.00	22,073.05
Fixed assets (Law 20/1991) 2015	8,035.59	0.00	0.00	8,035.59
Fixed assets (Law 20/1991) 2017	14,179.00	0.00	0.00	14,179.00
Fixed assets (Law 20/1991) 2020	0.00	349,795.00	95,058.07	254,736.93
Investments in the Canary Islands (Law 20/1991) 2008	222,288.25	0.00	95,058.06	127,230.19
Investments in the Canary Islands (Law 20/1991) 2009	284,416.77	0.00	0.00	284,416.77
Investments in the Canary Islands (Law 20/1991) 2013	52,049.41	0.00	0.00	52,049.41
Investments in the Canary Islands (Law 20/1991) 2014	97,540.96	0.00	0.00	97,540.96
Investments in the Canary Islands (Law 20/1991) 2015	171,914.29	0.00	0.00	171,914.29
Investments in the Canary Islands (Law 20/1991) 2016	158,859.49	0.00	0.00	158,859.49
Total	1,195,637.44	349,795.00	190,116.13	1,355,316.31

The additions of assets, although they are accounted for as intangibles in accordance with accounting regulations, maintain the nature of fixed assets for the purposes of deduction (Binding Inquiry 3259/2013). In the current financial year 2020, suitable investments have been made to generate a Deduction for Investment in New Fixed Assets in the amount of 1,399,180.02 euros, generating a deduction for an amount of 349.795,00 euros. The aforementioned deductions for investments in the Canary Islands correspond to:

DEDUCTIONS FOR NEW FIXED ASSETS				
FISCAL YEAR	Pending on 31/12/2019	Deduction 2020	Applied 2020	Pending on 31/12/2020
2010	90,985.54	0.00	0.00	90,985.54
2011	73,295.09	0.00	0.00	73,295.09
2013	22,073.05	0.00	0.00	22,073.05
2015	8,035.59	0.00	0.00	8,035.59
2017	14,179.00	0.00	0.00	14,179.00
2020	0.00	349,795.00	95,058.07	254,736.93
Total	208,568.27	349,795.00	95,058.07	463,305.20

DEDUCTIONS FOR USE OF RENEWABLE ENERGIES				
FISCAL YEAR	Pending on 31/12/2019	Deduction 2020	Applied 2020	Pending on 31/12/2020
2008	222,288.25	0.00	95,058.06	127,230.19
2009	284,416.77	0.00	0.00	284,416.77
TOTAL	506,705.02	0.00	95,058.06	411,646.96

DEDUCTIONS I+D+I (IT)				
FISCAL YEAR	Pending on 31/12/2019	Deduction 2020	Applied 2020	Pending on 31/12/2020
2013	52,049.41	0.00	0.00	52,049.41
2014	47,050.89	0.00	0.00	47,050.89
2014	50,490.07	0.00	0.00	50,490.07
2015	97,346.25	0.00	0.00	97,346.25
2015	74,568.04	0.00	0.00	74,568.04
2016	75,911.09	0.00	0.00	75,911.09
2016	82,948.40	0.00	0.00	82,948.40
TOTAL	480,364.15	0.00	0.00	480,364.15

Additionally, the company has generated a deduction for reversal of temporary measures in the current year for the amount of 18.734,36 Euros, leaving the following deductions pending in 2020:

FISCAL YEAR	REVERSAL	DEDUCTION	APPLIED 2020	PENDING ON 31/12/20
2018	374,687.15	18,734.36	0.00	18,734.36
2020	374,687.15	18,734.36	0.00	18,734.36
TOTAL	749,374.30	37,468.72	0.00	37,468.72

As established by the current legislation, taxes cannot be considered definitively liquidated until the returns submitted have been inspected by the tax authorities or the statute of limitations of four years has elapsed. Because of this, the Company has the last four fiscal years open to tax inspection for the main taxes that are applicable. The Directors of the Company consider that the liquidations of the aforementioned taxes have been adequately practiced, therefore, even in the event that discrepancies arise in the current normative interpretation due to the tax treatment granted to the operations, the eventual resulting liabilities, if they materialize, would not significantly affect these Annual Accounts..

12.3 Deferred taxes:

The detail of deferred tax assets is as follows:

	2019	2020
Deferred tax assets:		
Deferred taxes (coverage derivatives)	9,091,287.74	8,918,670.79
TOTAL	9,091,287.74	8,918,670.79

The Company has made an estimate of the tax benefits that it expects to obtain in the next five years (period for which it considers that the estimates are sufficiently reliable) in accordance with the budgets. Based on this analysis, the Company has not recorded the deferred tax assets corresponding to the negative tax bases pending compensation and the deductible temporary differences for which it considers the generation of sufficient future tax benefits unlikely.

The detail of the deferred tax liabilities is as follows:

	2019	2020
Deferred tax liabilities:		
Temporary differences (subsidies)	8,593,068.60	8,524,269.36
TOTAL	8,593,068.60	8,524,269.36

According to the 2008 PGC, capital grants that are part of equity must be included in net terms, that is, considering the tax effect. This tax effect is reflected in the table above, so that they become part of

non-current liabilities and specifically in the “*Deferred tax liability*” account of the attached Balance Sheet, with the amount at the end of 2020 being 8,524,269.36 Euros (8,593,068.60 Euros in 2019).

The movement during the year in deferred tax assets and liabilities was as follows:

Deferred Tax assets	Asset tax effect 2019	Asset tax effect 2020
Balance on 1 January	8,341,023.74	9,091,287.74
Charge to Equity	750,264.00	-172,616.94
Balance on 31 December	9,091,287.74	8,918,670.79

Deferred Tax liabilities	Subsidy tax effect 2019	Subsidy tax effect 2020
Balance on 1 January	-8,661,867.84	-8,593,068.60
Charge to Equity	68,799.24	68,799.24
Balance on 31 December	-8,593,068.60	-8,524,269.36

13. REVENUE AND EXPENSES

13.1 Net amount of turnover

The distribution of the net amount of the turnover corresponding to the years 2019 and 2020 by categories of activities is as follows:

	2019	2020
Sales	3,156.42	1,029.40
Provision of services	22,336,920.60	14,761,707.33
Total	22,340,077.02	14,762,736.73

The detail of the item “*Provision of Services*” is as detailed in the following table:

Provision of Services	2019	2020
Passenger transport service	19,928,993.30	13,183,755.03
Compensation	65,229.36	47,818.11
Operation revenue	19,994,222.66	13,231,573.14
Advertising	473,700.00	225,950.00
Photovoltaic Plants	196,564.51	145,760.97
External Technical Advice and Management of Ten + Móvil	552,290.48	529,521.29
Commercial management	25,803.78	13,765.01
Duct rental	46,269.50	46,396.26
Joint Ventures Income (Note 18)	535,354.34	125,712.70
Ecuador Branch Income	512,715.33	443,027.96
Additional revenue	2,342,697.94	1,530,134.19
Total	22,336,920.60	14,761,707.33

The description of each of the previous games is as follows:

a) Income from the provision of the passenger transport service

Includes the income derived from the operation of the service of the Light Metro Network of the Metropolitan Area of Tenerife.

It is detailed as follows:

Passenger transport service	2019	2020
Income paid by the customer of the transport service	11,496,577.67	7,627,071.51
Subsidy to the client for the use of public transport. Social	3,948,422.25	2,363,680.17
Subsidy to the client for the use of public transport. Commercial	4,416,083.56	3,154,394.41
Income Subscription costs and support Contactless Ticketing	34,227.19	19,073.79
Income Expired Titles	33,682.63	19,535.15
Total	19,928,993.30	13,183,755.03

Despite the growth experienced in the first two months of the year, since March 2020, an unprecedented decline in demand figures has been observed. This decline is due to the effects that the different COVID-19 prevention measures have had on public transport, especially those related to the establishment of a nationwide State of Alarm and the population lockdown. Additionally, the discontinuation of all school and non-essential work activities caused a sudden and unexpected decrease in demand. Starting in June, once the State of Alarm was over and social and economic activities started to gradually recover, demand levels began to gradually recover as well, until the end of October, when a peak of 75% of the weekly demand level obtained in the same weeks of the previous year was reached. During the months of November and December, the appearance and spread of the third wave of Covid-19 together with the restriction measures imposed by the authorities and the suspension of face-to-face teaching activity at the university caused a new and significant decrease compared to the equivalent months of the previous year.

These variations in demand, which affected in similar terms the use of all transport tickets, although with particular severity those for the young population, such as the monthly Youth Pass or the University Student Pass, were directly reflected in the result economic through its direct impact on income, both in terms of collection rights and commercial and social policies.

Income paid by the customer of the transport service

They are the income that comes directly from the client, that is, it is the price paid by the client

when he validates the transport ticket at the time of use of the service.

Subsidy to the client for the use of public transport. Social

It is the subsidy that the CIT makes to social groups that meet certain characteristics and whose purpose is to reduce the amount paid for the use of public transport. It applies to the following tickets:

Subsidy to the client. Social	2019	2020
15€ Student Pass	292,758.65	116,814.89
Large Family Ticket 40€	60,263.01	46,231.73
Cabildo Disability	334,129.31	237,278.72
Disability Pass	27,666.15	64,391.75
Cabildo Seniors	233,261.56	152,804.19
Senior Pass	106,211.21	109,069.73
Social Pass / IASS Low income	3,445.12	3,756.63
Weekly Youth Pass	47,614.46	23,902.61
Monthly Youth Pass < 30	2,695,408.25	1,509,781.18
Ten+ Children Card (5-10 years)	147,664.52	99,648.75
Total	3,948,422.25	2,363,680.17

The main characteristics of these tickets are the following:

- 15€ Student Pass: Ticket that is valid exclusively for collectives that comply with the following attributes:
 - Student of the University of La Laguna, UNED or UEC.
 - Under 26.
- Large Family Ticket: Ticket that is valid exclusively for collectives that comply with the following attributes:
 - Being part of a large family according to Law 40/2003 of 18 November, for the Protection of Large Families.
 - Being in possession of a large family accreditation.
- 12 € Cabildo Disability Concession: Ticket that is valid exclusively for collectives that comply with the following attributes:
 - 33% disability or higher.
 - Income equal or higher than 835.80 euros per month (11,701.20 euros per year).

