TPER FINANCIAL STATEMENTS 2020

SUMMARY

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BOARD OF DIRECTORS

Giuseppina Gualtieri	Chairperson – Chief Executive Officer
Francesco Badia	Board Member
Giovanni Neri	Board Member

DIRECTOR

Paolo Paolillo

MANAGING DIRECTOR

Fabio Teti

BOARD OF STATUTORY AUDITORS

Sergio Graziosi	Chairperson
Fabio Ceroni	Statutory Auditor
Patrizia Preti	Statutory Auditor
Piero Landi	Alternate Auditor
Romana Romoli	Alternate Auditor

INDEPENDENT AUDITORS

PricewaterhouseCoopers S.p.A.

REPORT ON OPERATIONS

GROUP PROFILE

TPER - Trasporto Passeggeri Emilia Romagna S.p.A. (hereinafter "TPER" or "Company") is a public capital company, based in Bologna, that provides local transport services and other related activities, both directly and through subsidiaries and investee companies, positioning itself as a mobility company in broad terms, with the aim of developing public transport and boosting effective mobility in the areas in which it operates. Since September 2017, TPER has been a Public Interest Entity, having issued bonds listed on regulated markets (Irish Stock Exchange).

The Group operates on the basis of an industrial approach according to market rules as defined by the regional Italian law for the sector and as required by the company's founders. It is structured with an organisation that stems from specific needs for the performance and development of services and the choice to operate through industrial agreements with private and public partners, geared towards the development of Mobility.

The Group's business areas cover different segments of the transport sector, from automotive to trolley bus, and to rail goods transport. TPER manages road-based TPL (local public transport) in the provincial areas of Bologna and Ferrara and passenger transport in the regional railway domain, in partnership with Trenitalia through the associate Trenitalia TPER (TT), based on specific service contracts, stipulated as a result of the awarding of the relevant public tender procedures. TPER remains the owner of the rolling stock functional to the performance of the service.

The services provided, and in particular local public transport, satisfy general-interest needs that require a combination of sustainable management from an economic and financial point of view with the utmost attention to quality, social impact and environmental sustainability objectives. In order to pursue the objectives of sustainability and quality, the TPER Group has set its strategic position in an industrial and competitive perspective, carefully structured from the point of view of assets, resources and organisation, while at the same time focusing on management efficiency and quality of services for passengers, with the aim of expanding in terms of services and coverage.

TPER's vision is to improve quality of life and the environment, for the benefit of passengers and, more generally, of the area in which it operates.

The mission is to encourage and expand the use of public transport services and other activities in this field, positioning itself as a sustainable, competitive, innovative and transparent mobility group, and to expand in terms of services and coverage area, responding effectively and efficiently to the needs of users in cost-effective way.

To pursue its mission to realise its sustainability and quality objectives, TPER has strategically positioned itself in an industrial perspective, proceeding to build a structured business from the point of view of assets, of resources and organisation, aiming at management effectiveness and efficiency and at quality services for passengers.

The development of intermodality is pursued both by developing specific transport services and by focusing on innovative services for users.

Since May 2014, TPER has also managed the Bologna parking service (on-street parking and car parks) and the issue of permits. In October 2018, TPER launched the CORRENTE service, a free-flow electric car sharing service to satisfy new and more flexible mobility needs. Since 2018, in collaboration with the partners of the Omnibus consortium, TPER has managed CORRENTE, the 100% free-flow electric car sharing service powered by renewable energy. It is the only car sharing in Italy with a fleet of exclusively electric cars, and it is also the only one that allows users to start the journey in one city and end it in another. The service is accessible through an app that can be downloaded from the Apple and Android stores, and is currently available in the cities of Bologna, Ferrara and Casalecchio di Reno, but the option of expanding the service to other towns is being investigated.

No shareholder holds control of TPER. The Emilia-Romagna Region is the relative majority shareholder of TPER (46.13%). The other shareholders are the Municipality of Bologna (30.11%), the Metropolitan City of Bologna, (18.79%), the Azienda Consorziale Transport ACT of Reggio Emilia (3.06%), the Province of Ferrara (1.01%), the Municipality of Ferrara (0.65%), Ravenna Holding S.p.A. (0.04%) and the Province of Parma (0.04%).

Furthermore, TPER owns 111,480 treasury shares (0.16%), with a nominal value of Euro 1 each. Pursuant to Article 2428 of the Italian Civil Code, it should be noted that there were no purchases or disposals of TPER shares in 2020 and that no companies control TPER.

TPER also fulfils the role of implementing entity for important mobility development initiatives in the Bologna metropolitan area, such as trolleybus conversion of the main bus lines and completion of the Metropolitan Railway

Service, in addition to the road-based assisted driving public transport system, which involves the use of Crealis trolley vehicles.

In addition, in the first few months of 2014, TPER became the reference shareholder of SETA, a company that provides local public road-based transport services in the provinces of Modena, Reggio Emilia and Piacenza, and is also already a shareholder of START, which provides its services in the Romagna area: two equity investments that point to possible further development of integration between the road-based public transport companies in the region.

In 2020 Trenitalia TPER S.c.r.l. (TT) took over from Consorzio Trasporti Integrati S.c.r.l. (CTI) the management of the service contract for the local rail transport of the Emilia-Romagna region.

TPER holds equity investments in 13 companies, primarily operating in the passenger and goods transport sector, of which 7 are subsidiaries and 4 are associates.

The TPER Group's composition as at 31 December 2020 is as follows:

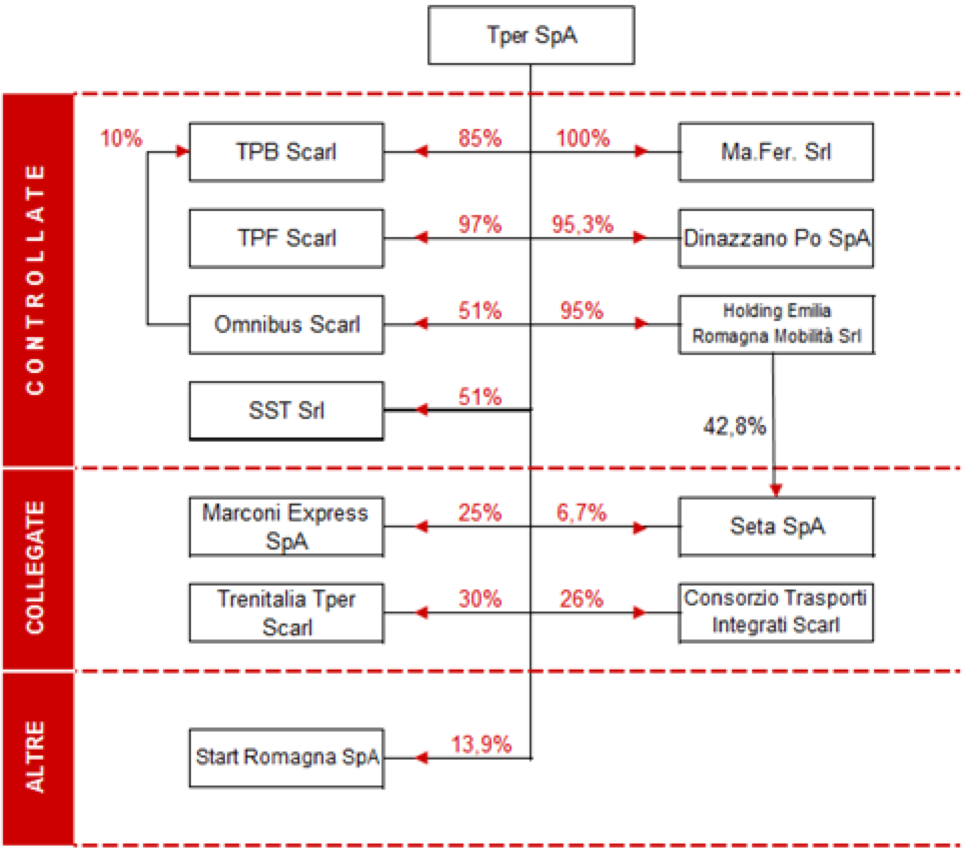

Figure 1 The TPER Group

The TPER Group has drawn up its consolidated financial statements according to the applicable rules.

