

Audit Report on Financial Statements
issued by an Independent Auditor

METROPOLITANO DE TENERIFE, S.A.
Financial Statements and Management Report
for the year ended
December 31, 2019



AUDIT REPORT ON FINANCIAL STATEMENTS ISSUED BY AN INDEPENDENT AUDITOR

Translation of a report and financial statements originally issued in Spanish. In the event of discrepancy, the Spanish-language version prevails.

To the shareholders of METROPOLITANO DE TENERIFE, S.A.:

Opinion

We have audited the financial statements of METROPOLITANO DE TENERIFE, S.A. (the Company), which comprise the balance sheet as at December 31, 2019, the income statement, the statement of changes in equity, the cash flow statement, and the notes thereto for the year then ended.

In our opinion, the accompanying financial statements give a true and fair view, in all material respects, of the equity and financial position of the Company as at December 31, 2019 and of its financial performance and its cash flows for the year then ended in accordance with the applicable regulatory framework for financial information in Spain (identified in Note 2 to the accompanying financial statements) and, specifically, the accounting principles and criteria contained therein.

Basis for opinion

We conducted our audit in accordance with prevailing audit regulations in Spain. Our responsibilities under those regulations are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We are independent of the Company in accordance with the ethical requirements, including those related to independence, that are relevant to our audit of the financial statements in Spain as required by prevailing audit regulations. In this regard, we have not provided non-audit services nor have any situations or circumstances arisen that might have compromised our mandatory independence in a manner prohibited by the aforementioned requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Most relevant audit issues

Most relevant audit issues are those matters that, in our professional judgment, were the most significant assessed risks of material misstatements in our audit of the financial statements of the current period. These risks were addressed in the context of our audit of the financial statements as a whole, and in forming our audit opinion thereon, and we do not provide a separate opinion on these risks.

Derivatives

Description The Company applies financial derivatives in order to eliminate or reduce the interest rate risk. The reasonable value estimation and the derivative financial instrument classification may have a significant impact on the Company's Financial Statements, so it has been considered as a relevant audit aspect. Accounting treatment policies description of derivative instruments and the economic information on the derivatives contracted by the Company is included in Notes 4.4.2 and 8 of the accompanying financial statements.

Our

response

Our audit procedures have included, among others, as described below:

- ▶ Confirmation procedures of third parties holding derivative instruments with the Company and their valuation.
- ▶ Contrast procedures of the reasonable value and analysis of the correct accounting treatment on the basis of the derivative instrument adequate classification.
- ▶ Review of the disclosures included in the financial statements in relation to the criteria and assumptions used for the recording of derivative financial instruments.

Recognition of revenues

Description As mentioned in Note 13.1, the Company's net turnover mainly corresponds to passenger transport services, the highest value of which corresponds to the revenues paid by the transport service customer. These revenues are recognized at the moment the customer validates the ticket for the use of the service. The revenue accounting relies on information technology systems and the Company has both manual and automated processes and controls to ensure that transactions are properly processed and recorded. In this context, we have considered as a relevant aspect of the audit the risk that the revenues paid by the customer of the transport service are not correctly recorded.

Our

response

Our audit procedures have included, among others, as described below:

- ▶ Tests of manual and application controls specific on the sales revenue.
- ▶ Review of the income recognizing accounting policy applied by the Company, to verify if it complies with the applicable regulatory framework.
- ▶ Analytical substantive procedures consisting of a revenue's evolution review and the cost of sales.
- ▶ Evaluation of the information disclosures adequacy in relation to the revenue provided in Notes 4.7 and 13.1 to the accompanying financial statements.

Other information: management report

Other information refers exclusively to the 2019 management report, the preparation of which is the responsibility of the Company's directors and is not an integral part of the financial statements.

Our audit opinion on the financial statements does not cover the management report. In conformity with prevailing audit regulations in Spain, our responsibility in terms of the management report is to assess and report on the consistency of the management report with the financial statements based on the knowledge of the entity we obtained while auditing the financial statements, and not including any information not obtained as evidence during the course of the audit. In addition, our responsibility is to assess and report on whether the content and presentation of the management report are in conformity with applicable regulations. If, based on the work carried out, we conclude that there are material misstatements, we are required to disclose them.

Based on the work performed, as described in the above paragraph, the information contained in the management report is consistent with that provided in the 2019 financial statements and their content and presentation are in conformity with applicable regulations.

Directors' responsibilities for the financial statements

The directors are responsible for the preparation of the accompanying financial statements so that they give a true and fair view of the equity, financial position and results of the Company, in accordance with the regulatory framework for financial information applicable to the Company in Spain, identified in Note 2 to the accompanying financial statements, and for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibility for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with prevailing audit regulations in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with prevailing audit regulations in Spain, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ▶ Conclude on the appropriateness of the director's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors of the Company regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

From the significant risks communicated with the Company's directors, we determine those that were of most significance in the audit of the financial statements of the current period and are therefore the most significant assessed risks.

We describe those risks in our auditor's report unless law or regulation precludes public disclosure about the matter.

ERNST & YOUNG, S.L.

(Signatures on the original in Spanish)

Agustín Marrero Suárez

May 15, 2020



METROPOLITANO DE TENERIFE, S.A.
ANNUAL ACCOUNTS – FISCAL YEAR 2019
(Expressed in euros)



METROPOLITANO DE TENERIFE, S.A
Annual Accounts and Management Report corresponding to the
fiscal year ended on 31 December 2019

	Page
BALANCE SHEET BY THE END OF THE 2018 FISCAL YEAR	4-5
PROFIT AND LOSS ACCOUNT CORRESPONDING TO THE 2018 FISCAL YEAR	6
STATEMENT OF CHANGES IN EQUITY CORRESPONDING TO THE 2018 FISCAL YEAR	7-8
CASH FLOW STATEMENT CORRESPONDING TO THE 2018 FISCAL YEAR	9
ANNUAL REPORT	
1. PURPOSE OF THE COMPANY	10
2. BASIS FOR THE PRESENTATION OF THE ANNUAL ACCOUNTS	10-12
3. APPLICATION OF RESULTS	12
4. REGISTRATION AND VALUATION STANDARDS	13-30
5. TANGIBLE FIXED ASSETS	30-34
6. INTANGIBLE FIXED ASSETS	34-40
7. FINANCIAL ASSETS (LONG AND SHORT TERM)	40-43
8. DERIVATIVE FINANCIAL INSTRUMENTS	43-45
9. STOCK	45
10. NET WORTH AND SHAREHOLDER'S EQUITY	45-50
11. DEBTS (LONG AND SHORT TERM)	50-58
12. PUBLIC ADMINISTRATIONS AND FINANCIAL SITUATION	58-65

13. REVENUE AND EXPENSES	65-74
14. RELATED PARTIES OPERATIONS	74-76
15. ENVIRONMENTAL INFORMATION	77
16. THIRD-PARTY GUARANTEES AND OTHER CONTINGENT LIABILITIES	77-78
17. OTHER INFORMATION	78-81
18. JOINT VENTURES	81-84
19. BRANCH WITH NON-EURO CURRENCIES	84-85
20. EVENTS AFTER CLOSING	85-86
MANAGEMENT REPORT	87-102

BALANCE SHEET ON 31 DECEMBER 2019

<i>Assets</i>	<i>Note</i>	<i>2019</i>	<i>2018</i>
A) NON-CURRENT ASSETS		178,654,959.37	179,899,817.49
I. Intangible Fixed Assets	6	137,980,350.27	140,730,791.16
5. IT Applications		456.27	712.52
6. Other Intangible Fixed Assets		9,091,146.22	9,369,455.71
7. Concession Agreement, regulated asset		98,609,861.40	102,309,493.12
8. Financial Capitalisation Concession Agreement		30,278,886.38	29,051,129.81
II. Tangible Fixed Assets	5	30,519,730.08	29,479,220.11
2. Technical installations and other tan. f. assets		2,790,871.57	2,992,232.87
3. Fixed assets in process and advances		27,728,858.51	26,486,987.24
V. Long-term Financial Investments	7	1,063,591.28	1,348,782.48
2. Credits to third parties		1,052,088.87	1,337,280.07
5. Other financial assets		11,502.41	11,502.41
VI. Deferred Income Tax Assets	12	9,091,287.74	8,341,023.74
B) CURRENT ASSETS		20,302,686.81	18,975,338.26
II. Stock	9	1,980,534.10	1,959,485.76
2. Raw materials and other provisions		1,977,183.04	1,947,065.20
6. Advances to providers		3,351.06	12,420.56
III. Commercial debtors and other pending payments		6,690,614.37	7,651,129.96
1. Sales and services clients	7	2,244,476.63	3,667,514.65
3. Various debtors	7	2,940,009.78	2,752,638.40
4. Staff	7	16,389.10	6,735.09
5. Current tax assets	12	929,392.07	665,545.33
6. Other credits with Public Administrations	12	560,346.79	558,696.49
V. Short-term Financial Investments	7	667.63	583.75
5. Other financial assets		667.63	583.75
VI. Short-term Accruals		72,305.01	71,432.55
VII. Cash. And other equivalent liquid assets		11,558,565.70	9,292,706.24
1. Treasury	7	11,558,565.70	9,292,706.24
TOTAL ASSETS		198,957,646.18	198,875,155.75

BALANCE SHEET ON 31 DECEMBER 2019

<i>Liabilities</i>	<i>Note</i>	<i>2019</i>	<i>2018</i>
A) Net worth		44,364,823.82	41,578,226.57
A-1) Shareholder's Equity		45,859,481.97	40,615,695.24
I. Capital	10.1	69,200,000.00	69,200,000.00
III. Reserves	10.2	7,369,546.93	7,017,522.19
1. Legal and statutory		402,753.80	89,627.72
2. Other reserves		6,966,793.13	6,927,894.47
VI. (Equity shares and participations)	10.1	-245,000.00	-245,000.00
V. Results of previous fiscal years		-35,708,851.69	-38,488,087.70
2. (Negative results of previous fiscal years)		-35,708,851.69	-38,488,087.70
VII. Result of the fiscal year	3	5,243,786.73	3,131,260.75
A-2) Adjustments due to value changes	10.3	-27,273,863.27	-25,023,071.27
II. Coverage operations		-27,273,863.27	-25,023,071.27
A-3) Subsidies, donations and bequests received	10.4	25,779,205.12	25,985,602.60
B) NON-CURRENT LIABILITIES		141,703,757.77	147,194,405.56
II. Long-term debts	11	132,386,688.48	137,762,140.77
2. Debts with credit entities		97,695,327.60	100,975,908.10
3. Financial leasing creditors		2,670,204.14	3,422,137.67
4. Derivatives	8-11	32,021,156.74	33,364,095.00
V. Long-term accruals	12	8,593,068.60	8,661,867.84
C) CURRENT LIABILITIES	13.1	724,000.69	770,396.95
II. Short-term provisions.		12,889,064.59	10,102,523.62
III. Short-term debts	16.2	396,304.77	396,304.77
2. Debts with credit entities	11	9,144,099.82	6,997,820.94
3. Financial leasing creditors		3,291,372.79	5,613,625.74
4. Derivatives		806,711.08	625,240.71
5. Other financial liabilities	8-11	4,343,994.26	0.00
V. Commercial creditors and other pending payments		702,021.69	758,954.49
1. Providers		2,846,276.62	2,662,128.41
3. Various creditors	11	394,318.41	331,348.50
4. Staff (remunerations pending payment)	11	825,080.50	788,029.39
6. Other debts with Public Administrations	11	334,354.51	327,296.62
7. Client advances.	12	867,356.71	601,430.53
VI. Short-term accruals	11	425,166.49	614,023.37
T O T A L NET WORTH AND LIABILITIES	13.1	502,383.38	46,269.50
A) Net worth		198,957,646.18	198,875,155.75