- Tenerife resident with a Spanish or EU nationality.
- Disability Pass: Ticket that is valid exclusively for collectives that comply with the following attributes:
 - 33% disability or higher.
 - Tenerife resident with a Spanish or EU nationality
- 12€ Cabildo Seniors. Ticket that is valid exclusively for collectives that comply with the following attributes:
 - Over 65.
 - Income equal or higher than 677,40 euros per month (9,483.60 euros per year).
 - Tenerife resident with a Spanish or EU nationality.
- Senior Pass. Ticket that is valid exclusively for collectives that comply with the following attributes:
 - Over 65.
 - Tenerife resident with a Spanish or EU nationality.
- Social Pass. Ticket that is valid exclusively for collectives that comply with the following attributes:
 - Natural persons with low income in a state of social exclusion or at risk.
 - The municipal social services communicate the state of necessity to the Insular Institute for Social and Public Health Attention (IASS in its Spanish acronym), which manages passes and their monitoring.
- Weekly Youth Pass: Ticket that is valid exclusively for collectives that comply with the following attributes:
 - Under 26.
- 30 € Monthly Youth Pass. Ticket that is valid exclusively for collectives that comply with the following attributes:
 - Under 30
 - Canary Islands residents.
- Children Card: Ticket that grants minors, between 5 and 9 years old and Tenerife residents, free

trips.

Subsidy to the client for the use of public transport. Commercial

It is the subsidy that the CIT makes to the frequent customer with the purpose of reducing the amount paid for the use of public transport. Applies to the following tickets:

Subsidy to the client. Commercial	2019	2020
Bono Vía 15€	553,479.20	386,892.77
Bono Vía 25€	161,138.37	110,748.30
Bono Vía 50€	6.07	1.27
General Wallet	1,939,885.95	1,419,753.32
Monthly Pass	788,999.86	251,680.44
Canary Resident Pass	904,212.58	933,105.23
1-day Tourist Pass	0.00	-5,178.06
7-day Tourist Pass	0.00	-1,518.44
Monthly Pass M1+2	-31.08	0.00
5-trip ticket	63,444.77	55,330.98
VAO Journeys	2,708.52	1,400.46
Shop Pass	2,239.32	2,178.14
Total	4,416,083.56	3,154,394.41

b) Revenue from Indemnification

This section includes the collection of compensation received from insurance companies for damages caused by third parties on Metrotenerife trams or properties. The amount accrued in 2020 amounts to 47,818.11 Euros (65,229.36 Euros in 2019).

c) Advertising Revenue

They correspond to the income that comes from the rental of trams as advertising support, from the rental of muppies (advertising media located at the tram stops) and from the rental of the tram stops themselves for advertising campaigns.

The amount accrued in 2020 amounts to 225,950.00 Euros (473,700.00 Euros in 2019).

d) Revenue from energy sales. Photovoltaic plants

Includes income derived from the sale of electrical energy generated by photovoltaic plants installed on the roof of TYC facilities. In the case of phase 1 (plant 600 KW) revenues come exclusively from the energy sales market (this part is called "Baldita") while in the case of phase 2 (plant 280 KW), in addition

to the market income, those that come from the payment of the regulated tariff are included.

The amount accrued in 2020 amounts to 145.760,97 Euros (196,564.51 Euros in 2019).

e) Revenue from external technical advice and management of Ten + Móvil

This section includes, on the one hand, income from the provision of counselling services to other tram operations (such as the Zaragoza, Jerusalem or Chiclana trams). On the other hand, there is the income that comes from the management service to other operators of the application owned by Metrotenerife, Ten + Móvil, through which transport users can acquire and validate transport tickets using their Smartphone.

The amount accrued in 2020 amounts to 529,521.29 Euros (552,290.48 Euros in 2019). See Note 13.7.

f) Income from commercial management

This section mainly includes the collection of fines paid by infringing clients for traveling without a transport ticket.

The amount accrued in 2020 amounts to 13,765.01 Euros (25,803.78 Euros in 2019).

g) Income from pipeline rental

As part of the infrastructure that it owns, Metrotenerife has a series of free conduits that are located under the platform of line 1 and that are capable of being equipped with telecommunications infrastructures. Two contracts have been signed with two companies to assign them the right to use these conduits.

Under the heading of "*Long and short-term accruals*" of the liabilities of the Balance Sheet, the advance collection of the right to use the pipeline of line 1 from the Technological Institute of Telecommunications of Tenerife, S.L.U. and Vodafone España, S.A. for the period from 2011 to 2036 and 2013 to 2038 for an amount of 1,132,000.00 Euros and 25,498.00 Euros, respectively. These amounts are taken to income for the year on a linear basis during the assignment period, with the accumulated amount as of 31/12/2020 being 433,497.31 Euros (387,101.05 Euros as of 31/12/2019). The amount pending transfer to results amounts to 724,000.69 Euros (770,396.95 Euros at 31/12/2019), of which 677,731.19 Euros are recorded in the long term (724,000.69 Euros at 31/12/2019) and 46,269.50 Euros are short-term (46,396.26 Euros at 31/12/2019).

Additionally, the account "*Short-term accruals*" includes 135,125.17 Euros (455,987.12 Euros at

31/12/2019) from the Cuenca branch.

The amount accrued in 2020 amounts to 46,396.26 Euros (46,269.50 Euros in 2019).

h) Ecuador Branch Income

Metrotenerife was the successful bidder for the procedure offered by the autonomous decentralized municipal government of the Cuenca Canton in Ecuador for “Features and studies for the preparation of the operation, as well as technical assistance in the commercial operation of the Cuenca Tram’s Cuatro Ríos line” . Cuenca’s Cuatro Ríos Tram is a public initiative project with the goal of improving mobility by establishing a railway line in the city of Cuenca. It is one of Ecuador’s and Cuenca’s (World Heritage Site – UNESCO) emblematic projects and has the support of the local and the state governments. Among the project’s participants, there are many important goods and services provider multinational companies such as: Alstom, Artelia, Indra, etc.

The amount accrued in 2020 amounts to 443,027.96 Euros (512,715.33 Euros in 2019).

13.2 Other operating income:

The heading "*Other operating income*" of the attached Profit and Loss Account includes the following detail:

Other operating income	2019	2020
Ancillary income and other current management	5,275,385.96	5,319,341.22
Operating subsidies included in profit or loss	328,376.61	2,645,364.54
Total	5,603,762.57	7,964,705.76

The group "Ancillary and other current management income" mainly includes the amounts accrued as Availability Payment (Note 6), amounting to 5,248,154.17 Euros (5,206,502.16 Euros in 2019), according to the contract signed between Metrotenerife Management and CIT. (Note 14.1).

Ancillary income and other current management	2019	2020
Pay for availability	5,206,502.16	5,248,154.17
Other income	68,883.80	71,187.05
Total	5,275,385.96	5,319,341.22

The operating subsidies received in 2019 and 2020 correspond to:

Operating subsidies	Awarding entity	2019	2020
Lawn Maintenance L1 and L2	CIT	112,394.08	109,298.93
Contactless Ticket Launch Campaign	CIT	210,611.00	0.00
COVID-19 contribution (Note 12.1)	CIT	0.00	2,532,740.89
Continuous training	Threefold Training	5,371.53	3,324.72
	Total	328,376.61	2,645,364.54

13.3 Supplies

The balance of the accounts "*Consumption of raw materials and other consumable materials*" for fiscal year 2019 and 2020 presents the following composition:

Consumption of raw materials and other consumable materials	2019	2020
Purchases	-955,425.51	-1,247,443.56
Stock Variation	30,117.84	-113,805.68
Total	-925,307.67	-1,361,249.24

The detail of the purchases made by the Company during the years 2019 and 2020, according to their origin, is as follows:

PURCHASES 2020	National	Inside the EU	Imports	TOTAL
Other supply purchases	-773,280.15	-468,595.31	-5,568.10	-1,247,443.56

PURCHASES 2019	National	Inside the EU	Imports	TOTAL
Other supply purchases	-716,064.41	-208,197.64	-31,163.46	-955,425.51

13.4 Staff expenses

The heading "Staff Expenses" of the attached Profit and Loss Account is broken down as follows:

Concept	2019	2020
Wages, salaries and ancillaries	-5,812,034.89	-6,377,369.14
Wages and salaries paid	-5,653,495.62 €	-6,017,709.61
Wages and salaries in kind	-61,494.70 €	-51,815.24
Accruals, extra pay, provisions, allowances	-97,044.57	-307,844.29
Social charges	-1,928,343.49	-1,994,361.86
Social Security paid by the company	-1,799,158.83	-1,874,321.09
Training	-15,387.10	-12,215.61
Continuous training	-15,839.79	-5,695.00
Insurance: accident, life and health	-97,957.77	-102,130.16
Total	-7,740,378.38	-8,371,731.00

During the financial year 2020 there has been an increase in the Staff Expenses heading that amounts to 8,16%. In 2019 it was 5,4%.

13.5 Other operating expenses:

The balance of the heading "Other operating expenses" for the 2019 and 2020 financial years presents the following composition:

	2019	2020
External services	-5,139,573.16	-4,377,774.22
Leases (Note 6)	-54,237.82	-52,368.00
Reparations and conservation	-1,311,041.94	-1,321,947.64
Independent Professional Services	-16,896.93	-15,674.42
Insurance Premiums	-258,600.60	-277,815.01
Banking and similar services	-76,186.89	-69,783.97
Advertising and public relations	-191,608.78	-139,241.90
Supplies	-811,911.95	-640,472.15
Other services	-2,419,088.25	-1,860,471.13
Taxes	-37,339.16	-35,140.49
Other taxes	-37,339.16	-35,140.49
Losses, deterioration and variation of provisions for commercial operations.	0.00	-21,132.21
Bad trade credit losses	0.00	-21,132.21
Other current management costs	-566,343.24	-390,383.19
PPD management fees	-10,762.00	0.00
Labelling costs for trams and muppies	-199,107.84	-98,982.76
Photovoltaic management expenses	-4,312.91	-2,686.00
Other current management expenses and losses	-352,160.49	-288,714.43
Total	-5,743,255.56	-4,824,430.11

13.6 Financial income and expenses

The financial income and expenses accrued in fiscal year 2019 and 2020 are detailed below:

	2019	2020
Financial income:	132,038.75	130,146.91
<i>Of marketable securities and other financial instruments</i>	<i>132,038.75</i>	<i>130,146.91</i>
- From third parties	76.60	15,960.29
- PCG adjustments (update credits / loans)	131,962.15	114,186.62
Financial expenses:	-4,356,346.46	-4,253,681.92
-Exploitation	-207,824.91	-235,046.67
-Risk Project	-5,376,278.12	-5,244,118.14
- Financial expenses activation adjustments (Order EHA 3362/2010) (Note 6)	1,227,756.57	1,225,482.89
Exchange differences	1,786.11	-40,103.35
Financial results	-4,222,521.60	-4,163,638.36

The financial expenses related to the loans that Metrotenerife has subscribed (See Note 11) and the liquidation of financial derivatives are included, as well as the commissions of the guarantees provided by Dexia Crédit Local, and the rest of the entities of the banking syndicate to Metrotenerife as collateral before the European Investment Bank.

The *financial expenses capitalization adjustments* correspond to the amount activated in the year in application of Order EHA / 3362/2010 (See Note 6).