The scope of consolidation includes not only the Parent Company TPER, but all subsidiaries as defined by Article 2359 of the Italian Civil Code.

Area di consolidamento	% consolidamento	% di possesso diretta del gruppo	% terzi
Tper SpA (controllante)	100%	100,00%	0%
MA.FER Srl	100%	100,00%	0%
TPF Soc.Cons.a r.l.	100%	97,00%	3,00%
Dinazzano Po SpA	100%	95,35%	4,65%
Herm Srl	100%	94,95%	5,05%
TPB Soc.Cons.a r.l.	100%	85,00%	15,00%
Omnibus Soc.Cons.a r.l.	100%	51,00%	49,00%
SST Srl	100%	51,00%	49,00%

Table 1 Area of Consolidation

Some information on subsidiaries is provided below. For the company results, please refer to the Explanatory Notes.

MA.FER S.R.L.

MA.FER's main activity is the maintenance of railway rolling stock.

In 2020, the company recorded operating revenues of Euro 26,261 thousand, and a profit of Euro 71,887 thousand.

TPF S.C.R.L.

The corporate purpose of TPF, established in 2006 in line with the launch of the service following a public tender, consists of local public transport and all ancillary activities in the Ferrara area, where the Company holds the contract service for urban and interurban bus transport, distributing the activities among the consortium members.

The other shareholder is FE.M S.c.r.l. with 3% of the share capital.

In 2020, the company recorded operating revenues of Euro 21,918 thousand, and a profit of Euro 221 thousand.

DINAZZANO PO S.P.A.

The corporate purpose of Dinazzano Po consists of rail freight transport and the execution of rail freight services, as well as the management of rail terminals and intermodal terminals.

The other shareholders are the Port Authority of Ravenna, the Intermodal Port of Ravenna SAPIR S.p.A. and Mercitalia Rail S.r.l. with 1.55% of the share capital each.

In 2020, the company recorded operating revenues of Euro 23,210 thousand, and a profit of Euro 247,568 thousand.

TPB S.C.R.L.

The corporate purpose of TPB, established in 2011 following the tender for the public transport service in the Bologna area, consists of local public transport and all ancillary activities in the Bologna area, where the company holds the service contract for urban and interurban bus transport, sharing the activities between the consortium members.

The other shareholders are Omnibus S.c.r.l. with 10% and Autoguidovie S.p.A. with 5% of the share capital.

In 2020, the company recorded operating revenues of Euro 103,240 thousand, and a profit of Euro 241.

HERM HOLDING EMILIA-ROMAGNA MOBILITÀ S.R.L.

Herm is a holding company that holds 21,416,074 shares (equal to 42.841%) of Seta S.p.A..

The other shareholder is Nuova Mobilità S.c.r.l. with 5.05% of the share capital.

In 2020, the company recorded operating revenues of Euro 12 thousand, and a profit of Euro 409.

OMNIBUS S.C.R.L.

Omnibus manages transport and mobility services in general, in the interest of its consortium members.

The other shareholders are Cosepuri Scpa with 17% of the share capital, Saca S.c.r.l. with 17% of the share capital, and Coerbus S.c.r.l. with 15% of the share capital.

In 2020, the company recorded operating revenues of Euro 27,116 thousand, and a profit of Euro 105.

SST S.R.L.

SST manages school transport services, transport in general and mobility services in the Ferrara area.

The other shareholder is FE.M S.c.r.l. with 49% of the share capital.

In 2020, the company recorded operating revenues of Euro 3,587 thousand, and a profit of Euro 100,497 thousand.

THE INDUSTRY REGULATORY FRAMEWORK

The TPER Group operates in the local public transport sector, whose regulations were recently affected by new significant legislative and regulatory interventions, subject to a complex EU regulatory framework, and subsequently implemented by the national and regional legislation.

The current general provisions of EU (in particular Regulation (EC) 23/10/2007, no. 1370/2007) and state (Legislative Decree no. 422/97 and subsequent amendments and additions), in fact, were supported at legislative level by Decree Law no. 50 of 24/04/2017 (converted to law, with amendments, by Article 1, paragraph 1, of Law no. 96 of 21 June 2017), containing “Urgent provisions on financial matters, initiatives in favour of local authorities, additional initiatives for areas affected by seismic events and development measures”, and on the regulatory front, by the initiatives of the Antitrust Authority (in the conclusive report of fact-finding investigation IC47/2016) and the Transport Regulatory Authority (in particular with resolutions no. 49 of 17 June 2015 and no. 48 of 30 March 2017), which made a significant contribution to clarifying some of the most controversial aspects in this area.

Furthermore, the guidelines of the Antitrust Authority not only preceded the preparation of the industry regulation, but also had a significant impact on it, becoming an effective tool to verify consistency of the regional initiative with the new cornerstones of the matter.

Article 48 of Decree Law no. 50 of 24/04/2017 (“Urgent measures for the promotion of competition and combating tariff evasion in local public transport” redesigns the organisation of TPL, sets out regulations governing the tender procedure (paragraphs 1 - 5), extends the responsibilities of the independent industry authority (paragraphs 6-8) and sets out specific rules governing tariff policies (paragraphs 9 - 13). The article is incorporated in broader reforms, but essentially targeted at addressing the matter of the alleged inefficiency in the management areas, which is reflected in growing public financing by the State. The provision introduces some important changes regarding organisation of the service, in particularly setting out new criteria in relation to establishing the perimeters of the mobility and tender regions, for the establishment of governing bodies, and attributes new functions to the Transport Regulatory Authority.

With reference to the resources allocated to transport, Law 228/2012 (Article 1, paragraph 301) established the Fund for State financial assistance for local public transport charges (TPL Fund), including railway, in ordinary-statute regions.

As from 2018, the TPL Fund is governed by the rules of Decree Law no. 50 of 2017, which changed both the Fund financing criterion, in anticipation of the reorganisation of the regional taxation system, and the allocation criteria. Specifically, in addition to the provisioning of the Fund this regulation also provided for subdivision among the regions, taking into account (a) a 10% share, to be increased over the years up to 20%, based on the total traffic proceeds and the recorded increase, and (b) a 10% share, to be increased up to 20%, on the basis of compliance with standard costs (as per Article 1, paragraph 84 of Law 147/2013).

The Italian Budget Law for 2018 (Law no. 205/2017) subsequently provided for two adjustments to the size of the Fund. Indeed, provision was made for a reduction of the Fund by Euro 58 million for the years 2019 and 2020, as well as for the year 2021 and beyond. At the same time, resources were also allocated (Euro 500,000 for 2018, Euro 2 million for 2019 and Euro 1 million for 2020) to ensure that passenger trains are equipped with adequate measures to ensure first aid to passengers in the event of an emergency.

The same 2018 Budget Law (art. 1, paragraph 71) provided for the possibility of using up to Euro 100 million from the Fund for the financing of pilot and innovative sustainable mobility projects, consistent with Sustainable Urban Mobility Plans (SUMPs) where provided for by the applicable legislation for the introduction of alternative fuel vehicles and the related support infrastructures. A third of the Fund’s resources are allocated to the main towns of the metropolitan cities and the main towns of the provinces with high levels of PM10 particulate and nitrogen dioxide pollution, called to take structural measures for the reduction of air pollution.

With reference to the distribution of the Fund, Decree Law no. 124 of 2019, introduced a provision based on which the changes, instead of involving a modification of the percentages of allocation of the Fund between the regions, are determined on a preventive and final basis with respect to the distribution of each year, starting with the 2019 balance.