PROFIT AND LOSS ACCOUNT CORRESPONDING TO THE 2019 FISCAL YEAR

	Note	Year 2019	Year 2018
A) CONTINUING OPERATIONS			
1. Net revenue	13.1	22,340,077.02	19,920,514.20
a) Sales		3,156.42	984.80
b) Service provision		22,336,920.60	19,919,529.40
3. Works conducted by the company		173,858.25	221,426.23
4. Provisions	13.3	-925,307.67	-1,143,551.75
b) Consumption of raw materials and other materials		-925,307.67	-1,143,551.75
5. Other operation revenues	13.2	5,603,762.57	5,905,298.65
a) Other sundry income		5,275,385.96	5,218,738.97
b) Incorporated operation subsidies		328,376.61	686,559.68
6. Staff expenses	13.4	-7,740,378.38	-7,329,836.40
a) Wages, salaries and ancillaries		-5,812,034.89	-5,513,204.77
b) Social charges		-1,928,343.49	-1,816,631.63
7. Other operation expenses	13.5	-5,743,255.56	-5,056,594.81
a) External services		-5,139,573.16	-4,819,971.03
b) Taxes		-37,339.16	-41,269.73
c) Provision losses, deterioration and var. caused by comm. Op.		-566,343.24	-195,354.05
d) Other current management expenses	5-6	-4,324,507.30	-4,414,239.67
8. Depreciation of fixed assets	10.4	275,196.72	275,196.72
9. Allocation of subsidies for non-financial fixed assets		0.00	-292,600.66
11. Deterioration resulting from disposal of fixed assets		0.00	-292,600.66
b) Results from disposals and others.		-42,070.65	-409,399.39
13. Other Results		9,617,375.00	7,676,213.12
A.1) OPERATION RESULTS	13.6	132,038.75	142,418.64
14. Financial revenue		132,038.75	142,418.64
b) From marketable securities and other financial investments		76.60	119.94
b2) From third parties		131,962.15	142,298.70
b3) NPGC Financial income adjustments	13.6	-4,356,346.46	-4,684,382.40
15. Financial expenses		-4,356,346.46	-4,684,382.40
b) From debts with third parties		1,786.11	-2,988.61
16. Exchange differences		-4,222,521.60	-4,544,952.37
A.2) FINANCIAL RESULT		5,394,853.40	3,131,260.75
A.3) RESULT PRIOR TO TAXES	12.2	-151,066.67	0.00
19. Corporate income tax		5,243,786.73	3,131,260.75
A.4) RESULT FROM CONTINUING OPERATIONS		0.00	0.00
B) INTERRUPTED OPERATIONS	3	5,243,786.73	3,131,260.75

STATEMENT OF CHANGES IN EQUITY CORRESPONDING TO THE 2019 FISCAL YEAR

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

	Note	Amount 2019	Amount 2018
A) RESULT OF PROFIT AND LOSS ACCOUNT	3	5,243,786.73	3,131,260.75
REVENUE AND EXPENSES DIRECTLY ALLOCATED TO EQUITY			
REVENUE AND EXPENSES DIRECTLY ALLOCATED TO EQUITY	10.3	-7,547,659.86	-2,414,351.91
II. Coverage of cash flow	12.3	1,886,914.97	603,587.98
B) TOTAL REVENUE AND EXPENSES DIRECTLY ALLOCATED TO EQUITY (I+II+III+IV+V+VI+VII)		-5,660,744.90	-1,810,763.93
TRANSFERS TO PROFIT AND LOSS ACCOUNT			
TRANSFERS TO PROFIT AND LOSS ACCOUNT	10.3	4,546,603.86	4,727,432.91
IX. Coverage of cash flow	10.4	-275,196.72	-275,196.72
TRANSFERS TO PROFIT AND LOSS ACCOUNT	12.3	-1,067,851.73	-1,113,059.12
C) TOTAL TRANSFERS TO PROFIT AND LOSS ACCOUNT (VIII+IX+X+XI+XII+XIII)		3,203,555.42	3,339,177.07
TOTAL ACKNOWLEDGED REVENUE AND EXPENSES (A+B+C)		2,786,597.25	4,659,673.89

(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
BALANCE, START OF 2018 FISCAL YEAR	69,200,000.00	6,937,808.41	-245,000.00	-38,877,074.28	468,700.36	-26,757,882.00	26,192,000.20	36,918,552.69
I. Total acknowledged revenue and expenses	0.00	0.00	0.00	0.00	3,131,260.75	1,734,810.74	-206,397.60	4,659,673.89
I. Total acknowledged revenue and expenses	0.00	79,713.78	0.00	388,986.58	-468,700.36	0.00	0.00	0.00
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
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
BALANCE, END OF 2019 FISCAL YEAR	69,200,000.00	7,369,546.92	-245,000.00	-35,708,851.68	5,243,786.73	-27,273,863.28	25,779,205.12	44,364,823.82

CASH FLOW STATEMENT CORRESPONDING TO THE 2019 FISCAL YEAR

4. CASH FLOW STATEMENT	Notes	FISCAL YEAR	FISCAL YEAR
		2019	2018
A) OPERATION CASH FLOWS			
1. Result of the fiscal year before taxes		5,394,853.40	3,131,260.75
2. Result Adjustments.		8,160,256.45	9,472,816.88
a) Depreciation of fixed assets (+).	5 -6	4,324,507.30	4,414,239.67
c) Variation of provisions (+/-).		0.00	396,304.77
d) Allocation of Subsidies (-).	10	-275,196.72	-275,196.72
g) Financial Revenue (-)	13.6	-76.60	-119.94
h) Financial Expenses (+)	13.6	4,356,346.46	4,684,382.40
a) Stock (+/-)		-245,323.99	253,206.70
b) Debtors and other pending payments.		1,348,701.16	-3,419,206.72
c) Other current assets (+/-).		-21,048.34	-197,651.34
d) Creditors and other accounts pending payment(+/-)		1,267,688.93	-3,812,335.67
e) Other current liabilities (+/-)		-872.46	-38,516.67
4. Other Operation Cash Flows.		-249,851.79	508,846.62
a) Payment of Interest (-)		352,784.82	120,450.34
d) Collection (payments) due to corporate income tax(+/-)		-4,778,525.16	-4,684,262.46
5. Operation Cash Flows (+/-1+/-2+/-3+/-4)		-4,356,346.46	-4,684,382.40
6. Payment of investments (-).		76.60	119.94
b) Intangible fixed assets.		-422,255.30	0.00
e) Other financial assets		10,125,285.85	4,500,608.45
7. Collection of investments (+)			
e) Other financial assets		-2,501,319.99	-3,793,998.19
C) FINANCING ACTIVITIES CASH FLOWS.	6	-1,239,467.56	-1,291,805.10
9. Collection and payment from equity instruments.	5	-1,261,768.55	-2,502,193.09
10. Collection and payment from financial liabilities		-83.88	0.00
b) Return and depreciation of:		0.00	1,132.00
Cash or equivalents at the start of the fiscal year.		0.00	1,132.00
e) Results from loss and disposal of fixed assets (+/-)		-2,501,319.99	-3,792,866.19
g) Financial Revenue (-)			
h) Financial Expenses (+)		815,168.63	2,860,000.00
c) Other current assets (+/-).		815,168.63	2,860,000.00
e) Other current liabilities (+/-)		-6,173,296.61	-84,531.97
4. Other Operation Cash Flows.		0.00	2,962,072.32
c) Collection of Interest (+/-).		0.00	2,962,072.32
B) INVESTMENT ACTIVITIES CASH FLOWS		-6,173,296.61	-3,046,604.29
b) Intangible fixed assets.		-6,173,296.61	-3,046,604.29
C) FINANCING ACTIVITIES CASH FLOWS.		-5,358,127.98	2,775,468.03
10. Collection and payment from financial liabilities		21.58	0.00
a) Issue		2,265,859.46	3,483,210.29
2. Debts with credit entities (+)		9,292,706.24	5,809,495.95
b) Return and depreciation of:		11,558,565.70	9,292,706.24

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 2019 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.

The Company considers that these events **do not imply an adjustment** in the annual accounts corresponding to the year ended December 31, 2019, although they could have a significant impact on operations and, therefore, on its results and future cash flows.

Given the complexity of the situation and its rapid evolution, it is not practicable at this time to reliably make a quantified estimate of its potential impact on the Company, which, if applicable, will be recorded prospectively in the annual accounts for the 2020 financial year.

The Company considers that the impact of COVID 19 does not compromise the application of the going concern principle.

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 2019 fiscal year there have been no significant accounting criteria changes with respect to those applied in 2018.

3 APPLICATION OF RESULTS

The proposed distribution of the results of the 2019 financial year, formulated by the Company's Administrators and which will be submitted to the approval of the General Shareholders' Meeting, is as follows:

Distribution basis	Amount
Fiscal year's profit	5,243,786.73
Distribution	Amount
Legal Reserve	524,378.67
To offset losses from previous years	4,719,408.06

There has been no distribution of interim dividends in the year.

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

4 REGISTRATION AND VALUATION STANDARDS

The main registration and valuation standards used by the Company in the production of its Annual Accounts in the 2019 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	until 2053 (*)	
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 2018 and 2019 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 ties 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 2019 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 (generally, biannually), 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.

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.

4.17 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 2018 and 2019 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 2018:

TANGIBLE FIXED ASSETS	By 31/12/2017	Additions	Withdrawals	Transfers	By 31/12/2018
Technical installations	4,977,808.98	0.00	0.00	0.00	4,977,808.98
UTE 2 IT tangible fixed assets	1,042.39	0.00	-1,042.39	0.00	0.00
Cuenca Branch tangible fixed assets	0.00	8,864.91	0.00	0.00	8,864.91
Fixed assets in progress	24,091,207.48	2,796,189.83	0.00	-415,708.45	26,471,688.86
Advances tangible fixed assets	442,455.45	0.00	0.00	-427,157.07	15,298.38
TOTAL	29,512,514.30	2,805,054.74	-1,042.39	-842,865.52	31,473,661.13

ACCRUED DEPRECIATION	By 31/12/2017	Provisions	Withdrawals/ Adjustments	Transfers	By 31/12/2018
Technical installations	-1,794,532.80	-199,112.40	0.00	0.00	-1,993,645.20
UTE 2 IT tangible fixed assets	-281.95	-80.56	362.51	0.00	0.00
Cuenca Branch tangible fixed assets	0.00	-795.82	0.00	0.00	-795.82
Fixed assets in progress	0.00	0.00	0.00	0.00	0.00
Advances tangible fixed assets	0.00	0.00	0.00	0.00	0.00
TOTAL	-1,794,814.75	-199,988.78	362.51	0.00	-1,994,441.02

NET BOOK VALUE	By 31/12/2017	By 31/12/2018
Technical installations	3,183,276.18	2,984,163.78
UTE 2 IT tangible fixed assets	760.44	0.00
Cuenca Branch tangible fixed assets	0.00	8,069.09
Fixed assets in progress	24,091,207.48	26,471,688.86
Advances tangible fixed assets	442,455.45	15,298.38
TOTAL	27,717,699.55	29,479,220.11

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
Fixed assets in progress	8,864.91	216.18	0.00	0.00	9,081.09
Advances tangible fixed assets	26,471,688.86	1,261,552.36	0.00	-19,681.09	27,713,560.13
Technical installations	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 31/12/2017	Provisions	Withdrawals/ Adjustments	Transfers	By 31/12/2020
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
Fixed assets in progress	8,069.09	5,820.19
Advances tangible fixed assets	26,471,688.86	27,713,560.13
TOTAL	15,298.38	15,298.38
	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 31/12/2018	By 31/12/2019
Expansions and new lines of light rail	1,008,211.15	1,018,472.90
Project rail jacket MTSA design	18,320.17	45,628.16
Project Meter of onboard energy	7,557.80	7,567.01
North Train	1,293,769.70	1,293,772.46
South Train	23,548,137.02	24,186,993.09
Video system	401,605.06	742,968.48
Investments in progress	139,385.24	362,825.31
Project TEN+VAO	54,702.72	55,332.72
TOTAL	26,471,688.86	27,713,560.13

The main additions for the year are related to the following projects:

In relation to the rail jacket project, the corresponding investment has been made to manufacture and carry out a pilot test of a prototype of a rail jacket (elastomeric material envelope, vibration dampener) designed by the Company. The currently existing jacket performs its function but makes it impossible to access the rail fixings without having to demolish the adjacent pavement. It has been proven that there is a possibility of improvement in this aspect in terms of eliminating the need to remove these insulating elements, as well as reducing the manufacturing cost. Once the constructive solution has been designed and tested in the field with satisfactory results, it is intended to patent this solution.