13.7 Revenue and expenses in foreign projects:

- During 2020, the Company continued with the development of the company's outsourcing activity through two channels:
- - The presentation of offers to public tenders or private clients of a national and international nature whose purpose is to provide counselling or similar services and
- - the commercialization of internally developed technological solutions.

The main projects in which the Company has participated are the following:

- **Urban Rail Development Handbook:** technical revision of the Spanish version of the Urban Rail Development Handbook.
- **Jerusalem Light Rail:** the contract signed with SA EGIS RAIL, consisting of providing on-demand expert maintenance services for rolling stock.
- **Award Albanian Railways:** technical counselling services for Albanian railways.
- **Maintenance for the Tel Aviv Light Rail:** a contract was signed with CAF for the Benchmarking of the maintenance of facilities and the Tel Aviv Light Rail rolling stock.
- **LRT Haifa Nazareth:** counselling services for Operation and Maintenance for IDOM S.A. in the Tram-train Haifa – Nazareth project.
- **Jerusalem Light Rail Maintenance:** counselling services and training for the operation and maintenance licence holder of the Jerusalem Light Rail (JNET).
- **CAF bid preparation:** technical assistance for CAF Engineered Modernizations S.L. for the preparation of bids for various tender processes.

- **Senegal Grain Trains Society:** a contract has been signed with Trazas Ingeniería S.L. (successful bidder for the contract) to provide technical assistance.
- **SIMOVE MLO:** a contract with Metro Ligero Oeste, S.A. has been signed to carry out the annual maintenance of the installed SIMOVE.
- **Operation and Maintenance of the Cuenca Tram:** service for the autonomous decentralized municipal government of the Cuenca Canton in Ecuador with a contract for “Features and studies for the preparation of the operation, as well as technical assistance in the commercial operation of the Cuenca Tram’s Cuatro Ríos line” .
- **Bahía de Cádiz Tram-Train:** UTE (temporary consortium) constituted in order to execute a contract with the Regional Government of Andalusia’s Public Works Agency with the objective of providing technical assistance services for the launch and initial supervision of the operation of Bahía de Cádiz Tram-Train’s Line 1.
- **Lima-Chosica’s East Suburban Train:** Consortium constituted for the execution of a Project promoted by Peru’s Ministry of Transport and Communications (MTC) for “Counselling Services for the production of a Pre-Investment Study on the Profile of the Project: “Improvement of the East Rail Corridor, Lima – Chosica” .

The detail of the income and expenses related to the external projects is indicated below:

Project	Commercialization	Urban Rail Development Handbook	Award Albanian Railways	A.T. Maintenance for the Tel Aviv Light Rail
A) CONTINUING OPERATIONS				
1. Net revenue	0.00	18,646.50	14,249.98	23,702.00
a) Sales	0.00	0.00	0.00	0.00
b) Service provision	0.00	18,646.50	14,249.98	23,702.00
2. Staff expenses	0.00	0.00	0.00	0.00
a) Wages, salaries and ancillaries	0.00	0.00	0.00	0.00
b) Social charges	0.00	0.00	0.00	0.00
3. Other operation expenses	-41,108.73	0.00	0.00	0.00
a) External services	-38,715.81	0.00	0.00	0.00
b) Taxes	0.00	0.00	0.00	0.00
d) Other current management expenses	-2,392.92	0.00	0.00	0.00
4. Depreciation of fixed assets	0.00	0.00	0.00	0.00
5. Other Results	-11.09	0.00	0.00	0.00

A.1) OPERATION RESULTS (1+2+3-4+5)	-41,119.82	18,646.50	14,249.98	23,702.00
6. Financial expenses	0.00	0.00	0.00	0.00
7. Exchange differences	0.00	-556.82	0.00	0.00
A.2) FINANCIAL RESULT (6+7)	0.00	-556.82	0.00	0.00
A.3) RESULT PRIOR TO TAXES (A,1+A.2)	-41,119.82	18,089.68	14,249.98	23,702.00
8. Corporate income tax	0.00	0.00	0.00	0.00
A.4) FISCAL YEAR RESULT (A,3+8)	-41,119.82	18,089.68	14,249.98	23,702.00

Project	LRT Haifa Nazareth	A.T. Jerusalem Light Rail Maintenance	A.T. CAF bid preparation	A.T. Senegal Grain Trains Society
A) CONTINUING OPERATIONS				
1. Net revenue	45,111.10	81,433.90	20,323.00	2,825.00
a) Sales	0.00	0.00	0.00	0.00
b) Service provision	45,111.10	81,433.90	20,323.00	2,825.00
2. Staff expenses	-947.31	0.00	0.00	0.00
a) Wages, salaries and ancillaries	-947.31	0.00	0.00	0.00
b) Social charges	0.00	0.00	0.00	0.00
3. Other operation expenses	-285.66	0.00	0.00	-50.00
a) External services	-285.66	0.00	0.00	0.00
b) Taxes	0.00	0.00	0.00	0.00
d) Other current management expenses	0.00	0.00	0.00	-50.00
4. Depreciation of fixed assets	0.00	0.00	0.00	0.00
5. Other Results	0.00	-0.01	0.00	0.00
A.1) OPERATION RESULTS (1+2+3-4+5)	43,878.13	81,433.89	20,323.00	2,775.00
6. Financial expenses	0.00	0.00	0.00	0.00
7. Exchange differences	0.00	0.00	0.00	0.00
A.2) FINANCIAL RESULT (6+7)	0.00	0.00	0.00	0.00
A.3) RESULT PRIOR TO TAXES (A,1+A.2)	43,878.13	81,433.89	20,323.00	2,775.00
8. Corporate income tax	0.00	0.00	0.00	0.00
A.4) FISCAL YEAR RESULT (A,3+8)	43,878.13	81,433.89	20,323.00	2,775.00

Project	SIMOVE MLO	Operation and Maintenance of the Cuenca Tram	Bahía de Cádiz Tram-Train	Lima-Chosica's East Suburban Train
A) CONTINUING OPERATIONS				
1. Net revenue	14,800.00	443,027.96	360,670.97	0.00
a) Sales	0.00	0.00	0.00	0.00
b) Service provision	14,800.00	443,027.96	360,670.97	0.00
2. Staff expenses	0.00	-31,397.81	-58,293.59	0.00
a) Wages, salaries and ancillaries	0.00	-17,880.00	-57,905.80	0.00
b) Social charges	0.00	-13,517.81	-387.79	0.00
3. Other operation expenses	-292.50	-341,911.52	-140,439.97	-13,989.60
a) External services	0.00	-115,931.37	-140,439.97	-13,944.15
b) Taxes	0.00	-1,897.19	0.00	0.00
d) Other current management expenses	-292.50	-224,082.96	0.00	-45.45
4. Depreciation of fixed assets	0.00	-2,483.12	0.00	0.00
5. Other Results	0.00	-2,031.68	-55.00	0.00
A.1) OPERATION RESULTS (1+2+3-4+5)	14,507.50	65,203.83	161,882.41	-13,989.60
6. Financial expenses	0.00	0.00	-192.48	-147.14
7. Exchange differences	0.00	-30,773.51	0.00	-8,773.02
A.2) FINANCIAL RESULT (6+7)	0.00	-30,773.51	-192.48	-8,920.16
A.3) RESULT PRIOR TO TAXES (A,1+A.2)	14,507.50	34,430.32	161,689.93	-22,909.76
8. Corporate income tax	0.00	-28,275.04	0.00	0.00
A.4) FISCAL YEAR RESULT (A,3+8)	14,507.50	6,155.28	161,689.93	-22,909.76

The aggregated summary of all outsourced activity is listed below:

Project	Total External Projects
A) CONTINUING OPERATIONS	
1. Net revenue	1,024,790.41
a) Sales	0.00
b) Service provision	1,024,790.41
2. Staff expenses	-90,638.71
a) Wages, salaries and ancillaries	-76,733.11
b) Social charges	-13,905.60
3. Other operation expenses	-538,077.98
a) External services	-309,316.96
b) Taxes	-1,897.19
d) Other current management expenses	-226,863.83
4. Depreciation of fixed assets	-2,483.12
5. Other Results	-2,097.78
A.1) OPERATION RESULTS (1+2+3-4+5)	391,492.82
6. Financial expenses	-339.62
7. Exchange differences	-40,103.35
A.2) FINANCIAL RESULT (6+7)	-40,442.97
A.3) RESULT PRIOR TO TAXES (A,1+A.2)	351,049.85
8. Corporate income tax	-28,275.04
A.4) FISCAL YEAR RESULT (A,3+8)	322,774.81

14. RELATED PARTIES OPERATIONS

14.1 Related party transactions

The transactions carried out with the Metrotenerife partner, the Tenerife Island Council, during the 2019 and 2020 financial years, have been the following:

Type of Transaction	2019	2020
	Accrued amount	Accrued amount
TENERIFE INSULAR CABILDO	12,933,638.70	10,491,256.38
Clearing House	7,714,136.54	5,243,102.21
Advertising, Commercial Dynamization	13,000.00	0.00
Payment for Availability	5,206,502.16	5,248,154.17

The transactions carried out with related parties are related to the normal trade of the Company and are carried out at market prices.