Decree Law no. 34/2020 (art. 200, paragraph 5) established a distribution of the Fund for 2020, applying the methods established by the Prime Ministerial Decree of 11 March 2013 and subsequent amendments, confirming the current criteria with respect to those of the reform of the Fund. Finally, Decree Law no. 183 of 2020 provided for the Fund allocation criteria prior to the reform to continue to apply also for the year 2021. The allocation of the Fund in the 2021-2023 three-year budget was not modified by the budget law for 2021, and still amounts to Euro 4,874.554 million for each of the years from 2021 to 2023. Other legislative measures in support of companies affected by the COVID-19 pandemic are Decree Law no. 104 of 14 August 2020, the "August Decree" (converted into Law no. 126, on 13 October 2020) and Decree Law no. 137, "Ristori Decree" (converted into Law no. 175, on 18 December 2020). Therefore, revenues of Euro 14 million were recorded as a result of the various decree-laws to compensate for the loss of revenues due to the health emergency. The amount thus determined is currently the best estimate that can be made on the basis of the rules defined at national and regional level, applied on the basis of a prudential approach. In fact, it was calculated by initially identifying the total funds allocated to compensate for the lost tariff revenues relating to passengers from 23 February 2020 to 31 January 2021, equal to approximately Euro 1 billion, and broken down according to the percentage of traffic revenues for each Autonomous Region and Province provided by the database of the Observatory on local public transport policies in the period from 23 February to 3 May 2018 (6.91% for Emilia-Romagna). Once the value allocated to the Emilia-Romagna Region was obtained, this was in turn divided according to the percentage of traffic revenues for each provincial public transport area, as part of public transport by road in the provinces of Bologna and Ferrara. It is expected that other supports will be provided for 2021.

As regards the upgrading of the fleet of buses in the local and regional public transport services, and with a view to improving air quality, in implementation of international and European legislation on emissions reductions, the National Strategic Plan of Sustainable Mobility was devised, approved by Prime Ministerial Decree of 30 April 2019. Further regulations have also been introduced which have progressively limited the possibility of purchasing and putting into service older, more polluting vehicles. Specifically, with effect from 1 January 2019, the use of Euro 0 vehicles is prohibited (Article 1, paragraph 232, Law no. 190 of 2014). This led to the scrapping of Euro 0 buses in 2020 and new investments for buses.

With reference to the regulation of the sector, the Italian Transport Regulatory Authority (ART) has broadened its scope and, pursuant to Article 37 of Decree Law no. 201/2011, must ensure, according to methodologies that encourage competition, the production efficiency of the management and the containment of costs for users, businesses and consumers. To this end, ART defines the conditions of fair and non-discriminatory access to infrastructures and passenger mobility, verifies the consistency of service areas with respect to sector regulations, establishes minimum conditions of service quality and minimum content of specific rights, prepares the schedules of calls for tenders for the assignment of services and conventions.

With reference to regional regulations, Regional Law no. 30/1998 comprehensively regulates the system of regional and local public transport in compliance with the powers attributed by the Constitution.

Among the principles that inspire the regional rules, in the foreground are the containment of energy consumption, the reduction of the causes of environmental pollution and the prevention of air pollution, also to protect the health of citizens, as also highlighted by Law 232/2016 (budget law for 2017) which foresees a significant and long-term financial allocation for the renewal of the bus fleet used for the local and regional public road transport service, and the introduction of alternative fuel vehicles (implementation of the so-called DAFI, Directive 2014/94/EU on the construction of an alternative fuels infrastructure). TPER complies with all the reference standards and adopts plans in line with international and local sustainable development objectives.

The regional regulatory framework requires that TPL be managed through service tenders. As a result, TPER manages its activities following the completion of public procedures, in compliance with the principles of equal treatment, non-discrimination and transparency dictated by European and national legislation.

Regional principles also tend to provide citizens and businesses with the best accessibility and usability of services performed on the territory, promote a central role of regional TPL as a driver for civil and economic development and social cohesion, and encourage the rational organisation of traffic and circulation, promoting the culture of sustainable mobility.

With regard to the regional railways, the same Law 30/1998, as required by Legislative Decree no. 422 of 1997, delegates and subsequently transfers from the State to the Region the railway lines of the former Government Commissions, with the allocation to the Emilia-Romagna Region of the relevant railway services.

With regard to the car-transport sector and urban mobility with specific guidelines, the Emilia-Romagna Legislative Assembly sets out the lines of action in terms of planning and administration of regional public transport.

By means of specific guidelines, the Emilia-Romagna Legislative Assembly sets out the lines of action in terms of planning and administration of regional public transport that govern the car-transport sector and urban mobility. More recently, the administration issued its 2016-2018 guideline of 3 August 2015 on the planning and administration of regional and local public transport, pursuant to Article 8 of Regional Law no. 30 of 1998. This guideline establishes the main sources of financing of the sector by providing:

- Regional resources deriving mainly from the National Fund for the State financial assistance to the costs of local public transport, including rail transport;
- Regional and other resources (European, state, provincial, municipal and also private) for investments and infrastructural interventions, which are aimed at the purchase of buses and trolleybuses, bicycle and pedestrian mobility and, more generally, sustainable mobility and air quality.

The division between the provincial councils of services and contributions was approved by the Regional Council with the "Determination of minimum TPL services for 2016-2018" of 16 May 2016, then updated by means of an Addendum to the 2019-2020 guideline.

TPER confirmed its fullest commitment to sharing and collaboration in the areas of its competence with respect to the Region's objectives, signing in November 2017 the Regional and Local Public Transport Pact in Emilia-Romagna for the three-year period 2018-2020. The Pact intends to implement the use of public transport for environmental reasons, to make it efficient and sustainable for reasons linked to the increasingly scarce availability of resources, guaranteeing the capital strength of the system to continue to create value in the area, innovation for the benefit of users (integrated tariff systems and electronic ticketing), travel comfort and the overall quality of the service, also by updating the vehicle fleet.

The regional and local public transport Pact for the three-year period 2018-2020, which was signed by the President of the Emilia-Romagna Region and by representatives of public bodies, the metropolitan city of Bologna, public and private management companies and social partners, provides for commitments and investments to be borne by each signatory in order to redesign both the rail sector and urban bus transport. In June 2019, an Addendum was signed for the years 2019-2020, which takes account of the developments in the context and the reference scenarios. At the end of 2020, the guidelines relating to the Pact for local public transport in Emilia-Romagna for the three-year period 2021-2023 which are part of the broader Pact for Labour and Climate, were introduced.

In addition to renewing rail and road rolling stock, the pact aims to integrate tariffs, introduce electronic ticketing, and implement a new project for governance reform. In respect of the provisions of the Pact, in July 2019, an agreement was reached with local authorities for the road-to-road tariff integration, completing the rail-road agreement already signed in 2018.

With specific reference to environmental issues, Decree Law no. 111/2019 (so-called Climate Decree Law) defined measures for the definition of a national strategic policy to tackle climate change and improve air quality, which will involve actions and effects also in the local public transport sector.

In addition, indeed in consideration of the impacts of transport on air quality, on 11 December 2019, the European Commission published the communication "The European Green Deal". By means of resolution of 15 January 2020, the European Parliament brought the EU target for 2030 regarding the reduction of greenhouse gas emissions to 55% with respect to 1990 levels.

In implementation of Regulation (EU) 2018/1999, the MISE (Ministry of Economic Development), the MIT (Ministry of Infrastructure and Transport) and the Ministry of the Environment prepared the National Integrated Energy and Climate Plan, sent to the European Commission in January 2020. The Plan establishes the national 2030 targets on energy efficiency, on renewable sources and on the reduction of CO2 emissions, as well as objectives regarding energy safety, interconnections, single energy market and competitiveness, sustainable development and mobility, outlining for each of them the measures that will be implemented to ensure they are achieved.