In terms of 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 2019 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 amounts to 638,858.83 Euros.

The **Video system project** began in 2018 and involves the implementation of a video surveillance system to replace the one currently in use, both for the part of Fixed Installations and for the part of on-board equipment, as well as the administrative areas of workshops and garages. The amount activated in the year amounts to 341,363.42 Euros.

Finally, it is worth highlighting the TEN + VAO project, whose objective is the development of the software for the Ten + Móvil smartphone ticketing system, to incorporate the necessary functions that would allow users of this system to manage shared routes in private vehicles and the application of predefined bonuses and advantages in Ten + Móvil or in the transport card of the Cabildo Insular de Tenerife TEN +. The Tenerife Island Council has awarded a grant to Metrotenerife for the development of this application (see Note 12.1). The amount activated in the year amounts to 630,00 Euros.

Among the rest of the projects with ongoing investments, two should be noted: investments in the virtualisation infrastructure of the tram and those in 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. The investment in this fiscal year has been 99,818.03 Euros, intended to improve the industrial design of the onboard equipment and the installations in our trams.

The main transfers in 2019 correspond to the capitalization of computer applications as intangible assets (Note 6).

Totally depreciated fixed assets

At the end of the 2018 and 2019 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:

	2018	2019
Cost – capitalised financial leasing- Phase I	3,618,926.02	3,618,926.02
Accrued depreciation Phase I	-1,475,239.29	-1,619,996.37
Book value Phase I	2,143,686.73	1,998,929.65

	2018	2018
Cost – capitalised financial leasing- Phase II	1,358,882.96	1,358,882.96
Accrued depreciation Phase II	-518,405.91	-572,761.23
Book value Phase II	840,477.05	786,121.73

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 2018 and 2019, 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 2018 and 2019 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 2018:

INTANGIBLE FIXED ASSETS	By 31/12/2017	Additions	Withdrawal /Adjustments	Transfers	By 31/12/2018
Cuenca Branch IT applications	0.00	801.56	0.00	0.00	801.56
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	152,422,316.13	570,723.26	-254,434.47	873,435.49	153,612,040.41
Financial activation of Concession agreement	27,955,284.65	1,095,845.16	0.00	0.00	29,051,129.81
Advances for intangible fixed assets	37,647.32	1,065.42	0.00	-30,569.97	8,142.77
TOTAL	191,978,134.74	1,668,435.40	-254,434.47	842,865.52	194,235,001.19

AMORTIZACIÓN ACUMULADA	By 31/12/2017	Provisions	Withdrawal /Adjustments	Transfers	By 31/12/2018
Cuenca Branch IT applications	0.00	-89.04	0.00	0.00	-89.04
Right of use of land given for infrastructure construction	-1,926,376.98	-275,196.72	0.00	0.00	-2,201,573.70
Concession agreement, regulated asset	-47,363,582.16	-3,938,965.13	0.00	0.00	-51,302,547.29
Financial activation of Concession agreement	0.00	0.00	0.00	0.00	0.00
Advances for intangible fixed assets	0.00	0.00	0.00	0.00	0.00
TOTAL	-49,289,959.14	-4,214,250.89	0.00	0.00	-53,504,210.03

VALOR NETO CONTABLE	By 31/12/2017	By 31/12/2018
Cuenca Branch IT applications	0.00	712.52
Right of use of land given for infrastructure construction	9,636,509.66	9,361,312.94
Concession agreement, regulated asset	105,058,733.97	102,309,493.12
Financial activation of Concession agreement	27,955,284.65	29,051,129.81
Advances for intangible fixed assets	37,647.32	8,142.77
TOTAL	142,688,175.60	140,730,791.16

In 2019:

INTANGIBLE FIXED ASSETS	By 31/12/2018	Additions	Withdrawal /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	Withdrawal /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

Financial activation of Concession agreement	0.00	0.00	0.00	0.00	0.00
Advances for intangible fixed assets	0.00	0.00	0.00	0.00	0.00
TOTALES	-53,504,210.03	-4,122,949.22	-2.17	0.00	-57,627,161.42

NET BOOK VALUE	A 31/12/2018	A 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
TOTALES	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 in the 2019 fiscal year 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
TOTAL ACTIVATED	30,278,886.38

The deviation of the financial expenses expected to be allocated to results and the actual ones at the end of the 2018 and 2019 financial years are not very significant.

Totally depreciated fixed assets

At the end of 2018 and 2019, the Company has fully depreciated items of the intangible assets that are still in use for the following amount:

	2018	2019
Description	Book value (gross)	Book value (gross)
Concession agreement, regulated asset	5,663,834.72	6,621,198.27
Total	5,663,834.72	6,621,198.27

At the end of 2018 and 2019, the Company has no intangible assets not directly affected by operations.

Other data on fixed assets

The Company has replaced the magnetic ticketing system with a new Contactless System. This investment is included in the heading Concession Agreement, regulated asset of the attached Balance Sheet. The total amount of the investment amounted to 1,331,124.13 euros.

This project has been developed jointly with Transportes Interurbanos de Tenerife, S.A. (TITSA) and the Company has been awarded two grants for this purpose:

- Multi-year expenditure approved by the CIT Island Government Council on 19 May 2014, intended to finance the contracting of technical assistance for the provision of support, coordination and supervision services in the implementation of the contactless ticketing system, the design of contactless cards and all the processes associated with it (Note 7.1), for an amount of 62,907.39 Euros.
- Multi-annual expenditure approved by the CIT Island Government Council on 19 May 2014, destined to the acquisition of equipment for a contactless ticketing system and exploitation aid system, being the total amount of 2,605,273. 00 Euros (Note 7.1). On 27 January 2015, a contactless ticketing equipment lease contract was signed with the provider Indra Sistemas, S.A., for an award amount of 3,387,830.88 Euros, with a duration of 7 years. (Note 11.1.2).

In the attached Profit and Loss Account, operating lease expenses corresponding to the rental of computer equipment and vehicles have been included, amounting to 54,237.82 Euros (27,759.51 Euros in 2018), whose contracts are cancellable annually (Note 13.5).

In the financial year 2019, the spare parts with a storage cycle of more than one year and without rotation have been regularized for an amount of 94,874.53 Euros (Note 13) (254,434.47 Euros in 2018).

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 Principes 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 2019	4,321,787.99	3,529,416.74	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 2018 and 2019 is as follows :

Long-term financial instruments		
Categories	Classes	Credits, derivatives and other
		2018 2019
Loans and items pending payment		1,348,782.48 1,063,591.28
Total		1,348,782.48 1,063,591.28

The detail of the items that are part of the heading "Long-term financial investments" as of 31 December 2019 is 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

The CIT's Island Government Council approved a multi-year expenditure in favour of the Company, destined to finance the contracting of technical assistance (TA) for the provision of support, coordination and supervision services in the implementation of a system of contactless ticketing, the design of contactless cards and all the processes associated with it (Note 5).

The approved collection schedule is as follows:

2015	2016	2017	2018	2019	2020	2021	Total
8,986.77	8,986.77	8,986.77	8,986.77	8,986.77	8,986.77	8,986.77	62,907.39

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 2019, taking 5.02% as the effective interest

rate of the operation (Note 14.2):

Year	CIT Subsidy Acquisition SBSC	Adjustment Current Value	CIT Subsidy Current Value
2021	8,986.77	-429.22	8,557.55
Total	8,986.77	-429.22	8,557.55

The amounts receivable in the 2020 fiscal year are included in the heading "Other credits with Public Administrations" of the attached Balance Sheet (Note 12.1).

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
2021	372,181.86	-75,180.17	297,001.69
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	1,209,591.03	-166,060.26	1,043,530.77

The amounts receivable in the 2019 and 2020 fiscal years 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	2020	2021	2022	2023	2024	Total
credits to third parties (Note 14.2)- Technical assistance SBSC	8,148.77	8,557.55	0.00	0.00	0.00	16,706.32
credits to third parties (Note 14.2)- Acquisition SBSC	277,042.43	297,001.69	318,398.89	341,337.63	86,792.56	1,320,573.21
Other financial assets	0.00	0.00	0.00	0.00	11,502.95	11,502.95
Total	285,191.20	305,559.24	318,398.89	341,337.63	98,295.51	1,348,782.48

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
		2018 2019
Loans and items pending payment		6,427,471.89 5,200,859.26
Sales and service provision clients		3,667,514.65 2,244,476.63
Various debtors		2,752,638.40 2,940,009.78
Staff		6,735.09 16,389.10
Other financial assets		583.75 667.63
Total		6,427,471.89 5,201,543.14

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 1,415,054.95 Euros (3,323,495.49 Euros in the 2018 fiscal year).

The item "Various Debtors" for 2,940,009.78 Euros corresponds mainly to the amounts accrued in the second semester of the "Payment By Availability" to the CIT, which amounts to 2,603,251.08 Euros (2,572,382.46 Euros in the 2018 fiscal year) (Note 14.2).

Treasury

The Treasury item is detailed as follows:

	2018	2019
Balance in banks-non-available	5,357,048.75	5,958,000.75
Balance in banks-available	3,716,263.09	5,382,146.46
Cash Balance+ Ticket machines + Revenue	219,394.40	218,418.49
TOTAL	9,292,706.24	11,558,565.70

8. DERIVATIVE FINANCIAL INSTRUMENTS

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

LIABILITIES	2018	2019
Interest Rate swaps – cash Flow coverage -Long term	33,364,095.00	32,021,156.74
Interest Rate swaps – cash Flow coverage -Short term	0.00	4,343,994.26
Total	33,364,095.00	36,365,151.00

The effect of the liability generated by coverage derivatives reduces the equity as of 31 December 2020 by an amount of 27,273,863.27 Euros, included in the heading “Coverage transactions”, within the Equity (25,023,071.27 Euros as of 31 December 2018) (Note 10.3), generating a deferred tax asset in the amount of 9,091,287.74 Euros (8,341,023.74 Euros as of 31 December 2018), 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 2019 fiscal year, the reasonable value corresponding to the counterparty risk amounts to 37,313,387.00 Euros (34,896,806.00 Euros in 2018), with the estimate of the reasonable value of own risk being 948,236.00 Euros (1,532,711.00 Euros in 2018), including the net risk of both valuations on the balance sheet.

The notional amounts of the interest rate swap contracts pending at 31 December 2019 amounted to 80,780,726.68 Euros (82,896,282.48 Euros at 31 December 2018).

The expiration of the coverage contracts is detailed below:

Ref. / entity	Start Date	End Date
DEXIA NEG085	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 2019 between 0.00% y el 0.586% (0.00% y el 0.557% in 2018). 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 31/12/2019	Fixed Rate	Liquidations 2018	Liquidations 2019
DEXIA NEG085	19,993,230.00	5.243%	1,170,039.62	1,125,284.46
SANTANDER	26,657,639.74	5.243%	1,560,052.86	1,500,379.26
ACF/NOMURA INTERNATIONAL PLC	34,129,856.94	5.243%	1,997,340.41	1,920,940.14
Total	80,780,726.68		4,727,432.89	4,546,603.86

The table above includes the net liquidations of the interest rate swap contracts corresponding to the years 2018 and 2019.