14.2 Balances with related parties

The detail of the debit and credit balances with related parties as of 31 December 2019 and 2020, differentiating the long and short term, is as follows:

Debtor balances	2019	2020
Long-term debtors	1,052,088.87	746,529.08
Island Council of Tenerife	1,052,088.87	746,529.08
Short-term debtors	4,585,591.49	6,890,739.02
Island Council of Tenerife	4,585,591.49	6,890,739.02
Total debtor balance	5,637,680.36	7,637,268.10

Short-term creditor balances	2019	2020
Island Council of Tenerife	569,414.68	955,689.51
Total creditor balance	569,414.68	955,689.51

The summary of the debts receivable from the CIT is as follows:

CIT DEBTS	2019	2020
Long-term debt (Nominal Value)	1,218,577.80	837,409.17
Short term debts	4,585,591.49	6,890,739.02
Total debit balance	5,804,169.29	7,728,148.19
Current Value Adjustment	-166,488.93	-90,880.09
Total debit balance (Updated value)	5,637,680.36	7,637,268.10

The long-term debt balances of the CIT correspond to the following detail:

Long-term debtors	2019	2020
Contactless Ticket Subsidy A.T. (Note 7.1)	8,986.77	0.00
Contactless Ticketing Subsidy SBSC (Note 7.1)	1,209,591.03	837,409.17
Total Nominal Amounts	1,218,577.80	837,409.17
Current Value Adjustment A.T.	-428.70	0.00
SBSC Current Value Adjustment	-166,060.23	-90,880.09
Total Present Value	-166,488.93	-90,880.09
Total long-term debtors	1,052,088.87	746,529.08

The short-term debt balances of the CIT correspond to the following detail:

Short-term debtors	2019	2020
Contactless Ticket Subsidy A.T. (Note 12.1)	17,973.54	8,986.77
Contactless Ticketing Subsidy SBSC (Note 12.1)	535,466.92	297,001.69
Transport policies (Note 7.2)	1,415,054.95	1,427,932.58
Payment for Availability (Note 7.2)	2,603,251.08	2,624,077.09
Subsidy for COVID-19 Support	0.00	2,532,740.89
Advertising revenue	13,845.00	0.00
Total Nominal Amounts	4,585,591.49	6,890,739.02

The short-term credit balances of the CIT correspond to the following detail (Note 12.1):

Short term creditors	2019	2020
Lawn Platform Maintenance (refundable)	46,585.92	6,334.08
VAO Lane Subsidy (refundable)	24,667.28	0.00
BSC Launch Campaign (refundable)	8,828.76	0.00
Advance Subsidy VAO Lane	55,332.72	0.00
Advance Subsidy Expansion Line 1 Los Rodeos	434,000.00	434,000.00
Advance Underground Project Chayofita Avenue	0.00	85,000.00
Advance Study of High Capacity Alternatives Costa Adeje	0.00	185,216.00
Los Cristianos Interchange Update Project Advance	0.00	150,000.00
Financial Income Contactless Ticketing Subsidy SBSC	0.00	95,139.43
Total Nominal Amounts	569,414.68	955,689.51

14.3 Remuneration for the Board of Directors and Management:

The gross remuneration received during 2019 and 2020 by the members of the Board of Directors and by the members of the Management Committee of the Company, have been the following

	2019		2020	
	Wages and Salaries	Diets	Wages and Salaries	Diets
Board of directors	0.00	20,023.28	0.00	24,846.40
Management Committee (10 people)	649,227.19	13,490.00	649,106.97	3,816.30
TOTAL	649,227.19	33,513.28	649,106.97	28,662.70

The Management Committee is made up of the following 10 people: Managing Director, Administrative-Financial Director, Head of Human Resources, Commercial Director, Project Director, Maintenance Director, Operation Director, Head of IT and Systems Engineering, Head of Communication and Public Relations, and Head of Quality, Safety and Environment..

The members of the Company's Board of Directors have not received any remuneration by way of participation in profits or bonuses. They have not received shares or stock options.

In compliance with Article 229 of the Capital Companies Act, the Administrators have communicated that they have no conflict with the Company's interest.

During the financial year 2020, premiums for the civil liability insurance of the Administrators have been paid for damages caused in the exercise of the position in the amount of 6,493.47 Euros (6,209.77 Euros in 2019).

15. ENVIRONMENTAL INFORMATION

Given the activities in which the Company is engaged, it has no responsibilities, expenses, assets or provisions or contingencies of an environmental nature that could be significant in relation to the equity, financial situation and results of the Company.

The Company owns 2 photovoltaic plants that were executed through the signing of an installation and maintenance contract with the Technological and Renewable Energy Institute (ITER), a company dependent on the CIT, and with a financing contract with BBVA.

The investments made are detailed in Note 5.

16. THIRD PARTIES GUARANTEES AND OTHER CONTINGENT LIABILITIES

16.1 Guarantees and collateral

The guarantees that Metrotenerife has established with third parties as of 31 December 2020 are the

following:

- a) On 29 May 2008 Metrotenerife signed a line of Guarantees with a banking syndicate, formed by Dexia Sabadell, S.A. (currently Dexia Credit Local), and Banco Santander, S.A. mainly, for a maximum amount of 97,867,000.00 Euros, as a guarantee of the obligations assumed by Metrotenerife vis-à-vis the EIB of tranches B and E (Note 11.1). At the end of 2020, this amount amounts to 83,950,312.60 Euros (87,033,123.10 Euros in 2019).
- b) Guarantees granted by Caixabank:
 - Provisional guarantee to be able to tender in the "Public Contest for the allocation of power in the modality of new wind farms destined to pour all the energy into the Canary Island electrical systems" promoted by the Council of Industry, Commerce and New Technologies of the Government of Canary Islands, the amount is 200,000.00 Euros (200,000.00 Euros in 2019).
 - Guarantee for the amount of 344,000.00 Euros in favor of the CIT in compliance with the provisions of Title V, clause 9, of the Management Contract (344,000.00 Euros in 2019).
 - International guarantee line: Metrotenerife has submitted offers to different international tenders that require, in many cases, the provision of a guarantee to guarantee the offer, for which reason it has contracted a commercial risk line for a maximum amount of disposition of 1,000,000.00 Euros, with the amount of 888,652.43 Euros being available as of 31 December 2020 (991,780.23 Euros in 2019).

16.2 Contingencies

The Supreme Court in relation to Appeal number 2780/2015, filed by Metrotenerife against judgment 299/2015, of 8 July issued by the Sixth Section of the Contentious Administrative Chamber of the Superior Court of Justice of Madrid, in the Appeal number 166/2014, on the non-application of the prevailing regime to a photovoltaic installation of this Company, issued a judgment rejecting the claims of Metrotenerife, thus establishing the obligation for it to pay the amounts required by the National Commission of Markets and Competition (hereinafter CNMC) and default interest. On 16 May 2017, the required amount was paid, which amounted to 1,488,878.88 Euros.

As of the close of fiscal year 2020, the CNMC has not proceeded to the settlement and notification of the amount of late payment interest accrued. The Company has made a quantification of the amount of default interest and has recorded, in 2018, a provision amounting to 396.304,77 Euros which is

included in the heading "Short-term Provisions" of the attached Balance Sheet.

17. OTHER INFORMATION

17.1 Staff

Below is information about the average number of people employed during the 2019 and 2020 financial years, detailed by category and sex, indicating the average number of people with a disability greater than 33%

Category	2019				2020			
	Men	Women	Disability	Total	Men	Women	Disability	Total
Managing Director	1.0	0.0	0.0	1.0	1.0	0.0	0.0	1.0
Administrative – Financial Director	0.0	1.0	0.0	1.0	0.0	1.0	0.0	1.0
Head of Human Resources	1.0	0.0	0.0	1.0	1.0	0.0	0.0	1.0
Technical Office Director	1.0	0.0	0.0	1.0	1.0	0.0	0.0	1.0
Sales Manager	1.0	0.0	0.0	1.0	1.0	0.0	0.0	1.0
Operation Manager	1.0	0.0	0.0	1.0	1.0	0.0	0.0	1.0
Maintenance Manager	1.0	0.0	0.0	1.0	1.0	0.0	0.0	1.0
Civil Engineer	1.0	0.0	0.0	1.0	1.0	0.0	0.0	1.0
Head of IT and Communications	1.0	0.0	0.0	1.0	1.0	0.0	0.0	1.0
Head of Quality and Safety	1.0	0.0	0.0	1.0	1.0	0.0	0.0	1.0
Head of Communication and Public Relations	1.0	0.0	0.0	1.0	1.0	0.0	0.0	1.0
Head of Studies and Marketing	1.0	0.0	0.0	1.0	1.0	0.0	0.0	1.0
Head of PCC	1.0	0.0	0.0	1.0	1.0	0.0	0.0	1.0
Head of Line	2.0	0.0	1.0	2.0	2.0	0.0	1.0	2.0
Head of Operations	0.0	1.0	0.0	1.0	0.0	1.0	0.0	1.0
Economist	0.0	1.0	0.0	1.0	0.0	1.0	0.0	1.0
Lawyer	0.0	1.0	0.0	1.0	0.0	1.0	0.0	1.0
Assistant Head of PCC	1.0	0.0	0.0	1.0	1.0	0.0	0.0	1.0
Head of Commercial Shift	3.0	0.0	0.0	3.0	3.0	0.0	0.0	3.0
Public Works Technical Engineer	1.0	0.0	0.0	1.0	1.0	0.0	0.0	1.0
International Projects Technician	0.0	1.0	0.0	1.0	0.0	1.0	0.0	1.0
Fixed Installations Team Leader	3.0	0.0	0.0	3.0	3.0	0.0	0.0	3.0
Maintenance Engineers	1.0	1.0	0.0	2.0	1.0	1.0	0.0	2.0
Systems Engineer	1.0	0.0	0.0	1.0	1.0	0.0	0.0	1.0
Head of Garage	1.0	0.0	0.0	1.0	1.0	0.0	0.0	1.0
Selection Technician	0.0	1.0	0.0	1.0	0.0	1.0	0.0	1.0
Methods/Planning Technician	3.0	0.0	0.0	3.0	3.0	0.0	0.0	3.0
Accountant	0.0	1.0	0.0	1.0	0.0	1.0	0.0	1.0
Real Time Systems Technician	2.0	0.0	0.0	2.0	2.0	0.0	0.0	2.0
Development Technician	1.0	0.0	0.0	1.0	1.0	0.0	0.0	1.0
Regulator	10.0	0.0	0.0	10.0	11.0	0.0	0.0	11.0
Fixed Installations Maintenance Technician	15.0	0.0	1.0	15.0	15.0	0.0	1.0	15.0
Rolling Stock Maintenance Technician	15.7	0.0	0.0	15.7	17.0	0.0	0.0	17.0
Draughtsman	1.0	0.0	0.0	1.0	1.0	0.0	0.0	1.0
Secretary	0.0	5.0	0.0	5.0	0.0	5.0	0.0	5.0
Driver	66.5	6.7	1.0	73.2	69.2	7.5	1.0	76.7
Warehouse Agent	1.0	1.0	0.0	2.0	1.5	1.0	0.0	2.5

Personal Administrative Clerk	0.0	1.0	0.0	1.0	0.0	1.9	0.0	1.9
Communication Administrative Clerk	0.0	1.0	0.0	1.0	0.0	1.0	0.0	1.0
Assistant Administrative Clerk	0.0	2.0	0.0	2.0	0.0	2.0	0.0	2.0
Administrative Clerk	0.0	0.8	0.0	0.8	0.0	1.4	0.0	1.4
Auditing and Sales Agent	16.0	2.0	0.0	18.0	16.0	2.0	0.0	18.0
Receptionist and Telephone Operator	0.0	1.0	0.0	1.0	0.0	1.0	0.0	1.0
Manager of Fines	0.0	1.0	0.0	1.0	0.0	1.0	0.0	1.0
Orderly	1.0	0.0	0.0	1.0	1.0	0.0	0.0	1.0
Total	157.2	29.5	3.0	186.7	162.7	31.8	3.0	194.5

The number of people employed at the end of the 2019 and 2020 financial years is indicated below, detailed by category and sex:

Category	31/12/2019			31/12/2020		
	Men	Women	Total	Men	Women	Total
Managing Director	1	0	1	1	0	1
Administrative – Financial Director	0	1	1	0	1	1
Head of Human Resources	1	0	1	1	0	1
Technical Office Director	1	0	1	1	0	1
Sales Manager	1	0	1	1	0	1
Operation Manager	1	0	1	1	0	1
Maintenance Manager	1	0	1	1	0	1
Civil Engineer	1	0	1	1	0	1
Head of IT and Communications	1	0	1	1	0	1
Head of Quality and Safety	1	0	1	1	0	1
Head of Communication and Public Relations	1	0	1	1	0	1
Head of Studies and Marketing	1	0	1	1	0	1
Head of PCC	1	0	1	1	0	1
Head of Line	0	0	0	0	0	0
Head of Operations	2	0	2	2	0	2
Economist	0	1	1	0	1	1
Lawyer	0	1	1	0	1	1
Assistant Head of PCC	0	1	1	0	1	1
Head of Commercial Shift	1	0	1	1	0	1
Public Works Technical Engineer	3	0	3	3	0	3
International Projects Technician	1	0	1	1	0	1
Fixed Installations Team Leader	0	1	1	0	1	1
Maintenance Engineers	3	0	3	3	0	3
Systems Engineer	1	1	2	1	1	2
Head of Garage	1	0	1	1	0	1
Selection Technician	1	0	1	1	0	1
Methods/Planning Technician	0	1	1	0	1	1
Accountant	3	0	3	3	0	3
Real Time Systems Technician	0	1	1	0	1	1
Development Technician	2	0	2	2	0	2
Regulator	1	0	1	1	0	1
Fixed Installations Maintenance Technician	11	0	11	11	0	11
Rolling Stock Maintenance Technician	15	0	15	15	0	15
Draughtsman	17	0	17	17	0	17
Secretary	1	0	1	1	0	1

Driver	0	5	5	0	5	5
Warehouse Agent	72	10	82	69	9	78
Personal Administrative Clerk	1	1	2	2	1	3
Communication Administrative Clerk	0	1	1	0	2	2
Assistant Administrative Clerk	0	1	1	0	1	1
Administrative Clerk	0	2	2	0	2	2
Auditing and Sales Agent	0	1	1	0	2	2
Receptionist and Telephone Operator	16	2	18	16	2	18
Manager of Fines	0	1	1	0	1	1
Orderly	0	1	1	0	1	1
Managing Director	1	0	1	1	0	1
Total	165	33	198	163	34	197

17.2 Audit fees

In compliance with the fourteenth additional provision of Law 44/2002 on Financial System Reform Measures, it is reported that the fees related to the account audit services for the year 2020 provided by Ernst & Young, S.L. amounts to 16,000.00 Euros (in 2019 it was 16,000.00 Euros). Likewise, the fees accrued during the year 2020 as a result of other services provided to the Company, amounted to 4,751.88 Euros (221.88 Euros in 2019).

18. JOINT VENTURES

As of 31 December 2020, the Company had the following joint ventures:

Name of the Temporary Union of Companies	Partner	Participation percentage
Ingeniería de Instalaciones y Trens, S.L. y metropolitano de Tenerife, S.A., Tranvía de Cádiz, Unión Temporal de Empresas, Ley 18/1982 de 26 de mayo (UTE 2 IT/ Tenerife)	Ingeniería de Instalaciones y Trens, S.L.	30%
GPO Ingeniería de Sistemas, S.L.U. y Metropolitano de Tenerife, S.A., Tranvía de Cádiz, Unión Temporal de Empresas, Ley 18/1982 de 26 de mayo (UTE pre-operation Cádiz tram)	GPO Ingeniería de Sistemas, S.L.	30%
Chosica Trains Consortium	Trazas Ingeniería, S.L., Sucursal en Perú (35%) Green Life SAC (5%)	60%

- **UTE 2 IT/Tenerife:** In 2016 the Company created a Temporary Union of Companies whose exclusive purpose is to provide services under the contract for the pre-operation and start-up services of the tram train from Chiclana to San Fernando, awarded by the Public Works Agency of the Junta de Andalucía. This UTE has been inactive during the year, pending settlement at the end of 2020, so its integration has not had significant effects on the Annual Accounts.

UTE Preoperation Cádiz Tram: In March 2018, this UTE was constituted to execute a new contract signed with the Public Works Agency of the Junta de Andalucía and whose purpose is to provide services for technical assistance for the start-up and initial supervision of the operation of the Line 1 of the Cádiz Bay Tram Train.

The effects that the integration of the UTE has had on the most significant items of the Annual Accounts are:

UTE Preoperation Cádiz Tram	Integration balances 31/12/2020	Eliminations by integration	Adjusted balances 31/12/2020
Balance			
Surety	330.00	0.00	330.00
Debtors	0.00	-14,647.43	-14,647.43
Treasury	41,460.66	0.00	41,460.66
Reserves and result	0.00	0.00	0.00
Providers	-36,253.53	14,647.43	-21,606.10
Other liabilities	-5,537.14	0.00	-5,537.14
	0.00	0.00	0.00
Profit and Loss Account			
Provision of services	196,200.18	-70,487.48	125,712.70
Operating expenses	-196,067.70	70,487.48	-125,580.22
Financial expenses	-132.48	0.00	-132.48
	0.00	0.00	0.00

On 31 December 2019:

UTE Preoperation Cádiz Tram	Integration balances 31/12/2019	Eliminations by integration	Adjusted balances 31/12/2019
Balance			
Surety	330.00	0.00	330.00
Clients	26,247.62	0.00	26,247.62
Debtors	0.00	-12,344.16	-12,344.16
Treasury	25,379.81	0.00	25,379.81
Reserves and result	0.00	0.00	0.00
Reserves and result	-46,438.82	12,344.16	-34,094.66
Providers	-5,518.61	0.00	-5,518.61
	0.00	0.00	0.00
Profit and Loss Account			
Provision of Services	191,307.07	-60,611.99	130,695.08
Operation expenses	-191,151.70	60,611.99	-130,539.71
Financial expenses	-155.37	0.00	-155.37
	0.00	0.00	0.00

Since the work carried out by the joint ventures has not been completed, there are no

contingencies. The commitments made in the development of the project are being fulfilled in accordance with what was agreed and there are no capital investment commitments.

- Chosica Trains Consortium (Perú):** Metrotenerife has constituted a Consortium for the execution of a Project promoted by Peru’s Ministry of Transport and Communications (MTC) for “Counselling Services for the production of a Pre-Investment Study on the Profile of the Project: “Improvement of the East Rail Corridor, Lima – Chosica” This Project has the public goal of establishing interventions on the current railway with emphasis on safety in order to prepare it for the provision of a mass passenger transit service between the densely populated districts of Cono Este de Lima and Cercado de Lima, which must operate together with the freight transportation service that the railway currently provides, transforming it into a segregated railway suitable for the mixed transit of passengers and high capacity.

The effects that the integration of the UTE has had on the most significant items of the Annual Accounts are:

Chosica Train Consortium	Integration balances 31/12/2020	Eliminations by integration	Adjusted balances 31/12/2020
Balance			
Commercial debts and others bills pending payment	5,805.30	-	5,805.30
Treasury	27,669.61	0.00	27,669.61
Reserves and result	8,841.04	0.00	8,841.04
Creditors for the provision of services	-6,388.26	0.00	-6,388.26
Other liabilities	-35,927.69	0.00	-35,927.69
	0.00	0.00	0.00
Profit and loss account			
Provision of services	0.00	0.00	0.00
Operating expenses	-7,973.30	0.00	-7,973.30
Financial expenses	-147.14	0.00	-147.14
	-8,120.43	0.00	-8,120.43

On 31 December 2019:

Chosica Train Consortium	Integration balances 31/12/2019	Eliminations by integration	Adjusted balances 31/12/2019
Balance			
Commercial debts and others bills pending payment	6,906.33	0.00	6,906.33
Treasury	102,977.64	0.00	102,977.64
Reserves and result	857.28	0.00	857.28
Creditors for the provision of services	-64,748.49	0.00	-64,748.49
Other liabilities	-45,992.77	0.00	-45,992.77
	0.00	0.00	0.00
Profit and loss account			
Provision of services	404,659.26	-51,565.31	353,093.95
Operating expenses	-405,726.46	51,565.31	-354,161.14
Financial expenses	-198.11	0.00	-198.11
	-1,265.31	0.00	-1,265.31

There are no capital investment commitments.

The contract is in the arbitration process before the Arbitration Centre of the Lima Chamber of Commerce. On December 7, 2020, Procedural Order No. 02: Arbitration Rules was sent to the Consortium, by which the Consortium was granted a period of 21 working days to comply with the presentation of the arbitration claim and offer the evidence to support the claims raised by the Consortium (payment of the contract term extensions and the expenses incurred in said extensions). The corresponding demand and evidence were presented in a timely manner.

The currency in which the Consortium operates is the Peruvian soles.

19. BRANCH WITH NON-EURO CURRENCIES

The detail of the assets and liabilities of the Branch, all of them denominated in dollars, is as follows:

Euros	2019	2020
Assets		
Intangible fixed assets	456.27	166.79
Tangible fixed assets	5,820.19	3,081.42
Other assets	1,286,849.83	964,209.24
	1,293,126.28	967,457.44
Liabilities		
Other Liabilities	-453,437.58	-389,457.22
Advanced Revenue	-455,987.12	-135,125.17
	-909,424.71	-524,582.39
Net Investment	383,701.58	442,875.05

All transactions carried out by the Branch have been carried out in dollars.

The detail of the profit and loss account of the Branch is as follows:

Euros	2019	2020
Net amount of turnover		
Provision of services	512,715.32	443,027.96
Another financial income	0.00	0.00
Expenses		
Services received	-452,097.30	-320,344.25
Other expenses	-17,313.80	-2,031.68
Depreciation	-2,719.30	-2,483.12
Corporate tax	-10,223.94	-28,275.37
Result of the fiscal year	30,360.97	89,893.53

20. EVENTS AFTER CLOSING

Metrotenerife has been rated by S&P with an “A” grade for the long term and a “A-1” grade for the short term, with a negative outlook. It is the best rating possible for an investment grade of a public entity in Spain (excluding foral regimes), matching the Kingdom of Spain’s rating.

The assigned rating places the Company in an optimal situation to assess the opportunity of optimising its financial structure, with the possibility of resorting to capital markets to issue climate bonds, whose interest rates are much lower than those currently offered by financial entities, thus reducing the dependence on banks in potential future investment projects and liberating the granted guarantees.

On 1 July 2020 the Company’s Board approved conducting the refinancing of the existing debt by issuing 15-year climate bonds, pending the CIT’s authorisation. In January 2021, the CIT’s Insular Government Council authorised the Company’s refinancing of the pre-existing debt through the issue of 15-year climate bonds with the objective of cancelling the current debt at the same time.