In view of the COVID-19 health emergency and its impact on the management of the service, a series of measures for the transport sector were issued, contained in specific emergency measures.

Specifically, article 92 of "Cura Italia" Decree Law (Decree Law no. 18/2020 converted into law no. 27/2020) envisaged provisions aimed at protecting companies that provide local and regional public transport services, to contain the negative effects of epidemiological emergency from COVID-19 and measures to combat the spread of the virus. Paragraph 4-bis expressly prohibits contracting parties from applying price curtailments, sanctions or penalties, even if contractually envisaged, due to the shorter distance travelled.

Paragraph 4-ter, art. 92 of "Cura Italia" Decree Law, allows the suspension of all procedures in progress, relating to the assignment of local public transport services until the end of the measures to contain the COVID-19 virus. At the same time, the extension of the credit lines in place as at 23 February 2020 is allowed, up to twelve months after the declaration of conclusion of the emergency.

Article 200 of the Relaunch Decree Law (Decree Law no. 34/2020) envisaged the establishment of a fund at the MIT (Ministry of Infrastructure and Transport), with an initial allocation of Euro 500 million for the year 2020 to offset the reduction in tariff revenues (from 23 February 2020 to 31 December 2020) compared to the average of tariff revenues relating to passengers recorded in the same period of the previous two years. Paragraph 2 of Article 200 instead envisaged the adoption of an interministerial decree (MIT, in agreement with the MEF - Ministry of Economy and Finance) to establish the criteria and procedures for the recognition of the compensation referred to in paragraph 1 to the beneficiaries. Paragraph 4 of Article 200 of the Relaunch Decree envisages that, for 2020, the payment to the Regions with ordinary statute of the advance of 80% of the National Transport Fund will be made in a lump sum, by 30 June 2020, net of any portions already disbursed. Paragraph 6 of the same provision indicates the disbursement to public passenger transport companies, by 31 July 2020, of a cash advance of not less than 80% of the contractually envisaged fees until 31 August 2020.

Paragraph 7 of Article 200 of the Relaunch Decree introduces measures to contain the negative effects of the COVID-19 emergency and to encourage the development and timely and rapid implementation of investments for the renewal of rolling stock.

In detail:

- The provisions that envisage the co-financing of beneficiaries in the purchase of the vehicles do not apply until 31 December 2024, given the current financial difficulties of the Regions, local authorities and companies providing the services;
- The provisions relating to the obligation to use alternative fuel vehicles, if there is no suitable infrastructure for the use of these vehicles, do not apply until 30 June 2021.

Paragraph 8 of article 200 of the Relaunch Decree envisages that until 30 June 2021 state resources for the renewal of the bus and railway fleets used for local and regional public transport service may be used, within the limit of 5%, for the fitting of the same fleets, necessary to limit epidemiological risks for passengers and staff. It is also envisaged that the MIT, based on the same resources and through special agreements signed with public research bodies or universities, will promote experimentation in order to increase the filling index of the transport means, guaranteeing the safety of passengers and of travelling personnel.

Article 215 of the Relaunch Decree envisaged a form of support for commuters using public transport services who were unable to use their travel tickets as a result of the containment measures.

With article 241 of the Relaunch Decree Law, it was established that starting from 1 February 2020 and for the years 2020 and 2021, the Development and Cohesion Fund resources deriving from the 2000-2006, 2007-2013 and 2014-2020 programming cycles may be exceptionally used for any type of national, regional or local intervention related to the health, economic and social emergency resulting from the COVID-19 pandemic.

THE REFERENCE MACROECONOMIC CONTEXT

MACROECONOMIC SCENARIO

Below are the analyses carried out by institutions such as ISTAT and Bank of Italy on the economic trend in 2020, the year in which the global scenario was dominated by the negative effects of the pandemic, with impacts also for subsequent periods.

In the first few months of 2020, the effects of the COVID-19 pandemic affected production activities and the aggregate demand of all economies; during the year, the reduction in international trade was very strong. The deterioration of growth prospects resulted in a sharp fall in stock market indices and a sharp rise in volatility and risk aversion. In all the main countries, monetary and tax authorities implemented strong expansive measures to support household and business income, credit to the economy and liquidity on the markets.

On the other hand, COVID-19 occurred in a phase of the Italian economic cycle characterised by signs of weakness.

In Italy, the spread of the epidemic from the end of February and the measures adopted to deal with it had significant repercussions on economic activity in the first quarter. On the basis of available information, industrial production fell by 15 per cent in March and by around 6 per cent on average in the first quarter; in the first three months of 2020, the GDP recorded a drop today estimated at around five percentage points. Some service segments would have contributed significantly to this decline. The continuation of the epidemic containment measures similarly resulted in a contraction of the GDP also in the second quarter, which was followed by a recovery in the second part of the year. The opinions of companies on foreign orders worsened in March. The spread of the contagion resulted in a halt in international tourist flows, which account for almost one third of Italy's high current account surplus.

In Italy, signs of recovery emerged in May, however the decline in GDP in the second quarter was estimated at around 10 per cent overall.

Overall, in the first half of 2020, households' primary income per capita at current values fell by 8.8 per cent compared to the first half of 2019, a much larger decrease than those recorded in the most acute phases of previous financial crises.

Compensation for employees fell by 8.7%, while other income, lastly, fell by 13%. Despite strong public support for household spending, the drop in consumption in the first half of the year was exceptionally large (-9.8%). The result was a net saving of 51.6 billion, with a saving rate more than tripled compared to the end of 2019, contrary to what had happened during the two previous crises.

The higher-than-expected growth in the third quarter highlighted the economy's strong capacity to recover. In fact, during the summer quarter, with the reopening of the activities suspended in the spring, hours worked experienced a marked increase and the use of wage integration instruments was reduced. The number of employees also started to grow.

Unfortunately, however, the second pandemic wave led to a new contraction of the GDP. The resurgence of contagion from the autumn caused a slowdown in global activity at the end of 2020, especially in advanced countries, and a new increase in the use of the Wages Guarantee Fund starting from October, albeit at levels much lower than those recorded during the first wave of contagions.

In November, the recovery of the number of new jobs was substantially interrupted, highlighting a disparity compared to the same period of 2019, particularly for young people and women.

The announcements on the availability of the vaccines, the additional monetary and budget support and the resolution of the uncertainty linked to the presidential elections in the United States strengthened the optimism of the operators on the financial markets abroad and in Italy.

The launch of the vaccination campaigns has a positive effect on the prospects for the medium term, but the timing and intensity of the recovery remain uncertain.

The approval and effective use of the instruments under discussion for the European Union can have a direct impact on demand, production capacity and the confidence of households and businesses. The amount of resources from which it will be possible to benefit and the resulting stimulus to growth will depend on the ability to propose and implement valid investment projects.

THE TPL (LOCAL PUBLIC TRANSPORT) SECTOR

The impact of the COVID-19 pandemic in the public transport sector was particularly significant, also due to the severe blocking measures adopted to reduce the risk of virus spreading.

Additional factors played an important role in reducing the demand for mobility, such as the digitalisation of economic, educational and commercial activities, with the growth of smart working, the proliferation of distance learning, and the explosion of e-commerce.

Despite the lockdown period, a minimum level of service was always guaranteed without interruption.

The phenomena observed in Italy are not different from those seen in most European, North American and Far East countries, given the global nature of the pandemic and the relative homogeneity of the measures adopted to contain it. In the main cities of the world, urban public transport is still significantly reduced compared to the pre-COVID period.