9. STOCK

The detail about stock as of 31 December 2018 and 2019 corresponding to spare parts and other supplies is as follows:

Account	Concept	Amount 2018	Amount 2019
320	Other provisions	123,967.47	140,867.61
321	Spare parts	714,076.39	680,426.57
322	Tram Spare parts	852,220.39	770,016.76
323	Uniforms	76,039.12	75,000.65
324	Individual protection equipment	4,525.34	3,040.86
325	Signage similar	1,914.37	1,197.51
328	Ticketing	159,192.82	291,503.78
329	Merchandising	15,129.30	15,129.30
407	Advances providers	12,420.56	3,351.06
	Total	1,959,485.76	1,980,534.10

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	31,12,2018
Equity	44,505,666.55	41,578,226.57
Adjustments due to value changes	27,273,863.27	25,023,071.27
Corrected Equity	71,779,529.82	66,601,297.84
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 2018 and 2019 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 2018 and as of 31/12/2019 is as follows:

Shareholders	Percentage	Subscribed Capital	Paid Capital	Number of shares	Numbers	Series
Excmo. Cabildo Insular de Tenerife	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 2018 and 2019 is as follows:

Legal and statutory:	2018	2019
- Legal Reserve	89,627.72	402,753.80
Subtotal	89,627.72	402,753.80
Other reserves:		
Reserve for Adjustments Order EHA /3362/2010	4,439,963.31	4,439,963.31
Reserve for capitalisation	32,843.74	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	6,927,894.47	6,966,793.13
Total	7,017,522.19	7,369,546.93

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 2019 amounts to 402,753.80 Euros (89,627.72 Euros in 2018).

10.2.3-Other Reserves

The *Reserve for Concessionaire Plan Adjustments* presents an amount of 4,439,963.31 Euros as of 31 December 2018 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 2018					
Cash flow coverage (Note 8)	26,757,882.01	2,414,351.91	-4,727,432.89	578,270.25	25,023,071.27
	26,757,882.01	2,414,351.91	-4,727,432.89	578,270.25	25,023,071.27
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

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 01/01/2018	Increases	Allocation to the result	Tax effect	Final Balance 31/12/2018
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 01/01/2019	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

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 01/01/2018	Increases	Allocation to the result	Tax effect	Final Balance 31/12/2018
ECIT-Free use of the Tram platform	7,227,382.07	0.00	-275,196.72	68,799.12	7,020,984.47
TOTAL	7,227,382.07	0.00	-275,196.72	68,799.12	7,020,984.47

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

During the years 2018 and 2019, 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 2018 and 2019 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)

Except in the financial years 2015, 2016, 2017 and 2018, when the distribution of dividends was not agreed, during the last five years no dividends have been distributed as a result of the Company having

obtained losses. At the ordinary general shareholders' meetings held on 24 June 2014, 26 April 2016, 28 April 2017, 27 April 2018 and 30 April 2019, the proposed application of the results was approved. of the financial year 2015, 2016, 2017 and 2018 respectively, where there was no distribution of dividends.

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 2018 and 2019 is as follows:

	Long-term financial instruments	
	2018	2019
Debts and items pending payment	104,398,045.77	100,365,531.74
Coverage Derivatives (Note 8)	33,364,095.00	32,021,156.74
Total	137,762,140.77	132,386,688.48

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	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 detail by expiration as of 31 December 2018 is as follows:

	2020	2021	2022	2023	2024 subsequent years	Total
Debts and items pending payment	4,032,315.36	4,741,008.80	4,104,868.83	4,302,941.59	87,216,911.19	104,398,045.77
Debts with credit entities	3,280,580.50	3,955,862.80	3,329,514.00	3,769,915.50	86,640,035.30	100,975,908.10
BEI Tranche B	2,727,900.00	3,325,440.00	2,771,200.00	3,160,900.00	65,027,940.00	77,013,380.00
BEI Tranche E	354,910.50	432,652.80	360,544.00	411,245.50	8,460,390.30	10,019,743.10
Banking Syndicate Tranche F	197,770.00	197,770.00	197,770.00	197,770.00	13,151,705.00	13,942,785.00
Creditors for lease of Photovoltaic Plants (BBVA)	408,618.52	416,477.37	379,231.00	107,402.45	0.00	1,311,729.34
Creditors for financial leasing SBSC (Indra Sistemas)	343,116.34	368,668.63	396,123.83	425,623.64	576,875.89	2,110,408.33
Derivatives (Note 8)	4,118,041.75	3,770,935.10	3,415,708.83	3,071,885.22	18,987,524.11	33,364,095.00
Total	8,150,357.11	8,511,943.90	7,520,577.65	7,374,826.82	106,204,435.30	137,762,140.77

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 2018 was 79,178,380.00 Euros. In 2019 the amount of 2,165,000.00 Euros was amortized (in 2018 1,645,400.00 Euros were amortized), resulting in an outstanding balance of 77,013,380.00 Euros as of 31 December 2019. 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 2018 of 10,301,418.10 Euros. During 2019 capital was amortized for the amount of 281,675.00 Euros (in 2018 capital for the amount of 214,073.00 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 2018, it had an outstanding balance of 14,140,555.00 Euros, the amortization in 2019 amounted to 197,770.00 Euros (the amortization in 2018 was 791,080.00 Euros), leaving an outstanding balance on 31 December 2019.

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) 31.12.19	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

On 31 December 2018:

Financial Entity / Loan Tranche	Expiration	Nominal Amounts (long term) 31.12.18	Nominal Amounts (short term) 31.12.18
European Bank of Investments (EIB)			
TRANCHE B PROJECT L1	15/06/2033	77,013,380.00	2,165,000.00
TRANCHE E PROJECT L2	15/06/2033	10,019,743.10	281,675.00
Subtotal		87,033,123.10	2,446,675.00
Banking Syndicate			
TRANCHE F PROJECT L2	15/12/2037	13,942,785.00	197,770.00
Subtotal		13,942,785.00	197,770.00
TOTAL		100,975,908.10	2,644,445.00

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 2018	Interest Rate 2019
BEI	0.00%	0.00%
Banking Syndicate	entre 0.552% y 0.557%	entre 0.566% y 0.586%

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	2018	2019
Depreciation of Capital- Phase I	286,215.92	291,993.00
Financial Leasing Expenses Phase I	25,761.28	19,984.20
Total paid amount Leasing Phase I	311,977.20	311,977.20
PHASE II	2018	2019
Depreciation of Capital- Phase II	107,162.95	108,966.35
Financial Leasing Expenses Phase II	9,924.48	8,077.02
Total paid amount Leasing Phase II	117,087.43	117,043.37

The carrying amount of finance lease liabilities approximates the present value of future minimum payments (the amount of the discount is not significant) and the gross investment in the corresponding assets at the time of acquisition.

At the end of 2018 and 2019, 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 2018	Nominal Value 2019
Less than a year	400,908.90	408,766.74
Between one and five years	1,311,729.34	902,912.15
Total	1,712,638.24	1,311,678.89

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

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. 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.

On April 20, 2018, the Provisional Acceptance Certificate of the new equipment is signed, at which time the liabilities derived from this contract are accounted for. It should be noted that Metrotenerife had paid Indra Sistema, S.A. a series of advances pending application amounting to 319,894.03 Euros. In accordance with the provisions of point Seven of the Provisional Acceptance Certificate *“That once this Provisional Acceptance Certificate is signed, INDRA will begin to certify in accordance with provisions 19 and 21 of the PPA, as stated in the ninth stipulation of the signed contract between the parties and applying the second agreement of Annex 1 of the “Refundable Certifications and Deliveries on Account Contract”. These certifications must deduct the amounts already paid as payments on account made by MTSA in a total amount of € 319,894.03, the remainder of the part paid on account after the application of the part corresponding to Annex 2 of this Act ”.*

At the end of the year, these amounts had not been certified, so the short-term outstanding balance as of 31.12.2018 included the instalments pending payment for the 2018 financial year, the instalments to be paid in 2019 and the advance pending to be applied. During financial year 2019, all pending amounts for 2018 have been paid, applying the corresponding advance.

At the end of the 2019 financial year, the short-term outstanding balance with Indra Sistemas, S.A. collects the fees corresponding to the months of November and December 2019, as well as the amounts to be paid in 2020.

The amount of the minimum lease payments, in accordance with the contract in force, without taking into account the impact of common expenses, future increases by CPI, or future updates of contractually agreed rents:

Financial leasing	Nominal Value 2019	Nominal Value 2019
Less than a year	224,331.81	397,944.34
Between one and five years	1,990,852.79	1,767,291.99
More than five years	119,555.55	0.00
Total	2,334,740.15	2,165,236.33

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 2018 and 2019 is as follows:

Short-term financial instruments						
Categories	Debts with credit entities and financial leasing		Derivatives and others		Total	
	2018	2019	2018	2019	2018	2019
Debts and items pending payment:	6,238,866.45	4,098,083.87	2,819,652.37	7,024,935.86	9,058,518.82	11,123,019.73
Total	6,238,866.45	4,098,083.87	2,819,652.37	7,024,935.86	9,058,518.82	11,123,019.73

In turn, they are separated in:

Debts with credit entities and financial leasing	2018	2019
Debts with credit entities	5,613,625.74	3,291,372.79
financial leasing (Note 11.1.2)	625,240.71	806,711.08
TOTAL	6,238,866.45	4,098,083.87

Derivatives and others	2018	2019
Short term derivatives (Note 8)	0.00	4,343,994.26
Other financial liabilities (Note 11.2.2)	758,954.49	702,021.69
Commercial creditors and accounts pending payment (*)	2,060,697.88	1,978,919.91
TOTAL	2,819,652.37	7,024,935.86

(*) 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	2018	2019
Loan EBI Tranche B	2,165,000.00	2,727,900.00
Loan EBI Tranche E	281,675.00	354,910.50
Loan DEXIA Tranche F	197,770.00	197,770.00
Subtotal	2,644,445.00	3,280,580.50
Credit Policy Caixabank	2,963,628.54	0.00
Subtotal	2,963,628.54	0.00
Other short-term debts	5,552.20	10,792.29
TOTAL	5,613,625.74	3,291,372.79

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 2019, which was 0.90% (0.90% in 2018).

In the financial year 2019, 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 31/12/2018	Set to 31/12/2018	Average rate 2018	Limit 31/12/2019	Set to 31/12/2019	Average rate 2019
30/07/2010	Caixabank	3,000,000.00	2,963,628.54	0.60%	-	-	0.60%

As of the close of the 2019 financial year, it has not been renewed yet.

11.2.2-Other financial liabilities:

As of 31 December 2019, among the most important items that make up the heading "Other financial liabilities" for 702,021.69 Euros, are the guarantees and deposits received, for the amount of 276,417.98 Euros (281,524.90 Euros in 2018 and suppliers of short-term fixed assets presented a balance of 351,604.82 Euros).