Currently, after the CIT’s authorisation, the Company is conducting the necessary tasks to carry out this Project.



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Analysis of the company's performance

The current social and economic situation has been critically affected by the emergence of COVID-19. Even though by the start of the year the performance indicators seemed to point towards a stabilisation of growth, the expansion of the virus has modified all estimations, placing them in an economic crisis scenario within a highly uncertain environment. This situation has been reflected in our business turnover, which has gone from 22,340,077.02 Euros in 2019 to 14,762,736.73 Euros, which is a 33.92% decrease. Despite the growth experienced in the first two months of the year, since March 2020, an unprecedented decline in demand figures has been observed. This decline is due to the effects that the different COVID-19 prevention measures have had on public transport, especially those related to the establishment of a nationwide State of Alarm and the population lockdown. Additionally, the discontinuation of all school and non-essential work activities caused a sudden and unexpected decrease in demand. Starting on June, once the State of Alarm was over and social and economic activities started to gradually recover, the demand levels were greatly recovered, reaching an interannual number of passengers of 10,318,285, -33.65% less than the 15,551,981 2019 passengers.

The 2020 Year's Results were 0.00 Euros.

In short, the main components of the Year's Results are the following:

	2020	2019	variation
Operation Results	4,191,913.40	9,617,375.00	-56.41%
Financial Results	-4,163,638.36	-4,222,521.60	-1.39%
Tax on Profits	-28,275.04	-151,066.67	-81.28%
Year's Result	0.00	5,243,786.73	-100.00%



Accurate review of business operations

The main activity conducted by Metropolitano de Tenerife, S.A. is to provide passenger transport services along the tram's lines 1 and 2. During the 2020 fiscal year, a total of 10,318,285 validations have been made, which means a -5,233,696 decrease in passengers compared to 2019, with 15,551,981 passengers, which shows a -33.65% decline from the previous fiscal year. Of the previous validation total, 2,230,538 were done through the Ten + móvil app, which is 21.62%.

Apart from providing passenger transport services, throughout 2020 Metrotenerife has continued to develop the outsourcing activities of the company in two main ways:

- Presenting bids for public tender or national and international private clients whose purpose is providing counselling services and
- The commercialisation of internally developed technological solutions.

The main projects in which the Company has participated are the following:

- **Urban Rail Development Handbook:** technical revision of the Spanish version of the Urban Rail Development Handbook.
- **Jerusalem Light Rail:** the contract signed with SA EGIS RAIL, consisting of providing on-demand expert maintenance services for rolling stock.
- **Award Albanian Railways:** technical counselling services for Albanian railways.
- **Maintenance for the Tel Aviv Light Rail:** a contract was signed with CAF for the Benchmarking of the maintenance of facilities and the Tel Aviv Light Rail rolling stock.
- **LRT Haifa Nazareth:** counselling services for Operation and Maintenance for IDOM S.A. in the Tram-train Haifa – Nazareth project.
- **Jerusalem Light Rail Maintenance:** counselling services and training for the operation and maintenance licence holder of the Jerusalem Light Rail (JNET).
- **CAF bid preparation:** technical assistance for CAF Engineered Modernizations S.L. for the preparation of bids for various tender processes.

- **Senegal Grain Trains Society:** a contract has been signed with Trazas Ingeniería S.L. (successful bidder for the contract) to provide technical assistance.
- **SIMOVE:** acronym for the On-board Speed Monitoring System, a safety system that allows a tram to automatically stop when the maximum permitted speed is exceeded in a specific position along the track. It is a system developed for its installation in the Metrotenerife trams and for its commercialisation in other networks, and so, a contract with Metro Ligero Oeste, S.A. has been signed to carry out the annual maintenance of the installed SIMOVE system and a pilot test in the light rail operator in the city of Manchester is being conducted in order to showcase the functioning of this system in this operator and the rest of the United Kingdom ones.
- **Operation and Maintenance of the Cuenca Tram:** Metrotenerife was the successful bidder for the procedure offered by the autonomous decentralized municipal government of the Cuenca Canton in Ecuador for “Features and studies for the preparation of the operation, as well as technical assistance in the commercial operation of the Cuenca Tram’s Cuatro Ríos line” . Cuenca’s Cuatro Ríos Tram is a public initiative project with the goal of improving mobility by establishing a railway line in the city of Cuenca. It is one of Ecuador’s and Cuenca’s (World Heritage Site – UNESCO) emblematic projects and has the support of the local and the state governments. Among the project’s participants, there are many important goods and services provider multinational companies such as: Alstom, Artelia, Indra, etc.
- **Bahía de Cádiz Tram-Train:** UTE (temporary consortium) constituted in order to execute a contract with the Regional Government of Andalusia’s Public Works Agency with the objective of providing technical assistance services for the launch and initial supervision of the operation of Bahía de Cádiz Tram-Train’s Line 1.
- **Lima-Chosica’s East Suburban Train:** Consortium constituted for the execution of a Project promoted by Peru’s Ministry of Transport and Communications (MTC) for “Counselling Services for the production of a Pre-Investment Study on the Profile of the Project: “Improvement of the East Rail Corridor, Lima – Chosica”.



Quantitative Information

The main quantitative data in 2020 from a commercial point of view, such as validations and revenue per ticket type are those included in the tables attached as an annex. First, each of the terms are defined.

- **Validations:** A validation is the registration that happens each time a user of the tram lines uses their transport ticket in one of the on-board validation machines in order to be able to utilise the transport service. With each validation, passengers use up their passes according to the type of ticket they have. Those made through the Ten + app are also considered validations.
- **Sales by ticket type:** It is the direct revenue that Metrotenerife gets for the sale of tickets by means of ticket machines, commercial offices, Ten + móvil app or the Web Ten + website.
- **Pass cash in:** As a passenger uses their transport ticket, it is possible for them not to have enough balance available for a trip. The unused balance can be utilised to buy another ticket or be exchanged for money in the Metrotenerife commercial offices.
- **Credit notes:** A credit note is generated when a ticket machine cannot give change to a user. At that moment, a paper note with the non-returned change is issued. This note represents a collection right before Metrotenerife and it is exchangeable in their commercial offices.
- **Single Ticket:** Ticket that grants one tram trip (without transfers).
- **Bono Vía:** Ticket that is valid for various trips. It allows free transfers between lines.
- **15€ Student Pass (University Student Pass):** Ticket that is valid exclusively for collectives that comply with the following attributes:
 - Student of the University of La Laguna, UNED or UEC.
 - Under 26.
- **Large Family Ticket:** Ticket that is valid exclusively for collectives that comply with the following attributes:
 - Being part of a large family according to Law 40/2003 of 18 November, for the Protection of Large Families.

- Being in possession of a large family accreditation.
- 12 € Cabildo Disability Concession: Ticket that is valid exclusively for collectives that comply with the following attributes:
 - 33% disability or higher.
 - Income equal or higher than 835.80 euros per month (11,701.20 euros per year).
 - Tenerife resident with a Spanish or EU nationality.
- Disability Pass: Ticket that is valid exclusively for collectives that comply with the following attributes:
 - 33% disability or higher.
 - Tenerife resident with a Spanish or EU nationality.
- 12€ Cabildo Seniors. Ticket that is valid exclusively for collectives that comply with the following attributes:
 - Over 65.
 - Income equal or higher than 677,40 euros per month (9,483.60 euros per year).
 - Tenerife resident with a Spanish or EU nationality.
- Senior Pass. Ticket that is valid exclusively for collectives that comply with the following attributes:
 - Over 65.
 - Tenerife resident with a Spanish or EU nationality.
- Social Pass. Ticket that is valid exclusively for collectives that comply with the following attributes:
 - Natural persons with low income in a state of social exclusion or at risk.
 - The municipal social services communicate the state of necessity to the Insular Institute for Social and Public Health Attention (IASS in its Spanish acronym), which manages passes and their monitoring.
- Weekly Youth Pass: Ticket that is valid exclusively for collectives that comply with the following attributes:
 - Under 26.



- 30 € Monthly Youth Pass. Ticket that is valid exclusively for collectives that comply with the following attributes:
 - Under 30
 - Canary Islands residents.
- Children Card: Ticket that grants minors, between 5 and 9 years old and Tenerife residents, free trips.
- Monthly Pass: Ticket valid for 1 month without trip restrictions. Personal and non-transferable pass. This pass is valid from the date of its first validation until the same date the following month.
- 5-Trip ticket: ticket valid for tram or bus trips. It allows free transfers between the tram and bus lines. Only valid for the Metropolitan Area (Santa Cruz – La Laguna – Tegueste – El Rosario).
- Canary Resident Pass: Ticket valid exclusively for Canary Islands residents. Personal and non-transferable pass. Valid for a month from its first validation for the tram and Intercity Transport of Tenerife (Transportes Interurbanos de Tenerife, S.A., TITSA) lines.
- Wallet Pass: Ticket valid for various trips. It allows free transfers between lines.
- 1-day Tourist Pass: Ticket that grants unlimited tram and TITSA trips all over the island of Tenerife for 24 hours from the first validation. It is designed for people, especially tourists, that take various trips on a single day, especially over long distances.
- 7-day Tourist Pass: Ticket that grants unlimited tram and TITSA trips all over the island of Tenerife for 7 days from the first validation. It is designed for people, especially tourists, that take various trips on a single day, especially over long distances.

Use of financial instruments

Metrotenerife employs to this date financial derivatives, in this case, interest rates coverage instruments (swaps), in order to reduce risks derived from possible increases in reference interest rates.