The recovery of the mobility of people in safe conditions is essential for the economic recovery in a country with socio-economic and geographical characteristics like Italy. In the pre-COVID-19 era, passenger flows on the collective mobility system amounted to approximately 15 million journeys/day on the TPL and almost 3 million on the medium/long-distance mobility system (rail, air and road). Today, volumes are reduced to about one third in the case of TPL, and a little less in the case of medium/long-distance transport.

In the first months of the emergency (March and April 2020), almost 400 million journeys per month were lost at national level (-90% of passengers).

As regards mobility restrictions, the effectiveness of healthcare solutions in containing the virus, and the timing of their implementation, will play a crucial role in the progressive release of restrictive measures.

The recovery of mobility volumes comparable to those pre-COVID-19 will therefore take place, reasonably, starting from 2021 for local public transport, reaching lower levels in any case due to a “long-term” share of smart working and of passengers that will prefer to continue to use independent means.

With the start of Phase 2, demand slowly started to grow again, although until 18 May it was 83% lower than in the same period of 2019. From 18 May, with the reopening of further economic activities, passengers’ numbers were around 25-30% of those recorded in 2019.

The mobility supply can be analysed in more detail by also looking at the number of seats per kilometre in the large Municipalities[1] and in the metropolitan cities, broken down by transport vehicle.

If we look at the total value, the figures relating to Rome and Milan appear to be highly consistent between one another; this is not the case, however, if we note the partial data for each type of means of transport: the production of buses is prevalent in Rome, more than three times that of the Lombardy capital, while metro transport production is roughly half that of Milan. The production of trams and trolley buses in Milan is also more than three times that of Rome. As regards the other larger cities, Turin recorded total TPL production exceeding 6,000 seats, of which more than half buses, approximately 20% trams and the rest metro. In the other towns, the total number of seats per km does not exceed 3,000; Venice is the one that recorded the highest figure, at 2,993.9.

The sector is marked by a certain degree of inconsistency among the regional areas of the country; this is clearly shown by the data relating to some indicators which capture their production trends, such as average speed and seats-passengers per km or the characteristics of the fleet of vehicles in circulation.

The average speed, or “commercial speed”, of the TPL is the ratio between the length of the journeys taken and the journey times, expressed in km/h. Its value depends on the amount of road congestion, the frequency of vehicle stops, urban planning structure and road conditions; in turn, it conditions the productivity of drivers and rolling stock, fuel consumption and vehicle maintenance.

In fact, it is therefore one of the main indicators of the quality of the service and the driver which has a more significant impact on its supply costs, on the one hand, and on journey times on the other.

By impacting on the cost of time spent by users, commercial speed is also a factor that encourages or discourages passengers to use public transport.

As regards the size of the companies operating in this sector, the analysis of market shares of urban and extra-urban TPL shows that 50% of sector turnover is split among 14 companies.

The first four operate in two Regions (Lazio and Lombardy) and have a combined turnover which accounts for 30% of the total turnover of the sector, while 17% of the market is occupied by companies that manage the TPL in the cities of Rome and Milan.

[1] Municipalities with a population exceeding 100,000 inhabitants

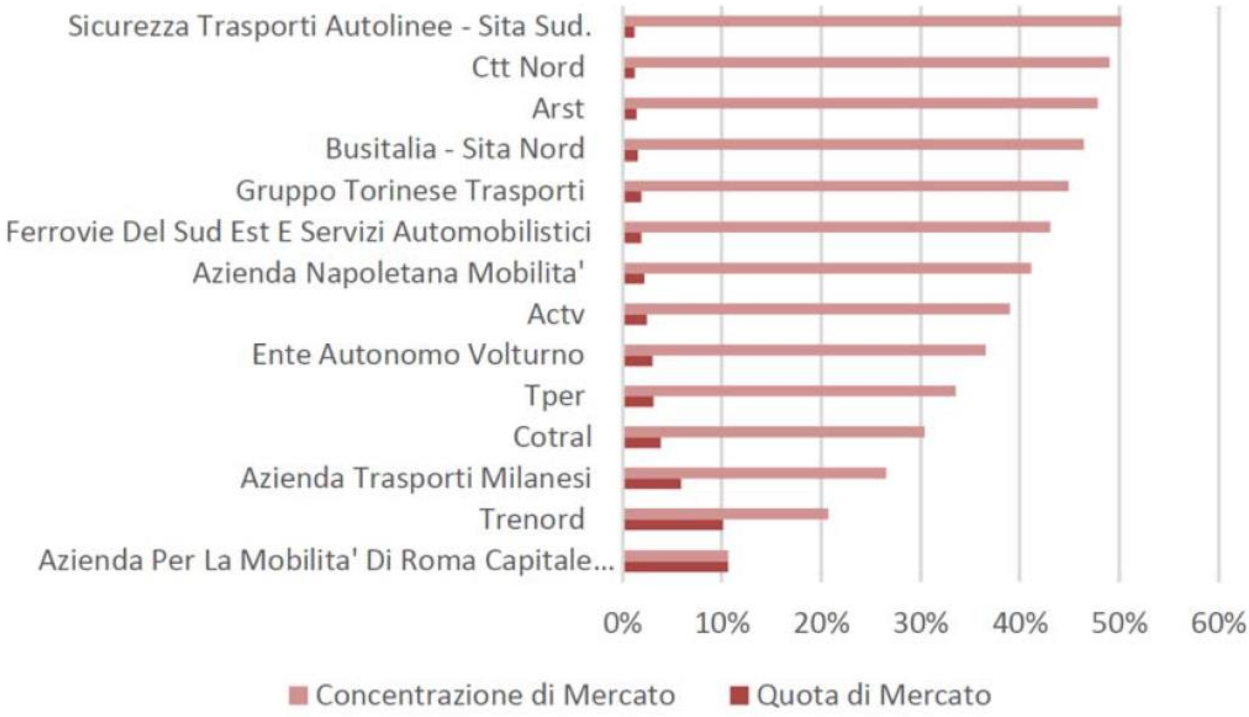

Figure 2 Concentration and market share in the TPL. Source National Monitor Transport Report on Bureau Van Dijk data

Local public transport by road is carried out by bus and trolleybus. These are the most widespread vehicles in the sector. It has been calculated that in Italy, considering both urban and extra-urban services, there are a total of almost 42,800 vehicles in circulation, of which almost 19,000 for urban transport and almost 24,000 for extra-urban transport. With regard to the urban TPL, in all macro areas, as well as the Italian Regions average, more than half of the buses are of Euro 5 or Euro 6 environmental class, except in the South and the Islands, where the share of these vehicles was 45.3%. Again in the South, the percentage of the most polluting vehicles (Euro 0- Euro 1) amounts to 6.1%, i.e. at least four percentage points more than in the other areas, and there are no electric vehicles. The circulation of electrically powered city buses is generally not very significant in Italy, with a maximum value of only 1.6% in the North West.

MAIN EVENTS OF 2020

TRANSFER OF RAILWAY BUSINESS UNIT

In 2016 Trenitalia S.p.A. and TPER S.p.A. established Trenitalia TPER S.c.r.l. (formerly SFP S.c.r.l.) (Trenitalia 70% and TPER 30%), a jointly controlled company, following a specific agreement between the partners. The company was incorporated in compliance with the call for tenders for the management of the railway local public transport of Emilia-Romagna and regional law no. 30/1998 ER.

The share capital, standing at Euro 1 million at the time of incorporation - was increased to Euro 11 million, marking an increase of Euro 10 million through the transfer by shareholders of the respective business units effective from 1 January 2020.

From 1 January 2020, Trenitalia TPER S.c.r.l. therefore became the operating manager of the passenger transport Service Contract, consequently directly providing the regional railway transport services of Emilia-Romagna.

The new company Trenitalia TPER (TT), incorporated in the form of a limited liability consortium company, operates also through shareholders Trenitalia and TPER for the performance of all the activities included in the new service contract, for a duration of 15 plus 7 years. Specifically, by way of example, TPER - as well as Trenitalia - made the purchased rolling stock available by stipulating contracts that recognise shareholders fees for use.