Commercial creditors and other accounts pending payment:

The breakdown of this heading of the Balance Sheet as of 31 December 2018 and 2019 is as follows:

Commercial creditors and other accounts pending payment	2018	2019
Providers	331,348.50	394,318.41
Various creditors	788,029.39	825,080.50
Staff	327,296.62	334,354.51
Client Advances (Cuenca Branch)	614,023.37	425,166.49
TOTAL	2,060,697.88	1,978,919.91

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:

Average period of payment to suppliers=	(Ratio of operations paid x Total amount of payments made) +
	(Ratio of operations pending payment x Total amount pending payments) Total amount of payments made + Total amount of pending payments

Understanding the ratio of paid operations as:

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

Ratio of operations pending payment =	$\frac{\Sigma (\text{number of days pending payment} \times \text{Amount of transaction pending payment})}{\text{Total amount of pending payments}}$
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According to the previous calculation system, the data obtained have been the following:

	2018	2019
(Days)		
Average period of payment to suppliers	37.96	20.78
Ratio of paid operations	26.50	21.60
Ratio of operations pending payment	146.43	6.38
(Euros)		
Total payments made	6,435,831.95	6,013,936.52
Total pending payments	679,446.10	341,959.36

12- PUBLIC ADMINISTRATIONS AND FINANCIAL SITUATION

12.1 Current balances with Public Administrations

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

Debtor balances:

	2018	2019
Debtor balances	665,545.33	929,392.07
Current tax assets	22,280.11	0.00
Public Treasury VAT Supported	0.00	17,584.01
Public Treasury IGIC Supported Pending Deduction	0.00	759.41
Public Treasury debtor Cuenca Branch	19,716.17	36,480.91
Corporate tax to be returned	614,771.97	869,195.86
Debtor Social Security	8,777.08	5,371.88
Other credits with public administrations	558,696.49	560,346.79
CIT debtor for subsidies	552,032.12	553,440.46
Chosica Train Consortium	6,658.88	6,906.33
UTE Bahía de Cádiz Tram	5.49	0.00
Total	1,224,241.82	1,489,738.86

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

- **Capital subsidies** granted by the CIT amounting to 553,440.46 Euros in 2019 (517,455.75 Euros in 2018) 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 2019 and 2020 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 2019 and 2020 annuity for the amount of 535,466.92 Euros (499,482.21 Euros in 2018) (Note 14.2).
- **Other credits:** lower balances derived from the integration of the UTES in which the Company participates (Note 18).

a) *Credit balances:*

Credit balances	2018	2019
Public Treasury creditor for tax concepts	111,621.32	134,602.55
Public Treasury creditor for fiscal concepts-Cuenca Branch	13,284.28	12,070.65
Public Treasury creditor for tax concepts-Consorcio Trenes Chosica	13,040.98	3,250.99
Public Treasury creditor for fiscal concepts-UTE Tranvía Bahía Cádiz	1,047.68	3,718.61
Public Treasury creditor for IGIC	0.00	17,452.15
CIT creditor for subsidies	299,439.76	489,332.72
Credit Social Security	161,060.51	201,387.63
Creditor Social Security-Cuenca Branch	1,936.00	5,541.41
Total	601,430.53	867,356.71

The CIT creditor for grants includes the following amounts:

On September 8, 2017, the Insular Director of Mobility approved the advance payment of a specific contribution destined to the development of a system of advantages in the mobility of High Occupancy Vehicles. The amount collected in this account amounts to 55,332.72 Euros, corresponding to the investment carried out, justified that at the close of the year 2019 and pending activation.

On December 10, 2019, the Insular Director of Mobility approved the advance payment of a specific capital contribution, amounting to 434,000,00 Euros, destined to finance the Expansion project of Tram Line 1 (La Laguna-Aeropuerto TFN). At the end of the year, it was pending execution.

12.2 Reconciliation between accounting result and corporate income tax base

The reconciliation between the accounting result and the corporate income tax base in 2019 and 2018 is as follows:

CONCEPT	2019	2018
ACCOUNTING RESULT BEFORE TAX	5,394,853.40	3,131,260.75
ADJUSTMENTS TO THE ACCOUNTING RESULT		
POSITIVE	329,431.01	1,569,585.06
NEGATIVE	-405,048.13	-461,183.08
PREVIOUS TAX BASE	5,319,236.28	4,239,662.73
CAPITALIZATION RESERVE	0	-38,898.66
NEGATIVE TAX BASES APPLIED	-3,723,465.40	-1,368,268.95
FINAL TAX BASE	1,595,770.88	2,832,495.12
FULL FEE	398,942.72	708,123.78
DEDUCTIONS APPLIED	-258,099.99	-708,123.78
LIQUID FEE	140,842.73	0.00
WITHHOLDINGS AND INCOME ON ACCOUNT	-1,019,938.37	-614,771.97
INCREASE DUE TO TAX LOSS	9,541.55	0
DELAY INTEREST	358.23	0
TO RETURN	-869,195.86	-614,771.97

Additionally, the profit and loss account includes 10,223.94 Euros corresponding to the income tax of the Ecuador branch. Thus, the total amount of income tax expense amounts to 151,066.67 Euros.

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 2019 fiscal year, the tax base has increased by 255,898.74 Euros (1,139,228.07 Euros in 2018), 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 2019, the tax base was reduced by 374,687.15 Euros (374,687.15 Euros in 2018).

On 28 November 2014, Law 27/2014 on Corporation Tax was published, which establishes in its thirty-fourth transitory provision i), a tax rate applicable for fiscal year 2015 of 28% and, its article 29, a tax rate applicable for 2016 and subsequent 25%.

As of 31 December 2019, the detail of the tax bases pending compensation is as follows:

FISCAL YEAR	Pending on 31/12/2018	Applied 2019	Pending on 31/12/2019
2008	7,237,009.44	3,723,465.40	3,513,544.04
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	25,025,452.48	3,723,465.40	21,301,987.08

In this fiscal year, negative tax bases have been offset with the limit of 70% 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 31/12/2018	Applied 2019	Pending on 31/12/2019
Fixed assets (Law 20/1991) 2010	90,985.54	0.00	90,985.54
Fixed assets (Law 20/1991) 2011	73,295.09	0.00	73,295.09
Fixed assets (Law 20/1991) 2013	22,073.05	0.00	22,073.05
Fixed assets (Law 20/1991) 2015	8,035.59	0.00	8,035.59
Fixed assets (Law 20/1991) 2017	14,179.00	0.00	14,179.00
Fixed assets (Law 20/1991) 2020	431,301.16	199,471.36	231,829.80
Investments in the Canary Islands (Law 20/1991) 2008	324,311.04	39,894.27	284,416.77
Investments in the Canary Islands (Law 20/1991) 2009	52,049.41	0.00	52,049.41
Investments in the Canary Islands (Law 20/1991) 2013	97,540.96	0.00	97,540.96
Investments in the Canary Islands (Law 20/1991) 2014	171,914.29	0.00	171,914.29
Investments in the Canary Islands (Law 20/1991) 2015	158,859.49	0.00	158,859.49
Total	1,444,544.61	239,365.63	1,205,178.98

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 2019 no suitable investments have been done to generate a Deduction for Investment in New Fixed Assets. The aforementioned deductions for investments in the Canary Islands amount to 1,444,544.61 euros and correspond to:

DEDUCTIONS FOR NEW FIXED ASSETS			
FISCAL YEAR	Pending on 31/12/2018	Applied 2019	Pending on 31/12/2019
2010	90,985.54	0.00	90,985.54
2011	73,295.09	0.00	73,295.09
2013	22,073.05	0.00	22,073.05
2015	8,035.59	0.00	8,035.59
2017	14,179.00	0.00	14,179.00
Total	208,568.27	0.00	208,568.27

DEDUCTIONS FOR USE OF RENEWABLE ENERGIES			
FISCAL YEAR	Pending on 31/12/2018	Applied 2019	Pending on 31/12/2019
2008	431,301.16	199,471.36	231,829.80
2009	324,311.04	39,894.27	284,416.77
TOTAL	755,612.20	239,365.63	516,246.57

DEDUCTIONS I+D+I (IT)			
FISCAL YEAR	Pending on 31/12/2018	Applied 2019	Pending on 31/12/2019
2013	52,049.41	0.00	52,049.41
2014	47,050.89	0.00	47,050.89
2014	50,490.07	0.00	50,490.07
2015	97,346.25	0.00	97,346.25
2015	74,568.04	0.00	74,568.04
2016	75,911.09	0.00	75,911.09
2016	82,948.40	0.00	82,948.40
TOTAL	480,364.15	0.00	480,364.15

Likewise, the company has generated a deduction for reversal of temporary measures in the current year for the amount of 18.734,36 euros that has been applied in its entirety in 2019.

Deduction for reversal of temporary measures (Amortization) DT THIRTY-SEVENTH Law 27/2014				
FISCAL YEAR	REVERSAL	DEDUCTION	Applied 2019	Pending on 31/12/19
2018	374,687.15	18,734.36	0.00	18,734.36
2019	374,687.15	18,734.36	18,734.36	0.00
TOTAL	749,374.30	37,468.72	18,734.36	18,734.36

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. On 16 June 2017, the Regional Inspection Unit of the Canary Islands Special Delegation of the Tax Agency communicated the initiation of inspection actions in respect of Corporation Tax, in general, corresponding to the 2012 and 2013 fiscal years. On 24 June 2019, the company signed an Act of Conformity, by which the verification and investigation procedure was ended, with a zero fee. In this regard, it should be noted that as a result of the aforementioned inspection, the negative tax bases pending application have been modified this year, as well as the deductions generated in previous years, all as a result of the inspection report.

12.3 Deferred taxes:

The detail of deferred tax assets is as follows:

	2018	2019
Deferred tax assets:		
Deferred taxes (coverage derivatives)	8,341,023.74	9,091,287.74
TOTAL	8,341,023.74	9,091,287.74

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:

	2018	2019
Deferred tax liabilities:		
Temporary differences (subsidies)	8,661,867.84	8,593,068.60
TOTAL	8,661,867.84	8,593,068.60

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 2019 being 8,593,068.60 Euros (8,661,867.84 Euros in 2018).

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

Deferred Tax assets	Asset tax effect 2018	Asset tax effect 2019
Balance on 1 January	8,919,294.00	8,341,023.74
Charge to Equity	-578,270.26	750,263.99
Balance on 31 December	8,341,023.74	9,091,287.73

Deferred Tax liabilities	Subsidy tax effect 2018	Subsidy tax effect 2019
Balance on 1 January	-8,730,666.96	-8,661,867.84
Charge to Equity	68,799.12	68,799.12
Balance on 31 December	-8,661,867.84	-8,593,068.72

13. REVENUE AND EXPENSES

13.1 Net amount of turnover

The distribution of the net amount of the turnover corresponding to the years 2018 and 2019 by categories of activities is as follows:

	2018	2019
Sales	984.80	3,156.42
Provision of services	19,919,529.40	22,336,920.60
Total	19,920,514.20	22,340,077.02

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

Provision of Services	2018	2019
Passenger transport service	18,606,828.11	19,928,993.30
Compensation	49,668.29	65,229.36
Operation revenue	18,656,496.40	19,994,222.66
Advertising	376,188.08	473,700.00
Photovoltaic Plants	185,741.90	196,564.51
External Technical Advice and Management of Ten + Móvil	173,989.90	552,290.48
Commercial management	67,045.08	25,803.78
Duct rental	46,142.73	46,269.50
Joint Ventures Income (Note 18)	128,327.42	535,354.34
Ecuador Branch Income	285,597.89	512,715.33
Additional revenue	1,263,033.00	2,342,697.94
Total	19,919,529.40	22,336,920.60

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	2018	2019
Income paid by the customer of the transport service	12,206,664.49	11,496,577.67
Subsidy to the client for the use of public transport. Social	2,469,994.45	3,948,422.25
Subsidy to the client for the use of public transport. Commercial	3,886,321.53	4,416,083.56
Income Subscription costs and support Contactless Ticketing	43,847.64	34,227.19
Income Expired Titles	0.00	33,682.63
Total	18,606,828.11	19,928,993.30

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	2018	2019
15€ Student Pass	411,481.82	292,758.65
Large Family Ticket 40€	54,377.58	60,263.01
Cabildo Disability	328,737.11	334,129.31
Disability Pass	0.00	27,666.15
Cabildo Seniors	229,768.63	233,261.56
Senior Pass	0.00	106,211.21
Social Pass / IASS Low income	-448.35	3,445.12
Weekly Youth Pass	53,340.69	47,614.46
Monthly Youth Pass < 30	1,363,388.31	2,695,408.25
Ten+ Children Card (5-10 years)	29,348.65	147,664.52
Total	2,469,994.45	3,948,422.25

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	2018	2019
Bono Vía 15€	995,601.15	553,479.20
Bono Vía 25€	197,785.61	161,138.37
Bono Vía 50€	16,371.46	6.07
General Wallet	1,204,830.39	1,939,885.95
Monthly Pass	1,281,570.56	788,999.86
Canary Resident Pass	63,465.18	904,212.58
Monthly Pass M1+2	31,395.33	-31.08
Monthly Pass M1+6	13,039.36	0.00
Monthly Pass S5 ULL	2,649.21	0.00
5-trip ticket	76,552.86	63,444.77
VAO Journeys	390.41	2,708.52
Shop Pass	2,583.16	2,239.32
Cabildo Special Pass	86.85	0.00
Total	3,886,321.53	4,416,083.56

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 2019 amounts to

65,229.36 euros (49,668.29 euros in 2018).