The financial derivatives' conditions on 31 December 2020 are the following:

Ref. / entity	Start Date	End Date
DEXIA NEGO85	29/05/2008	15/12/2037
SANTANDER	29/05/2008	15/12/2037
NOMURA INTERNATIONAL PLC	29/05/2008	15/12/2037

Information pertaining staff

The following table informs about the average number of people employed in the 2019 and 2020 fiscal years, detailing category and sex, and indicating the average number of people with a disability over 33%:

Category	2019				2020			
	Men	Women	Disability	Total	Men	Women	Disability	Total
Managing Director	1.0	0.0	0.0	1.0	1.0	0.0	0.0	1.0
Administrative – Financial Director	0.0	1.0	0.0	1.0	0.0	1.0	0.0	1.0
Head of Human Resources	1.0	0.0	0.0	1.0	1.0	0.0	0.0	1.0
Technical Office Director	1.0	0.0	0.0	1.0	1.0	0.0	0.0	1.0
Sales Manager	1.0	0.0	0.0	1.0	1.0	0.0	0.0	1.0
Operation Manager	1.0	0.0	0.0	1.0	1.0	0.0	0.0	1.0
Maintenance Manager	1.0	0.0	0.0	1.0	1.0	0.0	0.0	1.0
Civil Engineer	1.0	0.0	0.0	1.0	1.0	0.0	0.0	1.0
Head of IT and Communications	1.0	0.0	0.0	1.0	1.0	0.0	0.0	1.0
Head of Quality and Safety	1.0	0.0	0.0	1.0	1.0	0.0	0.0	1.0
Head of Communication and Public Relations	1.0	0.0	0.0	1.0	1.0	0.0	0.0	1.0
Head of Studies and Marketing	1.0	0.0	0.0	1.0	1.0	0.0	0.0	1.0
Head of PCC	1.0	0.0	0.0	1.0	1.0	0.0	0.0	1.0
Head of Line	2.0	0.0	1.0	2.0	2.0	0.0	1.0	2.0
Head of Operations	0.0	1.0	0.0	1.0	0.0	1.0	0.0	1.0
Economist	0.0	1.0	0.0	1.0	0.0	1.0	0.0	1.0
Lawyer	0.0	1.0	0.0	1.0	0.0	1.0	0.0	1.0
Assistant Head of PCC	1.0	0.0	0.0	1.0	1.0	0.0	0.0	1.0
Head of Commercial Shift	3.0	0.0	0.0	3.0	3.0	0.0	0.0	3.0
Public Works Technical Engineer	1.0	0.0	0.0	1.0	1.0	0.0	0.0	1.0
International Projects Technician	0.0	1.0	0.0	1.0	0.0	1.0	0.0	1.0
Fixed Installations Team Leader	3.0	0.0	0.0	3.0	3.0	0.0	0.0	3.0
Maintenance Engineers	1.0	1.0	0.0	2.0	1.0	1.0	0.0	2.0
Systems Engineer	1.0	0.0	0.0	1.0	1.0	0.0	0.0	1.0
Head of Garage	1.0	0.0	0.0	1.0	1.0	0.0	0.0	1.0
Selection Technician	0.0	1.0	0.0	1.0	0.0	1.0	0.0	1.0
Methods/Planning Technician	3.0	0.0	0.0	3.0	3.0	0.0	0.0	3.0
Accountant	0.0	1.0	0.0	1.0	0.0	1.0	0.0	1.0
Real Time Systems Technician	2.0	0.0	0.0	2.0	2.0	0.0	0.0	2.0
Development Technician	1.0	0.0	0.0	1.0	1.0	0.0	0.0	1.0



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Regulator	10.0	0.0	0.0	10.0	11.0	0.0	0.0	11.0
Fixed Installations Maintenance Technician	15.0	0.0	1.0	15.0	15.0	0.0	1.0	15.0
Rolling Stock Maintenance Technician	15.7	0.0	0.0	15.7	17.0	0.0	0.0	17.0
Draughtsman	1.0	0.0	0.0	1.0	1.0	0.0	0.0	1.0
Secretary	0.0	5.0	0.0	5.0	0.0	5.0	0.0	5.0
Driver	66.5	6.7	1.0	73.2	69.2	7.5	1.0	76.7
Warehouse Agent	1.0	1.0	0.0	2.0	1.5	1.0	0.0	2.5
Personal Administrative Clerk	0.0	1.0	0.0	1.0	0.0	1.9	0.0	1.9
Communication Administrative Clerk	0.0	1.0	0.0	1.0	0.0	1.0	0.0	1.0
Assistant Administrative Clerk	0.0	2.0	0.0	2.0	0.0	2.0	0.0	2.0
Administrative Clerk	0.0	0.8	0.0	0.8	0.0	1.4	0.0	1.4
Auditing and Sales Agent	16.0	2.0	0.0	18.0	16.0	2.0	0.0	18.0
Receptionist and Telephone Operator	0.0	1.0	0.0	1.0	0.0	1.0	0.0	1.0
Manager of Fines	0.0	1.0	0.0	1.0	0.0	1.0	0.0	1.0
Orderly	1.0	0.0	0.0	1.0	1.0	0.0	0.0	1.0
Total	157.2	29.5	3.0	186.7	162.7	31.8	3.0	194.5

Environment

In the 2020 fiscal year, the environmental management system established in 2011 is renewed based on the new requirements of the recently revised international regulation UNE-EN ISO 14001:2015. The Environmental Management System is based on Metrotenerife's Sustainability Policy, which sets the action principles for environmental matters.

Several procedures have been developed in order to integrate this management system with the company's own processes. For example, the identification and assessment of environmental aspects linked to Metrotenerife's activities; the control of those operations that could generate a higher environmental impact; analysis of waste, noise measurements, control of the consumption of energy, water and other resources employed in Metrotenerife's processes; the management and reduction of waste; identification and assessment of legal and environmental regulation requirements and the prevention and action in case of environmental emergencies, among others.

A regular monitoring of the system is conducted, and environmental goals are set for the continuous improvement of the environmental performance of Metrotenerife's processes. Additionally, the degree of adaptation of our system to recent requirements is confirmed via internal and external audits, defining the

organization's context, the needs of the interested parties, and the establishment of, among other matters, actions to address the identified risks and opportunities that will lead to the improvement of Metrotenerife's environmental performance.

Purchase of company's shares

A General Meeting of Shareholders was held on 24 June 2014 during which the purchase in treasury shares of Caixabank, S.A. was unanimously authorised, that is, three thousand (3,000) Class C nominal shares are acquired, numbered 47,001 to 50,000, both included, and a thousand and one hundred and fifty two (1,152) Class C2 nominal shares, numbered 68,049 to 69,200, both included, with the purchase total being 245,000.00 Euros.

Relations with the Tenerife Insular Cabildo (CIT)

In the following table the accrued amounts for different concepts during 2019 and 2020 are displayed:

Type of Transaction	2019 Accrued amount	2020 Accrued amount
Clearing House	7,714,136.54	5,243,102.21
Publicity, Commercial Dynamization	13,000.00	0.00
Payment for Availability	5,206,502.16	5,248,154.17
Subsidy for Launching Campaign for Contactless Ticketing	210,611.00	0.00
Subsidy for the Grass maintenance exploitation	112,394.08	109,298.93
Subsidy for COVID-19 Support	0.00	2,532,740.89
TENERIFE INSULAR CABILDO	13,256,643.78	13,133,296.20

On the other hand, the CIT's debts with Metrotenerife on 31 December 2020 were the following:

Pending Payment	2020
Subsidy Contactless Ticketing A.T.	8,986.77
Subsidy Contactless Ticketing SBSC	1,134,410.86
Transport Policies	1,427,932.58
Payment for Availability	2,624,077.09
Subsidy for COVID-19 Support	2,532,740.89
Total Nominal Amounts	7,728,148.19

Therefore, the CIT's debts with Metrotenerife on 31,12,2020 for the noted concepts was 7,728,148.19 Euros.



Important events for the Company that took place after the closing of the fiscal year

MetroTenerife has been rated by S&P with an “A” grade for the long term and a “A-1” grade for the short term, with a negative outlook. It is the best rating possible for an investment grade of a public entity in Spain (excluding foral regimes), matching the Kingdom of Spain’s rating.

The assigned rating places the Company in an optimal situation to assess the opportunity of optimising its financial structure, with the possibility of resorting to capital markets to issue climate bonds, whose interest rates are much lower than those currently offered by financial entities, thus reducing the dependence on banks in potential future investment projects and liberating the granted guarantees.

On 1 July 2020 the Company’s Board approved conducting the refinancing of the existing debt by issuing 15-year climate bonds, pending the CIT’s authorisation. In January 2021, the CIT’s Insular Government Council authorised the Company’s refinancing of the pre-existing debt through the issue of 15-year climate bonds with the objective of cancelling the current debt at the same time.

Currently, after the CIT’s authorisation, the Company is conducting the necessary tasks to carry out this Project.

Activities conducted in matters of research and development

The Company has not conducted activities in matters of research and development in the 2020 fiscal year that are different from those listed in the annual financial statements.

Risk management policy

The Company’s activities are exposed to various financial risks. The Company’s global risk management programme focuses on the uncertainty of financial markets and tries to reduce the potential side effects on its financial profitability. The Company employs coverage derivatives to avoid certain risks.

Risk management policies are established by Management and approved by the Company’s Administrators. Based on these policies, Management has established a series of procedures and controls that allow for the identification, measurement and management of the risks derived from activities with financial instruments.

Operations with financial instruments expose the Company to credit, market and liquidity risk.



Credit risk

Credit risk is caused by possible losses due to the non-compliance with contractual obligations by the Company's counterparties, that is, the possibility of not recovering financial assets for the established amount and in the established period.

The main credit risk is the one derived from the pending payments from clients and Public Administrations. Regarding Public Administrations, the credit recovery rate of agreements, contracts, programmes and budgets from Corporations has been evaluated, registering the appropriate damages if applicable. Thus, it is not expected for there to be significant losses derived from the Public Administrations' net pending payments recorded at the closing of the 2020 fiscal year.

Market risk

The market risk is caused by possible losses due to variations in the reasonable value or in future cash capital flows of the financial instruments on account of changes in market prices. The market risk includes interest rate risks, exchange rate risks and other price-related risks.

Interest rate risk

The interest rate risk is caused by possible losses due to variations in the reasonable value or in future cash capital flows of the financial instruments on account of changes in the market interest rates. The Company's exposure to interest rate changes risk is mainly caused by the long-term loans and credits received at variable interest rates.

Based on the different scenarios, the Company manages the interest rate risk of cash capital flows through variable to fixed interest rate swaps. These interest rate swaps have the economic effect of converting variable interest rate liabilities to fixed interest rates. Generally, the Company gains long-term liabilities at a variable interest rate and swaps them to fixed interest rates, which are lower than those available if the Company had obtained these liabilities directly at fixed interest rates. With the interest rate swaps, the Company commits to the exchange with other parties, with certain regularity (biannual), of the difference between the fixed and the variable interest rates calculated according to the contracted notional principles.

The liquidation of the coverage is done at 80% of the nominal value of the loans denoted as Debt Risk Project.



Exchange rate risk

The exchange rate risk is caused by possible losses due to variations in the reasonable value or in future cash capital flows of financial instruments on account of fluctuations in exchange rates.

Other price-related risks

Due to the lack of investment in patrimony instruments, there are no other price-related risks for the Company.

Liquidity risks

The liquidity risk is caused by the possibility that the Company could not have liquid assets at its disposal, or access to them in enough quantity and adequate cost to face its payment obligations at any given moment. The Company has its liquidity needs guaranteed by means of lines of credit with credit entities, which are guaranteed by the majority shareholder, with the Company's goal being maintaining the required liquid assets.

The foreseeable evolution of the Company

According to the Action, Investment and Financing Programme (P.A.I.F. in Spanish) approved by the Company's Board on 26 November 2020, the Company estimates generating profits in the 2021 fiscal year.

Average payment time to providers

The average payment time to providers is 20.97 days.