COVID-19

The health emergency caused by the spread of COVID-19 and the gradual spread also in Italy from February 2020 had a profound impact on 2020.

TPER dealt with the issues related to the emergence and subsequent spread of the COVID-19 virus with the implementation of security measures aimed at containing the risk of contagion envisaged by the provisions issued by the competent authorities, with the aim of protecting the safety of its employees and customers, sourcing personal protective equipment, systematically sanitising vehicles and work areas, changing procedures and shifts, using teleworking where possible.

With reference to services, a slight reduction in trips was implemented, constantly modulated in relation to the content of the orders of the Emilia-Romagna Region that have occurred over time and to what was agreed with Mobility agencies and local authorities, also taking into account the provisions of the Prime Ministerial Decree on limiting the mobility of people. The choice made, in agreement with the Region and the Administrations of the areas served, was to continue to offer a service certainly better than the actual demand recorded on public transport, in order to guarantee the best services to those who needed to travel for work or necessity, even during lockdown periods. Therefore, an essential public service limited to a minority of the population entitled to move for work or for strict necessity was guaranteed in the first phase, recording a decrease in users of more than 90% compared to "normal" periods, with a service reduced by around 20% only in the total lockdown period.

With the COVID-19 emergency, TPER immediately took action to fully implement the rules defined at national and local level, but it also started a more in-depth process to further analyse safety issues with regard to its personnel and users of the services provided, also verifying the safety systems inside the transport vehicles, adopting every measure to comply with the rules defined for the sector and at the same time operating with accurate monitoring of the risks of the permanence and spread of the virus, for both staff and passengers.

In order to deal with the issue in a systematic way, a documentary analysis was carried out taking into consideration national and international studies, which has been entrusted since March 2020 to the University of Bologna, Biomedical Sciences department and Engineering department, with the collaboration of the Polyclinic S Orsola, CRREM, UOC Microbiology, carrying out specific analyses and investigations, including experimental ones, concerning the conditions for the spread of the virus and droplet dynamics containing virions, hygiene regulations, driver/on-board personnel safety, passenger safety.

As regards staff on routes, similarly to what was adopted by many other companies, on-board ticketing by driver was suspended, where it was in operation. In addition, to further improve the protection of drivers, service shifts were reorganised and the spaces were redefined. The area adjacent to the driver's seat was insulated, with the relative signs on the vehicle in order to ensure spacing.

Following an appropriate check, driver seat separators were installed for vehicles not equipped with them in order to allow the front door to be opened and meeting the need to provide a separate passenger flows management for boarding and alighting, in any case ensuring maximum protection for the drivers.

An individual kit was also prepared and delivered to the drivers, containing disposable latex gloves, hydroalcoholic gel solution, sanitising wipes and protective masks.

As regards technical and administrative staff, the company encouraged smart working by facilitating a reduction of attendance in the offices - albeit regularly sanitised - and maintaining the operations necessary for the performance of the service and related practices unchanged: within TPER, from the beginning of March 2020, the number of positions managed in smart working very rapidly exceeded 220, capitalising to the maximum on the path that the company had already started at the beginning of the year for this work method.

The economic and operational impacts of the COVID-19 emergency on the Group’s activities were considered on the basis of what was defined at the time of the financial statements by the national regulations compensation and considering all the organisational and operational aspects impacting on 2020.

PIMBO

PIMBO is the acronym for Progetto Integrato della Mobilità Bolognese (Bologna's integrated mobility project) for the completion of the Metropolitan Railway Service, and for the trolleybus conversion of the main lines of urban public transport, which TPER manages and implements; as a result of the latest discussions between MIT (Ministry of Infrastructure and Transport), TPER and the Municipality of Bologna, it was defined that the Municipality of Bologna is the direct beneficiary of the funds, although TPER retains the role of implementing entity of the project.

During 2020, a Municipality/TPER technical table was launched to define the project review of the trolleybus lines envisaged in the PIMBO to make them compatible with the TRAM project, whose main objective was to "free" road channels of interfering trolley buses in favour of the tramway system. The review consisted of the maintenance of the PIMBO 25 trolleybus lines and part of the 19 line, with the provision to operate the rest of the lines no longer electrified with electric trolleybuses also powered by batteries (so-called IMC). This project proposal was forwarded to MIMS (Ministry of Infrastructure and Sustainable Mobility) in November 2020, having been involved in the necessary discussions, and it was approved with CIPE Resolution 65/2020, which also confirmed the entire funding of the operation.

PARKING SERVICE IN THE MUNICIPALITY OF BOLOGNA

In 2020, activities related to the Parking Plan and additional mobility services/activities for the Municipality of Bologna continued, based on the service contract signed in 2018.

The services provided concerned the following areas:

- Management of regulated on-street parking;
- Management of pay facilities used for parking;
- Management of the permit issuing service;
- Management of cycling mobility services.

For the continuation of activities in the coming years, please refer to the section Events after the end of the year.

TPGV ASSISTED DRIVING SYSTEM PROJECT

TPER is the implementing body for the construction of a mass transit system connecting the municipalities of Bologna and San Lazzaro, known as the TPGV project.

The project, which has a total value of over Euro 182 million and is co-financed by the Ministry of Transport, the Emilia-Romagna Region and the Municipalities of Bologna and San Lazzaro, involves, among other things, the complete rebuilding of the road channel for the new railway line - electric, at zero emissions, of an innovative, assisted driving type. The civil engineering part involved major redevelopment works on road subways, the complete rebuilding of foundations and road pavements, as well as all the creation of accessory structures, including pavements, cycle paths, car parks, and plant engineering works, such as traffic lights and public lighting.

Primary works were completed in 2019, the technical and administrative testing of the system was completed in July 2020, while ancillary works relating to the sums available as part of the economic framework of the project will be carried out in the coming years. The TPGV infrastructure was put into use as part of the TPL service of the Municipality of Bologna and the Municipality of San Lazzaro on 1 July 2020.

According to the original project, TPER is the concession holder of the infrastructure of the work; in order to remunerate TPER for construction activities and those relating to the management of the network and infrastructure for 30 years, it was established that at the end of the service contract, scheduled for 1 September 2024, the new TPL operator who will take over from TPB will pay a sum that allows the latter an adequate return on the invested capital.

TREND IN OPERATIONS

In 2020 the total production disbursed during the year for passenger bus service was about 42.7 million kilometres. Compared to previous years, it is possible to note the impact generated by a change in the services offered due to the COVID-19 pandemic.

Details of the number of kilometres offered by area and type of service are provided below.

AUTOMOTIVE ROAD SERVICES	2020	2019
Total kilometres planned (excluding off-line)	42,658,496	44,514,083
- Bologna (TPB)	34,293,966	35,619,107
- Bologna urban service	16,879,787	17,967,742
- Various municipality services	664,111	695,634
- Suburban and extra-urban service	16,715,367	16,899,701
- Specialised lines, reserved and rentals	34,701	56,030
- Ferrara (TPF)	8,364,530	8,894,976
- Urban service	2,316,150	2,442,762
- Extra-urban service	4,915,156	5,304,671
- Extra-urban taxibus service	1,132,155	1,145,839
- Specialised lines, reserved and rentals	1,070	1,704

Table 2 Km offered

The table shows the production kilometre data (net of off-line empty journeys) relating to the complex of services managed in the Bologna and Ferrara areas by, respectively, TPB and TPF, owned by TPER.

The total number passengers transported during the year were 101.7 million. The table below shows the data of passengers carried relating to the complex of services managed in the Bologna and Ferrara areas by, respectively, TPB and TPF, owned by TPER.