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 2019 amounts to 473,700.00 euros (376,188.08 euros in 2018).

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 2019 amounts to 196,564.51 euros (185,741.90 euros in 2018).

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 2019 amounts to 552,290.48 euros (173,989.90 euros in 2018).

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 2019 amounts to 25,803.78 euros (67,045.08 euros in 2018).

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 31/12/2019 being 387,101.05 euros. The amount pending transfer to results amounts to 770,396.95 Euros, of which 724,000.69 Euros are recorded in the long term and 46,396.26 Euros are short-term.

Additionally, the account "*Short-term accruals*" includes 455,987.12 Euros from the Cuenca branch.

The amount accrued in 2019 amounts to 46,269.50 euros (46,142.73 euros in 2018).

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 2019 amounts to 512,715.33 euros (285,597.89 euros in 2018).

13.2 Other operating income:

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

Other operating income	2018	2019
Ancillary income and other current management	5,218,738.97	5,275,385.96
Operating subsidies included in profit or loss	686,559.68	328,376.61
Total	5,905,298.65	5,603,762.57

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	2018	2019
Pay for availability	5,144,764.92	5,206,502.16
Other income	73,974.05	68,883.80
Total	5,218,738.97	5,275,385.96

The operating subsidies received in 2019 and 2020 correspond to:

Operating subsidies	Awarding entity	2018	2019
Lawn Maintenance L1 and L2	CIT	113,500.69	112,394.08
Contactless Ticket Launch Campaign	CIT	564,281.91	210,611.00
Continuous training	Threefold Training	8,777.08	5,371.53
	Total	686,559.68	328,376.61

Supplies

The balance of the accounts "*Consumption of raw materials and other consumable materials*" for fiscal year 2018 and 2019 presents the following composition:

Consumption of raw materials and other consumable materials	2018	2019
Purchases	-1,339,711.09	-955,425.51
Stock Variation	196,159.34	30,117.84
Total	-1,143,551.75	-925,307.67

The detail of the purchases made by the Company during the years 2018 and 2019, according to their origin, is as follows:

PURCHASES 2018	National	Inside the EU	Imports	TOTAL
Other supply purchases	-923,739.28	-415,971.81	0.00	-1,339,711.09

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	2018	2019
Wages, salaries and ancillaries	-5,513,204.77	-5,812,034.89
Wages and salaries paid	-5,221,600.63 €	-5,653,495.62 €
Wages and salaries in kind	-55,846.53 €	-61,494.70 €
Accruals, extra pay, provisions, allowances	-61,581.10	0.00
Social charges	-174,176.51	-97,044.57
Social Security paid by the company	-1,816,631.63	-1,928,343.49
Training	-1,686,530.93	-1,799,158.83
Continuous training	-43,799.86	-15,387.10
Insurance: accident, life and health	-10,953.92	-15,839.79
Wages and salaries paid	-75,346.92	-97,957.77
Total	-7,329,836.40	-7,740,378.38

During 2019 there has been an increase in the Staff Expenses heading that amounts to 5,4%, mainly as a consequence of the salary increase stipulated in the General State Budgets, which amounted to 2,375%, and the increase of the average workforce for the year (from 180 to 186,7 workers), which was 2,50%.

13.5 Other operating expenses:

The balance of the heading "Other operating expenses" for the 2018 and 2019 financial years presents the following composition:

	2018	2019
External services	-4,819,971.03	-5,139,573.16
Leases	-27,759.51	-54,237.82
Reparations and conservation	-1,160,356.93	-1,311,041.94
Independent Professional Services	-2,862.89	-16,896.93
Insurance Premiums	-243,926.92	-258,600.60
Banking and similar services	-60,432.10	-76,186.89
Advertising and public relations	-306,295.13	-191,608.78
Supplies	-820,391.11	-811,911.95
Other services	-2,197,946.44	-2,419,088.25
Taxes	-41,269.73	-37,339.16
Other taxes	-41,269.73	-37,339.16
Other current management costs	-195,354.05	-566,343.24
PPD management fees	-11,462.00	-10,762.00
Labelling costs for trams and muppies	-141,105.20	-199,107.84
Photovoltaic management expenses	-3,379.56	-4,312.91
Other current management expenses and losses	-39,407.29	-352,160.49
Total	-5,056,594.81	-5,743,255.56

The “Other current management expenses” section mainly includes the annual regularization of spare parts with a storage cycle of more than one year and without turnover (Note 6).

13.6 Financial income and expenses

The financial income and expenses accrued in fiscal year 2018 and 2019 are detailed below:

	2018	2019
Financial income:	142,418.64	132,038.75
<i>Of marketable securities and other financial instruments</i>	<i>142,418.64</i>	<i>132,038.75</i>
- From third parties	119.94	76.60
- PCG adjustments (update credits / loans)	142,298.70	131,962.15
Financial expenses:	-4,684,382.40	-4,356,346.46
-Exploitation	-198,801.51	-207,824.91
-Risk Project	-5,581,426.05	-5,376,278.12
- Financial expenses activation adjustments (Order EHA 3362/2010) (Note 6)	1,095,845.16	1,227,756.57
Exchange differences	-2,988.61	1,786.11
Financial result without PGC adjustments	-5,783,096.23	-5,582,240.32
Financial result including PGC adjustments	-4,544,952.37	-4,222,521.60

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 so-called PGC Adjustments are corrections made at closing on the value of credits / loans that, in accordance with the provisions of the PGC, are valued at amortized cost.

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

14. RELATED PARTIES OPERATIONS

14.1 Related party transactions

The transactions carried out with the Metrotenerife partner, the Tenerife Island Council, during the 2018 and 2019 financial years, have been the following:

Type of Transaction	2018	2019
	Accrued amount	Accrued amount
TENERIFE INSULAR CABILDO	14,684,686.37	13,256,643.78
Clearing House	6,894,204.90	7,714,136.54
Lawn maintenance operation subsidy	113,500.69	112,394.08
Contactless Ticket Launch Campaign subsidy	564,281.91	210,611.00
SBSC Acquisition subsidy	1,958,120.87	0.00
Advertising	9,813.08	13,000.00
Payment for Availability	5,144,764.92	5,206,502.16
Total	14,684,686.37	13,256,643.78

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 2018 and 2019, differentiating the long and short term, is as follows:

Debtor balances	2018	2019
Long-term debtors	1,337,280.07	1,052,088.87
Island Council of Tenerife	1,337,280.07	1,052,088.87
Short-term debtors	6,447,910.07	4,585,591.49
Island Council of Tenerife	6,447,910.07	4,585,591.49
Total debtor balance	7,785,190.14	5,637,680.36

Short-term creditor balances	2018	2019
Island Council of Tenerife	299,439.76	569,414.68
Total creditor balance	299,439.76	569,414.68

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

CIT DEBTS	2018	2019
Long-term debt (Nominal Value)	1,599,746.43	1,218,577.80
Short term debts	6,447,910.07	4,585,591.49
Total debit balance	8,047,656.50	5,804,169.29
Current Value Adjustment	-262,466.36	-166,488.93
Total debit balance (Updated value)	7,785,190.14	5,637,680.36

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

Long-term debtors	2018	2019
Contactless Ticket Subsidy A.T. (Note 7.1)	17,973.54	8,986.77
Contactless Ticketing Subsidy SBSC (Note 7.1)	1,581,772.89	1,209,591.03
Total Nominal Amounts	1,599,746.43	1,218,577.80
Current Value Adjustment A.T.	-1,266.70	-428.70
SBSC Current Value Adjustment	-261,199.66	-166,060.23
Total Present Value	-262,466.36	-166,488.93
Total long-term debtors	1,337,280.07	1,052,088.87

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

Short-term debtors	2018	2019
Contactless Ticket Subsidy A.T. (Note 12.1)	17,973.54	17,973.54
Contactless Ticketing Subsidy SBSC (Note 12.1)	499,482.21	535,466.92
Transport policies (Note 7.2)	3,323,495.49	1,415,054.95
Payment for Availability (Note 7.2)	2,572,382.46	2,603,251.08
Lawn maintenance	34,576.37	0.00
Advertising revenue	0.00	13,845.00
Total Nominal Amounts	6,447,910.07	4,585,591.49

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

Short term creditors	2018	2019
Lawn Platform Maintenance (refundable)	0.00	46,585.92
VAO Lane Subsidy (refundable)	0.00	24,667.28
BSC Launch Campaign (refundable)	0.00	8,828.76
Advance Subsidy VAO Lane	80,000.00	55,332.72
Advance Subsidy Contactless Ticketing Launch Campaign	219,439.76	0.00
Advance Subsidy Expansion Line 1 Los Rodeos	0.00	434,000.00
Total Nominal Amounts	299,439.76	569,414.68

14.3 Remuneration for the Board of Directors and Management:

The gross remuneration received during 2018 and 2019 by the members of the Board of Directors and by the members of the Management Committee of the Company, have been the following

	2018		2019	
	Wages and Salaries	Diets	Wages and Salaries	Diets
Board of directors	0.00	15,711.70	0.00	20,023.28
Management Committee (10 people)	616,710.90	17,640.00	649,227.19	13,490.00
TOTAL	616,710.90	33,351.70	649,227.19	33,513.28

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 2019, 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 6,209.77 Euros (6,209.77 Euros in 2018).

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 2019, this amount amounts to 87,033,123.10 Euros (89,479,798.10 Euros in 2018).
- a) 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 and 50,000.00 Euros, with the amount of 991,780.23 Euros being available as of 31 December 2019 (989,818.31 Euros in 2018).

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 2019, 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 2018 and 2019 financial years, detailed by category and sex, indicating the average number of people with a disability greater than 33%:

Category	2018				2019			
	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	0.3	0.6	0.0	0.9	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 Accounting	0.0	0.4	0.0	0.4	0.0	0.0	0.0	0.0
Head of Line	2.0	0.0	1.0	2.0	2.0	0.0	1.0	2.0
Head of Operations	0.0	0.4	0.0	0.4	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	9.3	0.0	0.0	9.3	10.0	0.0	0.0	10.0
Fixed Installations Maintenance Technician	14.8	0.0	0.0	14.8	15.0	0.0	1.0	15.0
Rolling Stock Maintenance Technician	12.8	0.0	0.0	12.8	15.7	0.0	0.0	15.7
Draughtsman	0.4	0.0	0.0	0.4	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	65.8	6.0	1.0	71.8	66.5	6.7	1.0	73.2
Warehouse Agent	1.0	1.0	0.0	2.0	1.0	1.0	0.0	2.0
Personal Administrative Clerk	0.0	1.2	0.0	1.2	0.0	1.0	0.0	1.0
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	0.0	0.0	0.0	0.0	0.8	0.0	0.8
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	152.4	27.6	2.0	180.0	157.2	29.5	3.0	186.7

The number of people employed at the end of the 2018 and 2019 financial years is indicated below, detailed by category and sex:

Category	31/12/2018			31/12/2019		
	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 Accounting	0	0	0	0	0	0
Head of Line	2	0	2	2	0	2
Head of Operations	0	1	1	0	1	1
Economist	0	1	1	0	1	1
Lawyer	0	1	1	0	1	1
Assistant Head of PCC	1	0	1	1	0	1
Head of Commercial Shift	3	0	3	3	0	3
Public Works Technical Engineer	1	0	1	1	0	1
International Projects Technician	0	1	1	0	1	1
Fixed Installations Team Leader	3	0	3	3	0	3

Maintenance Engineers	1	1	2	1	1	2
Systems Engineer	1	0	1	1	0	1
Head of Garage	1	0	1	1	0	1
Selection Technician	0	1	1	0	1	1
Methods/Planning Technician	3	0	3	3	0	3
Accountant	0	1	1	0	1	1
Real Time Systems Technician	2	0	2	2	0	2
Development Technician	1	0	1	1	0	1
Regulator	9	0	9	11	0	11
Fixed Installations Maintenance Technician	14	0	14	15	0	15
Rolling Stock Maintenance Technician	13	0	13	17	0	17
Draughtsman	0	0	0	1	0	1
Secretary	0	5	5	0	5	5
Driver	65	6	71	72	10	82
Warehouse Agent	1	1	2	1	1	2
Personal Administrative Clerk	0	1	1	0	1	1
Communication Administrative Clerk	0	1	1	0	1	1
Assistant Administrative Clerk	0	2	2	0	2	2
Administrative Clerk	0	0	0	0	1	1
Auditing and Sales Agent	16	2	18	16	2	18
Receptionist and Telephone Operator	0	1	1	0	1	1
Manager of Fines	0	1	1	0	1	1
Orderly	1	0	1	1	0	1
Total	150	28	178	165	33	198

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 2019 provided by Ernst & Young, S.L. amounts to 16,000.00 Euros (in 2018 it was 16,000.00 Euros).