Additional information

The summary of revenue and validations by ticketing system in 2019 and 2020 is the following:

Revenue summary by system	2020	2019
Ten + contactless ticketing validation system	6,654,483.31	9,974,906.41
Ten + móvil smartphone validation system	1,656,972.14	2,536,448.95
Total	8,311,455.45	12,511,355.36

Additional revenue	2020	2019
Ten+ supports	11,221.00	27,109.00
Ten+ móvil subscription costs	8,425.00	8,145.00
Total	19,646.00	35,254.00

2019			
Validations by systems and lines	Line 1	Line 2	Total
Ten + contactless ticketing validation system	11,021,409	930,777	11,952,186
Ten + móvil smartphone validation system	3,364,602	235,193	3,599,795
Total	14,386,011	1,165,970	15,551,981

2020			
Validations by systems and lines	Line 1	Line 2	Total
Ten + contactless ticketing validation system	7,373,318	714,429	8,087,747
Ten + móvil smartphone validation system	2,079,396	151,142	2,230,538
Total	9,452,714	865,571	10,318,285

And the detail about revenue and validations per ticket type is the following:

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Revenue for ticket type													
Non-Compensable Transit Tickets	January	February	March	April	May	June	July	August	September	October	November	December	Running total
Tram Standard Single	169,282.95	162,817.30	61,989.15	198.00	41,750.20	75,611.60	79,800.80	64,479.35	71,405.80	150,670.95	70,456.80	66,210.70	1,014,673.60
Tram Daily Pass	9.00	4.50	0.00	11.25	18.00	4.50	0.00	0.00	0.00	0.00	0.00	0.00	47.25
Tram Test Pass	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Tram Employee	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
MTSA Collaborator	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
ZCT Pass	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Non-Compensable Tickets	169,291.95	162,821.80	61,989.15	209.25	41,768.20	75,616.10	79,800.80	64,479.35	71,405.80	150,670.95	70,456.80	66,210.70	1,014,720.85
Compensable Transit Tickets	January	February	March	April	May	June	July	August	September	October	November	December	Running total
Bono Vía 15€	80,995.65	77,184.35	40,964.30	2,974.80	24,769.30	47,688.25	53,220.85	41,960.60	52,602.90	59,617.60	59,142.15	49,965.35	591,086.10
Bono Vía 25€	25,707.10	24,574.05	14,411.95	741.10	6,394.80	11,926.75	13,739.30	10,929.45	14,994.55	16,939.75	17,372.35	12,405.75	170,136.90
Bono Vía 50€	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
General Wallet	477,136.52	443,571.09	217,646.65	19,247.91	148,696.53	315,307.57	367,450.45	325,477.24	343,412.50	360,026.43	338,932.66	312,421.76	3,669,327.30
University Pass	18,533.19	25,672.40	11,089.68	13.83	2,391.71	4,842.96	5,449.80	3,758.61	6,743.63	17,850.40	16,194.14	9,622.49	122,162.86
Large Family	8,052.04	6,994.75	3,923.93	175.15	1,535.69	4,453.32	5,820.81	4,273.78	6,220.25	8,190.86	7,221.33	5,624.81	62,486.70
Cabildo Disability Concession	8,178.07	7,592.20	4,144.68	254.60	2,701.33	5,087.25	5,163.67	4,472.90	4,344.40	4,431.52	4,961.98	4,354.51	55,687.13
Disability Pass	2,749.39	2,765.03	1,503.44	12.61	624.91	1,667.94	2,084.59	2,131.35	2,305.00	2,369.92	2,179.17	2,114.65	22,507.99
Cabildo Senior	4,926.88	4,356.62	2,233.71	36.31	944.47	2,029.28	2,421.10	1,724.14	1,693.59	2,001.70	1,701.98	1,807.24	25,877.02
Senior Pass	6,210.40	5,492.61	3,695.79	5.00	1,140.52	3,338.26	4,261.20	3,948.54	3,860.34	4,132.11	4,351.37	3,864.89	44,301.03
Social Pass / IASS Low Income	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Weekly Youth Pass	3,657.33	5,195.88	1,797.71	0.00	-8.00	1,330.61	1,840.20	1,623.65	3,249.97	4,680.04	3,998.40	2,616.59	29,982.38
Monthly Youth Pass < 30	216,404.11	214,231.93	125,189.23	595.39	27,312.82	75,449.67	104,376.66	98,566.65	129,496.90	166,477.55	167,200.75	112,064.35	1,437,366.00
Monthly Youth Pass Hierro	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Monthly Youth Pass Palma	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Monthly Youth Pass Gomera	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Monthly Pass	47,151.67	40,954.63	21,906.59	176.71	14,924.63	16,621.96	17,391.58	16,942.15	21,353.66	23,345.20	21,177.91	15,041.28	256,987.96
Canary Resident Pass	79,198.93	76,322.97	52,210.94	1,164.06	20,262.92	44,571.81	57,389.14	59,037.31	62,872.73	68,375.95	66,680.98	61,271.36	649,359.08
1-day Tourist Pass	0.00	0.00	0.00	0.00	0.00	30.00	1,309.79	2,051.71	1,338.60	1,034.80	1,147.14	1,224.10	8,136.14
7-day Tourist Pass	0.00	0.00	0.00	0.00	0.00	150.00	92.62	186.35	227.22	205.89	333.65	140.28	1,336.01
Ten+ Children Card (Age 5-10)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
5-trip ticket	16,869.00	16,929.00	7,198.00	544.00	6,672.00	11,851.00	12,796.00	10,263.00	12,561.00	14,083.00	13,222.00	12,379.00	135,367.00
VAO Journeys	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Shop Pass	0.00	14,627.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	14,627.00
Total Compensable Tickets	995,770.27	966,464.50	507,916.59	25,941.47	258,363.62	546,346.64	654,807.76	587,347.43	667,277.24	753,762.72	725,817.94	606,918.41	7,296,734.60
Total Tickets 2020	1,165,062.22	1,129,286.30	569,905.74	26,150.72	300,131.82	621,962.74	734,608.56	651,826.78	738,683.04	904,433.67	796,274.74	673,129.11	8,311,455.45

METROPOLITANO DE TENERIFE, S.A.
MANAGEMENT REPORT – FISCAL YEAR 2020
(Expressed in euros)

Validations for ticket type													
Non-Compensable Transit Tickets	January	February	March	April	May	June	July	August	September	October	November	December	Running total
Tram Standard Single	119,343	112,326	48,646	31,095	49,727	53,901	57,059	46,186	51,508	55,155	50,900	47,596	723,442
Tram Daily Pass	8	2	0	3	13	3	0	0	0	0	0	0	29
Tram Test Pass	0	0	7	27	33	7	0	0	0	0	0	0	74
Tram Employee	1,134	785	495	35	299	497	527	368	452	652	787	682	6,713
MTSA Collaborator	153	173	68	5	4	0	220	77	51	106	160	143	1,160
ZCT Pass	117	159	79	0	6	2	0	0	0	0	0	0	363
Total Non-Compensable Tickets	120,755	113,445	49,295	31,165	50,082	54,410	57,806	46,631	52,011	55,913	51,847	48,421	731,781
Compensable Transit Tickets	January	February	March	April	May	June	July	August	September	October	November	December	Running total
Bono Vía 15€	99,089	92,390	48,212	15,034	32,221	55,127	65,699	51,560	63,867	72,809	72,361	63,568	731,937
Bono Vía 25€	30,914	28,933	16,954	5,013	10,060	15,801	17,995	14,055	17,249	20,884	21,146	17,190	216,194
Bono Vía 50€	0	0	0	0	1	0	0	0	0	0	0	0	1
General Wallet	452,978	409,917	204,577	65,578	154,699	269,339	323,723	276,600	310,859	340,597	322,781	290,858	3,422,506
University Pass	26,734	37,521	16,745	685	2,489	6,568	8,944	6,332	8,439	21,998	24,661	14,992	176,108
Large Family	10,199	9,689	4,702	821	2,343	5,292	6,977	4,847	7,298	9,649	9,154	7,508	78,479
Cabildo Disability Concession	29,761	26,167	14,933	4,320	10,795	18,995	21,944	19,901	21,274	23,055	22,581	20,726	234,452
Disability Pass	8,763	8,208	4,866	415	2,226	5,258	6,769	6,764	7,096	7,956	7,909	6,749	72,979
Cabildo Senior	22,578	19,694	9,550	1,532	6,088	11,993	14,221	12,876	13,605	14,216	13,320	12,377	152,050
Senior Pass	19,167	17,953	9,212	745	4,201	10,802	12,733	12,175	12,652	13,725	13,284	12,454	139,103
Social Pass / IASS Low Income	0	0	0	2	0	729	1,764	2,038	2,374	3,214	2,301	2,727	15,149
Weekly Youth Pass	5,129	7,211	2,835	0	3	1,157	2,584	2,224	4,197	6,743	5,919	3,473	41,475
Monthly Youth Pass < 30	335,364	374,404	185,196	3,690	30,422	99,695	145,715	135,148	178,661	285,655	290,583	199,172	2,263,705
Monthly Youth Pass Hierro	7,028	6,923	3,435	2	147	671	745	148	118	116	21	12	19,366
Monthly Youth Pass Palma	0	0	0	0	0	0	0	0	0	0	0	0	0
Monthly Youth Pass Gomera	10,425	12,940	5,977	13	288	1,168	1,439	532	102	49	1,765	5,259	39,957
Monthly Pass	69,814	65,068	37,830	2,699	10,484	26,864	30,346	25,178	29,754	38,198	36,605	28,401	401,241
Canary Resident Pass	163,188	155,073	96,118	11,558	43,511	98,375	120,652	115,220	128,125	143,886	144,629	130,135	1,350,470
1-day Tourist Pass	0	0	0	0	0	4	560	904	647	619	578	634	3,946
7-day Tourist Pass	0	0	0	0	0	4	179	371	202	77	196	104	1,133
Ten+ Children Card (Age 5-10)	11,324	10,448	4,540	202	1,776	4,981	6,951	6,259	7,643	8,679	8,418	7,342	78,563
5-trip ticket	16,938	16,830	7,568	2,803	7,365	11,516	12,865	10,048	12,547	14,740	13,598	12,484	139,302
VAO Journeys	163	258	170	0	18	39	58	25	61	115	133	64	1,104
Shop Pass	0	5,176	2,108	0	0	0	0	0	0	0	0	0	7,284
Total Compensable Tickets	1,319,556	1,304,803	675,528	115,112	319,137	644,378	802,863	703,205	826,770	1,026,980	1,011,943	836,229	9,586,504
Total Tickets 2020	1,440,311	1,418,248	724,823	146,277	369,219	698,788	860,669	749,836	878,781	1,082,893	1,063,790	884,650	10,318,285