Passengers transported	2020	2019
Bologna Area		
Urban service	78,642,346	117,110,295
Airport connection bus	417,999	1,568,723
Suburban and extra-urban service	13,839,205	19,427,163
Specialised, rentals, reserved	16,503	164,740
Total Bologna	**92,916,053**	**138,270,921**
		Ferrara Area
Urban service	6,023,329	9,209,189
Extra-urban service	2,752,283	4,366,854
Total Ferrara	8,775,611	13,576,043
Rail passengers on the rail network	0	6,996,846
Rail passenger on the Trenitalia network	0	5,255,288
Total	101,691,665	164,099,098

Table 3 Passengers transported

The reduction in passengers is strictly related to the COVID-19 pandemic. The TPER railway service ended in 2019, as the above-mentioned Trenitalia TPER (TT) has been the manager of the regional local public rail transport in Emilia-Romagna since 2020.

Below are the numbers of annual and monthly season tickets sold as a whole:

SEASON TICKETS		2020				2019		
	Total	Area Bologna	Area Ferrara	Service Rail	**Total**	Area Bologna	Area Ferrara	Service Rail
Annual season tickets	97,327	83,772	11,723	1,832	110,658	94,219	13,751	2,687
Urban	70,101	61,748	8,352	0	77,106	68,330	8,776	0
Extra-urban	18,853	13,750	3,272	1,832	25,173	17,611	4,875	2,687
Entire network	8,373	8,274	99	0	8,378	8,278	100	0
Monthly season tickets	468,824	406,748	45,379	16,697	775,764	647,139	69,196	59,429

Table 4 Season tickets

In the year of the health emergency caused by the COVID-19 virus, season tickets decreased due to traffic restrictions, despite this the number of annual ticket-holders appear to be more loyal and their reduction is more contained.

The average age of the entire vehicle fleet at the end of 2020 was 12.4 years, while that of trolleybuses was 11.8 years. In relation to the age of the vehicles, the company has dedicated the necessary efforts and costs to ensure consistently adequate and efficient maintenance, also extraordinary maintenance.

INVESTMENT MANAGEMENT

TPER's investments plan relating to the three-year period 2020-2022 concerns the purchase of new vehicles and the realisation, as implementing entity, of works aimed at the development of more effective and sustainable mobility and of technological development in the field of Information Technology.

The investments respond to the local, national and international objectives regarding sustainable development. In fact, in line with the objectives of the Region and the PUMS (Urban Plan for Sustainable Mobility) of the cities of Bologna and Ferrara, TPER has defined an investment scenario that takes into account the following objectives:

- Reduction in the average age of fleet vehicles
- Reduction of emissions through the purchase of environmentally friendly vehicles and the scrapping of the most polluting vehicles
- Further gradual introduction of electric vehicles on the urban service, including battery-powered vehicles with parallel construction of recharging systems in the depots and at the terminus.
- Search for environmentally compatible vehicles also for the suburban and extra-urban service, i.e. hybrid vehicles running on methane and extra-urban vehicles running on liquid methane, with the parallel construction of liquid methane refuelling plants.
- Further and more sustained development of the Bologna trolleybus service, also thanks to the funding of the PIMBO project, a more mature technology than battery-powered vehicles, in line with the assumptions of future overall organic development of the urban network.
- Evaluations on possible developments and uses of hydrogen traction technology.

As regards battery-powered vehicles, the plan envisages the purchase of vehicles and the construction of recharging systems for start-up only on some urban lines. The gradual and progressive approach to development will make it possible to test technological innovations, while monitoring the strong dynamics of the market due to the considerable investments in research and development on electric charging technologies, so as to be able to strengthen and direct the investments in power lines in subsequent years, when we expect a greater maturity of these power supply systems, clearer choices by suppliers on recharging technologies, better performance of vehicle batteries and recharging systems.

Investment	Amount (Millions of Euro)	PSM objectives, PUMS (Bologna and Ferrara Areas), Agenda for sustainable development, Mobility Pact, PTM, SECAP	United Nations Sustainable Development Goals
Other systems (terminus, connections, etc.)	2.18	Enhancement of the city and accessible and sustainable mobility	Construct a resilient infrastructure, promote innovation and fair, responsible and sustainable industrialisation
Crealis	3.64	Regional protection (air quality and climate change), city enhancement and accessible mobility Adaptation to climate change Sustainable urban mobility Air quality	
Liquid methane investments	6.14		
Electricity sector investments	7.65		
Extraordinary maintenance	3.30		
Diesel vehicles	16.45		
Electric vehicles	16.00		
Hybrid vehicles - diesel	11.06		
Methane vehicles	39.98		
Pimbo	6.00	Metropolitan Bologna: Positioning and governance An authentic tourist destination	Making cities and human settlements inclusive, safe,

		Regional Bologna Hub: economic development and the role of the major functional and productive hubs	resilient and sustainable Adopt urgent measures to tackle climate change and its consequences
IT investments and AVM modernisation	3.60	Sustainable mobility	
EMV ticketing	2.67	Sustainable mobility	

Table 5 Expected investments

Investments in Information Technology include investments for the video surveillance on buses, for the installation of intelligent stops and for the modernisation of AVM systems. Resources are also provided for the EMV ticketing project.

Investments in the sector of hydrogen powered vehicles and methane hybrid vehicles are not included in the reference period of the business plan, but are already being studied and planned.

RECLASSIFIED GROUP INCOME STATEMENT

IN THOUSANDS OF EUROS	2020	2019
TPL line services	180,915	202,605
Railway line services	26,521	92,273
Parking and car sharing	13,125	16,934
Other income	45,200	16,859
Operating revenues	**265,761**	**328,670**
Personnel costs	107,439	131,921
Cost for services	81,285	99,566
Raw materials and materials	33,934	44,719
Use of third-party assets	7,258	7,997
Other operating costs	4,240	4,952
Operating costs	**234,157**	**289,154**
Gross operating margin - EBITDA	**31,604**	**39,516**
Amortisation/depreciation	21,070	22,487
Value write-downs/(reversals)	1,158	1,798
Change in funds for provisions	5,018	6,104
Operating margin - EBIT	**4,358**	**9,127**
Total financial income (charges)	(1,572)	(1,927)
Share of profit (loss) on investments accounted for using the equity method	(831)	66
Profit before taxes	**1,955**	**7,266**
Tax charges	1,600	(313)
Net profit/(loss) for the year	**3,555**	**6,954**
Of which:		
Profit/(Loss) attributable to the Group	3,615	6,871
Profit/(Loss) attributable to minority interests	(61)	83

Table 6 Reclassified Group income statement

The Group’s operating revenues decreased by 19% (Euro 62.9 million), from Euro 328,670 thousand in 2019 to Euro 265,761 thousand in 2020, also due to the sale of the railway passenger transport service business on 1 January 2020 and the pandemic situation with the consequent lower generalised use of public transport, also given the limited possibility of travel.

Operating costs reflect the decrease in the value of production, registering a decrease of 19%, while the Group's gross operating margin (EBITDA) decreased by approximately 20% (Euro 0,8 million), down from Euro 39,516 thousand in 2019 to Euro 31,604 thousand in 2020.

The Group's net profit for the year amounted to Euro 3.6 million, 49% lower than the previous year, mainly due to the sharp reduction in operating revenues following the restrictive measures and the continuation of the COVID-19 pandemic.