18. JOINT VENTURES

As of 31 December 2019, the Company had the following joint ventures:

Name of the Temporary Union of Companies	Partner	Participation percentage
Ingeniería de Instalaciones y Trenes, 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 Trenes, 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 2019, 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 31/12/2019	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
Providers	-46,438.82	12,344.16	-34,094.66
Other liabilities	-5,518.61	0.00	-5,518.61
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

On 31 December 2018:

UTE Preoperation Cádiz Tram	Integration balances 31/12/2018	Eliminations by integration	Adjusted balances 31/12/2018
Balance			
Surety	330.00	0.00	330.00
Clients	16,378.64	0.00	16,378.64
Treasury	19,000.00	0.00	19,000.00
Capital	-1,200.00	1,200.00	0.00
Reserves and result	0.00	0.00	0.00
Providers	-33,460.96	73.66	-33,387.30
Other liabilities	-1,047.68	0.00	-1,047.68
	0.00	1,273.66	1,273.66
Profit and los account			
Provision of services	118,122.76	-26,058.44	92,064.32
Operation expenses	-117,659.58	26,058.44	-91,601.14
Financial expenses	-463.18	0.00	-463.18
	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 31/12/2019	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

On 31 December 2018:

Consorcio Trenes Chosica	Integration balances 31/12/2018	Eliminations by integration	Adjusted balances 31/12/2018
Balance			
Commercial debts and others bills pending payment	11,098.13	0.00	11,098.13
Treasury	71,396.37	0.00	71,396.37
Reserves and result	-655.69	0.00	-655.69
Creditors for the provision of services	-59,974.18	0.00	-59,974.18
Other liabilities	-21,864.63	0.00	-21,864.63
	0.00	0.00	0.00
Profit and loss account			
Provision of services	60,438.50	0.00	60,438.50
Operating expenses	-59,782.81	0.00	-59,782.81
	655.69	0.00	655.69

There are no capital investment commitments.

It should be noted that on 5 December 2019, the Consortium presented a warning letter for the termination of the contract due to breach of the client (MTC). In the absence of any type of response from the MTC, the Consortium's willingness to terminate the contract is confirmed with a new letter submitted on 12 December 2019.

The MTC opened a conciliation process for us, in the Peruvian Association for Conciliation and Arbitration, with a meeting on 6 February in which no agreement was reached. As the parties agree, it is up to MTC itself to open an arbitration.

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	2018
Assets		
Intangible fixed assets	456.27	712.53
Tangible fixed assets	5,820.19	8,069.09
Other assets	1,286,849.83	923,337.01
	1,293,126.28	932,118.62
Liabilities		
Other Liabilities	-453,437.58	-654,227.37
Advanced Revenue	-455,987.12	0.00
	-909,424.71	-654,227.37
Net Investment	383,701.58	277,891.25

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	2018
Net amount of turnover		
Provision of services	512,715.32	285,597.89
Another financial income	0.00	0.94 €
Expenses		
Services received	-452,097.30	-194,946.70
Other expenses	-17,313.80	-676.15 €
Depreciation	-2,719.30	-884.86
Corporate tax	-10,223.94	0.00
Result of the fiscal year	30,360.97	89,091.13

20. EVENTS AFTER CLOSING

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 quick evolution of the

incident, at a national and at an international scale, brings about an unprecedented health crisis that will have an impact on the macroeconomic environment and the evolution of businesses. In order to face the situation, among other measures, the Government of Spain has declared a state of alarm by issuing the Royal Decree 463/2020, of 14 March, 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.

The Company considers that these events **do not entail an adjustment of the annual accounts** corresponding to the fiscal year ended on 31 December 2019, although it could have a significant impact on operations and, thus, in its results and future cash flows.

Due to the complexity of the situation and its rapid evolution, right now, it is not feasible to produce a quantified estimation of its potential impact on the Company, which, if applicable, will be foreseeably recorded in the annual accounts of the 2020 fiscal year.

As a consequence of the health crisis, at the time of the formulation of the annual accounts, a decline of demand has been observed and a readjustment of the frequency of operation has been conducted.

The Company is conducting the necessary tasks to deal with the situation and minimise its impact, considering that it is a circumstantial situation that, according to the current estimations and the treasury position to date, does not compromise the application of the functioning business principle. There have been no significant subsequent events different from the noted ones at the time of the formulation of these Annual Accounts.

MANAGEMENT REPORT 2019

Analysis of the company's performance

The business turnover has gone from 19,920,514.20 Euros in 2018 to 22,340,077.02 Euros in 2019, which represents a 12.15% increase. Analysing the evolution of demand in 2019, there is a continuous growth with respect to the previous year, which is especially significant in the second half of the year, when the best results ever for the Tenerife Tram are obtained, with an interannual number of passengers of 15,551,981, 5.4% higher than the 14,756,138 passengers from 2018.

The 2019 Year's Results were 5,243,786.73 Euros of profit.

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

	2019	2018	variation
Operation Results	9,617,375.00	7,676,213.12	25.29%
Financial Results	-4,222,521.60	-4,544,952.37	-7.09%
Tax on Profits	-151,066.67	0.00	-
Year's Result	5,243,786.73	3,131,260.75	67.47%

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 2019 fiscal year, a total of 15,551,981 validations have been made, which means a 795,843 increase in passengers compared to 2018, with 14,756,138 passengers, which shows a 5.4% growth from the previous fiscal year. Of the previous validation total, 3,599,795 were done through the Ten + móvil app, which is 23.15%.

Apart from providing passenger transport services, throughout 2019, Metrotenerife has carried out several different activities with the goal of increasing revenue and diversifying.

Technical counselling services are still being offered to other railway lines such as the Israel Underground, or the pre-operation and launch services for the Tram-Train from Chiclana to San Fernando in Cádiz.

Metrotenerife, in Consortium with the companies con Green Life S.A.C. and Trazas Ingeniería S.L. Sucursal del Perú, was the successful bidder for the 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”. In this Consortium, Metrotenerife holds 60 % of the shares.

The Improvement of the East Rail Corridor, Lima – Chosica project, Monserrate – Chosica stretch, 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 loads.

It should be noted that on 5 December 2019 the Consortium presented a letter of warning of rescission of contract for non-compliance by the client (MTC). Due to the lack of response from MTC, the Consortium’s will to rescind the contract is confirmed with a new letter presented on 12 December 2019.

The MTC opened a conciliation process, in the Conciliation and Arbitrage Peruvian Association, with a meeting on 6 February, in which no agreement was reached. With the consent of both parties, it falls to the MTC to open an arbitration.

Additionally, Metrotenerife has successfully bid 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. By now, the construction process has concluded in anticipation of the start of its commercial operation in 2020. Among the project’s participants, there are many important goods and services provider multinational companies such as: Alstom, Artelia, Indra, etc.

In this section the SIMOVE, acronym for the On-board Speed Monitoring System, Project should be mentioned. This safety system 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, in 2019, Metrotenerife has sold the system to the Madrid West Light Rail operator 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.

Quantitative Information

The main quantitative data in 2019 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. With each validation, passengers use up their passes, generating a collection right for Metrotenerife before the Tenerife Insular Cabildo (CIT from now) according to the type of ticket. 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. In those cases, it 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).
- **1-day Pass:** Ticket that grants unlimited tram trips for 1 day. From the moment of its first validation, this pass is valid for 24 hours (without transfers). It is especially designed for people that take various trips on a single day.
- **Bono Vía:** Ticket that is valid for various trips. It allows free transfers between lines.
- **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.
- 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 TITSA lines.
- Wallet Pass: Ticket valid for various trips. It allows free transfers between lines.

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 2019 are the following:

Ref. / entity	Start Date	End Date
DEXIA NEG085	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 2018 and 2019 fiscal years, detailing category and sex, and indicating the average number of people with a disability over 33%:

Category	2018				2019			
	Men	Women	Category	Men	Women	Category	Men	Women
Managing Director	1.0	0.0	0.0	1.0	1.0	0.0	0.0	1.0
Administrative – Financial Director	0.3	0.6	0.0	0.9	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 Accounting	0.0	0.4	0.0	0.4	0.0	0.0	0.0	0.0
Head of Line	2.0	0.0	1.0	2.0	2.0	0.0	1.0	2.0
Head of Operations	0.0	0.4	0.0	0.4	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	9.3	0.0	0.0	9.3	10.0	0.0	0.0	10.0
Fixed Installations Maintenance Technician	14.8	0.0	0.0	14.8	15.0	0.0	1.0	15.0
Rolling Stock Maintenance Technician	12.8	0.0	0.0	12.8	15.7	0.0	0.0	15.7
Draughtsman	0.4	0.0	0.0	0.4	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	65.8	6.0	1.0	71.8	66.5	6.7	1.0	73.2
Warehouse Agent	1.0	1.0	0.0	2.0	1.0	1.0	0.0	2.0

Personal Administrative Clerk	0.0	1.2	0.0	1.2	0.0	1.0	0.0	1.0
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	0.0	0.0	0.0	0.0	0.8	0.0	0.8
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	152.4	27.6	2.0	180.0	157.2	29.5	3.0	186.7

Environment

In 2017 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 2018 and 2019 are displayed

Type of Transaction	2018	2019
	Accrued amount	Accrued amount
CABILDO INSULAR DE TENERIFE	14,684,686.37	13,256,643.78
Clearing House	6,894,204.90	7,714,136.54
Subsidy for the Grass maintenance exploitation	113,500.69	112,394.08
Subsidy for Launching Campaign for Contactless Ticketing	564,281.91	210,611.00
SBSC Acquisition subsidy	1,958,120.87	0.00
Publicity	9,813.08	13,000.00
Payment for Availability	5,144,764.92	5,206,502.16
Total	14,684,686.37	13,256,643.78

On the other hand, the CIT's debts with Metrotenerife on 31 December 2019 were the following:

Pending Payment	2019
Subsidy Contactless Ticketing A.T.	26,531.61
Subsidy Contactless Ticketing SBSC	1,578,997.72
Transport Policies	1,415,054.95
Payment for Availability	2,603,251.08
Publicity Stands Revenues	13,845.00
Total Nominal Amounts	5,637,680.36

Therefore, the CIT's debts with Metrotenerife on 31,12,2019 for the noted concepts was 5,637,680.36 Euros.

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

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 quick evolution of the incident, at a national and at an international scale, brings about an unprecedented health crisis that will have an impact on the macroeconomic environment and the evolution of businesses. In order to face the situation, among other measures, the Government of Spain has declared a state of alarm by issuing the Royal Decree 463/2020, of 14 March, 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.

The Company considers that these events **do not entail an adjustment of the annual accounts** corresponding to the fiscal year ended on 31 December 2019, although it could have a significant impact on operations and, thus, in its results and future cash flows.

Due to the complexity of the situation and its quick evolution, right now, it is not feasible to produce a quantified estimation of its potential impact on the Company, which, if applicable, will be foreseeably recorded in the annual accounts of the 2020 fiscal year.

As a consequence of the health crisis, at the time of the formulation of the annual accounts, a decline of demand has been observed and a readjustment of the frequency of operation has been conducted.

The Company is conducting the necessary tasks to deal with the situation and minimise its impact, considering that it is a circumstantial situation that, according to the current estimations and the treasury position to date, does not compromise the application of the functioning business principle.

There have been no significant subsequent events different from the noted ones at the time of the formulation of these Annual Accounts.

Activities conducted in matters of research and development

The Company has not conducted activities in matters of research and development in the 2019 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 ties to reduce the potential side effects on its financial profitability. The Company employs coverage derivatives to avoid certain risks.

The 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.

Activities with financial instruments exposes the Company to credit, market and liquidity risks.

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 needed. 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 2019 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 the 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 19 November 2019, the Company estimates generating profits in the 2020 fiscal year.

Average payment time to providers

The average payment time to providers is 20.78 days.

Additional information

The summary of revenue and validations by ticketing system in 2018 and 2019 is the following:

Revenue summary by system	2019	2018
Ten + contactless ticketing validation system	9,974,906.41	5,970,962.62
Ten + móvil smartphone validation system	2,536,448.95	2,736,282.60
Magnetic ticketing cancellation system	0.00	3,314,932.89
Total	12,511,355.36	12,022,178.11
Additional revenue	2019	2018
Ten+ supports	27,109.00	37,284.00
Ten+ móvil subscription costs	8,145.00	7,880.00
Total	35,254.00	45,164.00

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
Magnetic ticketing cancellation system	0	0	0
Total	14,386,011	1,165,970	15,551,981

2018			
Validations by systems and lines	Line 1	Line 2	Total
Ten + contactless ticketing validation system	6,393,139	529,147	6,922,286
Ten + móvil smartphone validation system	3,634,212	277,553	3,911,765
Magnetic ticketing cancellation system	3,607,671	314,416	3,922,087
Total	13,635,022	1,121,116	14,756,138

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

METROPOLITANO DE TENERIFE, S.A.
MANAGEMENT REPORT – FISCAL YEAR 2019
 (Expressed in euros)

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	157,174.20	139,039.75	165,825.85	133,686.45	140,442.80	136,586.75	138,967.20	110,636.00	145,439.85	150,386.20	156,068.95	157,241.20	1,731,495.20
Tram Daily Pass	0.00	13.50	0.00	0.00	18.00	0.00	9.00	9.00	72.00	4.50	9.00	0.00	135.00
24 HOURS MTSA	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
Lifelong Tram 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 Promotions 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
VM 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 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
Tram Security	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	157,174.20	139,053.25	165,825.85	133,686.45	140,460.80	136,586.75	138,976.20	110,645.00	145,511.85	150,390.70	156,077.95	157,241.20	1,731,630.20
Compensable Transit Tickets	January	February	March	April	May	June	July	August	September	October	November	December	Running total
Bono Vía 15€	79,887.65	73,759.30	77,100.80	73,203.65	78,659.80	75,019.90	72,615.05	54,155.15	74,822.60	81,580.15	77,581.85	78,700.65	897,086.55
Bono Vía 25€	24,454.95	23,960.05	24,014.45	20,721.15	24,112.30	23,164.35	22,452.10	15,037.95	22,680.55	25,033.10	24,392.40	23,966.55	273,989.90
Bono Vía 50€	477,796.74	439,030.96	471,159.56	439,190.45	458,431.57	457,014.31	477,379.93	391,867.76	473,961.70	479,018.51	451,935.93	456,658.79	5,473,446.20
General Wallet	28,040.05	35,738.10	34,794.16	29,757.50	31,004.56	20,234.29	14,276.46	7,783.74	24,842.25	33,602.09	28,216.57	20,672.91	308,962.67
University Pass	5,473.11	3,563.24	4,735.38	5,725.89	6,189.07	6,113.11	5,885.19	4,321.49	7,821.93	7,892.38	7,066.86	6,651.45	71,439.10
Large Family	7,360.80	7,197.14	6,764.24	7,230.61	7,605.59	7,663.82	7,380.36	6,515.39	7,848.53	8,788.08	8,037.36	7,799.15	90,191.07
Cabildo Disability Concession	0.00	0.00	0.00	125.83	592.72	498.48	513.65	714.15	1,650.65	2,058.48	2,707.70	2,421.12	11,282.78
Disability Pass	3,996.00	3,560.17	3,800.30	3,939.34	4,065.41	3,973.17	4,331.01	3,929.61	4,531.83	5,312.36	4,758.03	4,470.35	50,667.57
Cabildo Senior	120.00	1,844.30	2,925.72	3,921.60	3,834.24	3,621.86	3,571.31	3,323.17	4,568.29	5,530.40	5,392.21	5,683.65	44,336.76
Senior 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
Social Pass / IASS Low Income	2,868.02	3,006.92	3,456.41	2,997.86	5,112.62	3,044.12	2,538.21	1,696.96	4,646.86	5,936.12	6,758.33	5,309.15	47,371.58
Weekly Youth Pass	169,954.67	170,547.94	179,971.71	175,147.17	168,700.72	136,895.72	130,289.81	121,466.25	184,106.57	219,719.38	216,805.25	171,771.67	2,045,376.86
Monthly Youth Pass < 30	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 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	79,446.73	72,428.82	74,417.65	65,936.79	56,587.93	46,167.35	38,982.10	33,600.45	50,993.46	51,988.74	47,896.65	35,656.03	654,102.70
Monthly Pass	28,944.26	29,789.66	32,019.43	40,000.60	49,769.51	50,568.08	61,723.77	59,827.43	68,052.27	74,539.75	71,202.08	72,047.57	638,484.41
Canary Resident 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
Cabildo Employs 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
Ten+ Children Card (Age 5-10)	13,628.00	12,489.00	14,686.00	12,751.00	13,786.00	13,707.00	12,913.00	9,401.00	14,439.00	15,404.00	14,887.00	14,819.00	162,910.00
M1+2 Monthly 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
5-trip ticket	0.00	10,077.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	10,077.00
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	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Cabildo Special 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
Personalizer	921,970.96	886,992.61	929,845.83	880,649.45	908,452.02	847,685.56	854,851.94	713,640.50	944,966.51	1,016,403.54	967,638.22	906,628.02	10,779,725.16
Replacement with charges	1,079,145.16	1,026,045.86	1,095,671.68	1,014,335.90	1,048,912.82	984,272.31	993,828.14	824,285.50	1,090,478.36	1,166,794.24	1,123,716.17	1,063,869.22	12,511,355.36

METROPOLITANO DE TENERIFE, S.A.
MANAGEMENT REPORT – FISCAL YEAR 2019
(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	110,396	96,996	112,940	93,402	97,513	96,083	98,251	78,095	102,940	105,951	108,081	109,595	1,210,243
Tram Daily Pass	0	5	0	0	15	3	4	2	23	5	0	0	57
24 HOURS MTSA	0	0	0	0	0	0	0	0	0	0	0	0	0
Lifelong Tram Pass	0	0	0	0	0	0	0	0	0	0	0	0	0
Tram Promotions Pass	0	0	0	0	0	0	0	0	0	0	0	0	0
VM Tram Test Pass	0	0	0	0	0	0	0	0	0	0	0	0	0
Tram Test Pass	0	0	0	0	0	0	0	0	0	0	0	0	0
Tram Employee	1,707	1,174	1,076	1,366	1,403	1,287	926	1,033	1,225	1,376	1,279	1,130	14,982
MTSA Collaborator	46	67	177	230	149	197	43	19	12	102	153	72	1,267
ZCT Pass	245	253	169	159	161	124	76	92	74	128	127	84	1,692
Tram Security	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Non-Compensable Tickets	112,394	98,495	114,362	95,157	99,241	97,694	99,300	79,241	104,274	107,562	109,640	110,881	1,228,241
Compensable Transit Tickets	January	February	March	April	May	June	July	August	September	October	November	December	Running total
Bono Vía 15€	99,510	92,640	93,134	91,292	97,415	93,051	89,028	67,432	90,942	100,867	95,209	92,882	1,103,402
Bono Vía 25€	28,679	28,610	28,270	27,575	29,588	28,231	27,813	19,161	25,626	31,138	29,261	27,951	331,903
Bono Vía 50€	8	0	0	0	0	0	0	0	0	0	0	0	8
General Wallet	466,917	425,302	437,417	414,531	438,027	431,422	430,488	340,625	430,977	461,577	430,284	426,087	5,133,654
University Pass	39,822	52,545	49,735	43,598	43,589	30,290	20,872	10,138	32,016	52,025	42,184	30,507	447,321
Large Family	7,566	8,197	7,841	8,099	8,666	8,815	7,877	5,256	10,211	12,272	10,529	9,825	105,154
Cabildo Disability Concession	30,216	28,034	28,394	29,666	30,350	28,786	29,268	24,177	26,315	30,307	28,316	27,846	341,675
Disability Pass	0	0	0	35	1,237	2,143	2,256	2,002	3,632	6,338	7,163	7,738	32,544
Cabildo Senior	19,454	18,181	18,294	18,427	20,478	20,307	20,972	17,702	19,763	21,700	21,199	21,996	238,473
Senior Pass	0	1,277	7,141	10,328	12,408	12,352	12,732	10,549	13,240	17,026	17,433	18,187	132,673
Social Pass / IASS Low Income	120	845	1,195	1,872	1,905	2,199	2,017	1,302	992	763	455	137	13,802
Weekly Youth Pass	4,277	4,751	5,297	5,017	5,285	5,039	4,038	2,759	7,011	10,613	10,745	8,310	73,142
Monthly Youth Pass < 30	271,621	298,843	274,056	271,037	294,073	232,554	186,191	152,442	294,413	476,931	432,214	330,947	3,515,322
Monthly Youth Pass Hierro	5,637	6,443	5,418	5,194	5,748	4,066	1,449	308	140	80	128	1,814	36,425
Monthly Youth Pass Palma	0	0	0	0	0	0	0	0	0	0	0	0	0
Monthly Youth Pass Gomera	10,331	12,365	11,069	9,449	10,444	7,074	3,078	723	356	465	154	8,702	74,210
Monthly Pass	122,854	125,484	119,941	117,029	107,698	87,930	76,505	55,558	72,140	95,376	82,250	64,545	1,127,310
Canary Resident Pass	57,624	58,469	58,034	65,890	96,917	114,577	130,226	120,989	143,840	166,732	156,506	152,175	1,321,979
Cabildo Employs Pass	0	0	0	0	0	0	0	0	0	0	0	0	0
Ten+ Children Card (Age 5-10)	8,611	7,728	8,739	8,242	9,311	10,230	10,596	8,890	11,147	11,156	10,844	10,850	116,344
M1+2 Monthly Pass	0	0	0	13	0	0	0	0	0	0	0	0	13
5-trip ticket	14,384	12,881	15,109	13,379	14,263	14,024	13,384	9,984	15,087	15,768	15,503	14,973	168,739
VAO Journeys	138	207	142	171	182	175	155	110	216	241	233	164	2,134
Shop Pass	0	0	7,511	0	0	0	0	0	0	0	0	0	7,511
Cabildo Special Pass	0	0	0	0	0	0	0	0	0	0	0	0	0
Personalizer	2	0	0	0	0	0	0	0	0	0	0	0	2
Replacement with charges	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Compensable Tickets	1,187,771	1,182,802	1,176,737	1,140,844	1,227,584	1,133,265	1,068,945	850,107	1,198,064	1,511,375	1,390,610	1,255,636	14,323,740
Total Tickets 2019	1,300,165	1,281,297	1,291,099	1,236,001	1,326,825	1,230,959	1,168,245	929,348	1,302,338	1,618,937	1,500,250	1,366,517	15,551,981