RECLASSIFIED GROUP BALANCE SHEET

RECLASSIFIED BALANCE SHEET

IN THOUSANDS OF EUROS	31/12/2020	31/12/2019
Tangible assets	161,712	211,732
Intangible assets	17,319	23,626
Assets for rights of use	11,372	13,289
Equity investments	16,202	15,021
Assets for contributions and other non-current assets	32	7,322
Deferred tax assets	7,372	3,377
A. Non-current non-financial assets	214,010	274,367
Inventories	24,895	22,391
Trade receivables	77,566	77,537
Trade liabilities	(64,139)	(53,964)
Assets for contributions and other current assets	14,454	11,924
Other current liabilities	(28,960)	(37,568)
Current funds for provisions	(4,906)	(5,186)
B. Working capital	18,910	15,134
C. Gross invested capital (C = A + B)	232,920	289,501
Non-current funds for provisions	(47,442)	(48,959)
Other non-current liabilities	(21,782)	(21,335)
D. Non-current non-financial liabilities	(69,224)	(70,294)
E. Net invested capital (E=C+D)	163,695	219,207
Bonds	94,878	94,648
Non-current bank loans	77	8,062
Derivatives and other non-current financial liabilities	454	550
Long-term liabilities for leased assets	6,841	10,053
Non-current financial assets	(32,722)	(7,869)
Non-current net debt	69,528	105,444
Current bank loans	0	5,331
Long-term liabilities for leased assets - short-term portion	4,289	2,944
Other current financial assets	(1,164)	(1,122)
Cash and cash equivalents	(74,346)	(55,441)
Current net debt	(71,220)	(48,287)
F. Net financial position	(1,692)	57,156
G. Shareholders’ equity	165,387	162,051
H. Coverage of net invested capital (H=F+G)	163,695	219,207

Table 7 Reclassified Balance Sheet

The Group's “Net invested capital” as at 31 December 2020, amounting to Euro 163,695 thousand, decreased by Euro 55,512 thousand compared to 31 December 2019.

The Group's “Non-current non-financial assets” as at 31 December 2020 amounted to Euro 214,010 thousand, a reduction of 22% compared to 2019, essentially attributable to the reduction in the value of property, plant and equipment of Euro 50 million.

The Group's “Working capital”, amounting to a positive Euro 18,910 thousand as at 31 December 2020 increased by Euro 3,776 thousand compared to 31 December 2019. The trends as regards the change in the various components of working capital of the Group are better analysed in the Explanatory Notes to the Consolidated Financial Statements.

RECLASSIFIED INCOME STATEMENT OF THE PARENT COMPANY

IN THOUSANDS OF EUROS	2020	2019	Change	Change %
TPL line services	155,985	173,744	(17,759)	-10%
Railway line services	6,418	70,100	(63,683)	-91%
Parking and car sharing	12,427	17,205	(4,778)	-28%
Other operating revenues	27,551	9,820	17,731	181%
Operating revenues	**202,380**	**270,869**	**(68,489)**	**-25%**
Personnel costs	93,720	117,917	(24,198)	-21%
Cost for services	49,761	74,531	(24,770)	-33%
Raw materials and materials	26,122	35,098	(8,976)	-26%
Use of third-party assets	5,850	9,706	(3,855)	-40%
Other operating costs	3,506	3,749	(243)	-6%
Operating costs	**178,959**	**241,001**	**(62,042)**	**-26%**
Gross operating margin - EBITDA	**23,420**	**29,868**	**(6,448)**	**-22%**
Amortisation/depreciation	**15,839**	**17,235**	**(1,395)**	**-8%**
Value write-downs/(reversals)	**249**	**1,244**	**(995)**	**-80%**
Change in funds for provisions	**4,485**	**5,675**	**(1,191)**	**-21%**
Net operating margin - EBIT	**2,847**	**5,714**	**(2,867)**	**-50%**
Total financial income (charges)	**(1,365)**	**(1,680)**	**315**	**-19%**
Profit before taxes	**1,482**	**4,034**	**(2,552)**	**-63%**
Income taxes	**(1,699)**	**(1,179)**	**(520)**	**44%**
Net profit/(loss) for the year	**3,181**	**5,213**	**(2,032)**	**-39%**

Table 8 Reclassified income statement

The Parent Company’s operating revenues decreased by 25% (Euro 68 million), from Euro 270,869 thousand in 2019 to Euro 202,380 thousand in 2020, mainly due to the sale of the railway passenger transport business unit and the reduction of sales revenues due to the COVID-19 health emergency, despite the recognition of state compensation to offset the loss of revenues due to COVID.

Operating costs reflect the decrease in the value of production, registering a decrease of +26%, while the Parent Company's gross operating margin (EBITDA) decreased by approximately 22% (Euro 6.5 million), down from Euro 29,868 thousand in 2019 to Euro 23,420 thousand in 2020.

The Parent Company's net profit for the year amounted to Euro 3,181 thousand, 39% lower than the previous year, mainly due to the sharp reduction in operating revenues following the restrictive measures and the continuation of the COVID-19 pandemic.

RECLASSIFIED BALANCE SHEET OF THE PARENT COMPANY

IN THOUSANDS OF EUROS	31/12/2020	31/12/2019	Change
Non-current non-financial assets			
Tangible assets	142,422	199,170	(56,748)
Intangible assets	661	992	(331)
Assets for rights of use	4,667	5,464	(797)
Equity investments	56,829	54,689	2,140
Assets for contributions and other non-current assets	42,256	19,679	22,577
Deferred tax assets	5,102	3,612	1,490
A. Non-current non-financial assets	251,936	283,605	(31,669)
Working capital			
Inventories	11,887	11,685	202
Trade receivables	67,163	78,684	(11,521)
Trade liabilities	(61,409)	(48,578)	(12,831)
Assets for contributions and other current assets	13,393	10,535	2,858
Other current liabilities	(26,920)	(30,812)	3,892
Current funds for provisions	(4,906)	(5,186)	280
B. Working capital	(792)	16,328	(17,120)
C. Gross invested capital (C = A + B)	251,144	299,933	(48,789)
Non-current non-financial liabilities			
Non-current funds for provisions	(41,207)	(51,239)	10,032
Other non-current liabilities	(21,712)	(21,335)	(377)
D. Non-current non-financial liabilities	(62,919)	(72,574)	9,655
E. Net invested capital (E=C+D)	188,225	227,359	(39,134)
Non-current assets and disposal groups of assets	0	7,177	(7,177)
Liabilities associated with disposal groups of assets	0	(4,177)	4,177
Total net invested capital and assets and liabilities relating to disposal groups	188,225	230,359	(42,134)

Table 9Reclassified balance sheet

The Parent Company's “Net invested capital”, amounting to Euro 188,230 thousand as at 31 December 2020, decreased by Euro 42,129 thousand compared to 31 December 2019.

The Group's “Non-current financial assets” as at 31 December 2020 amounted to Euro 251.936 thousand, a reduction of 11% compared to 2019, essentially attributable to the reduction in the value of property, plant and equipment of Euro 56,748 thousand.

The Group's “Working capital”, amounting to a negative Euro 792 thousand as at 31 December 2020, decreased by Euro 17,120 thousand compared to 31 December 2019. The trends as regards the change in the various components of working capital of the Parent Company are better analysed in the explanatory notes to the separate financial statements.

In thousands of	31/12/2020	31/12/2019	change
Bonds	94.878	94.648	230
Non-current bank loans	0	7.978	(7.978)
Derivatives and other non-current financial liabilities	413	509	(96)
Long-term liabilities for leased assets	4.161	6.531	(2.370)
Non-current financial assets	0	0	0
Non-current financial balance	**99.453**	**109.666**	**(10.214)**
Current bank loans	0	5.319	(5.319)
Long-term liabilities for leased assets – short-term portion	3.144	2.944	200
Other current financial assets	(1.143)	0	(1.143)
Cash and cash equivalents	(67.042)	(38.231)	(28.812)
Current financial balance	**(65.041)**	**(29.967)**	**(35.073)**
Posizione Finanziaria Netta	**34.412**	**79.699**	**(45.287)**

Table 10Financial Position

The “Net financial position” of the Parent Company as at 31 December 2020 amounted to Euro 34,412 thousand and showed a reduction in net debt compared to the figure as at 31 December 2019 of Euro 45,287 thousand, mainly due to the increase in cash and cash equivalents.

CORPORATE GOVERNANCE

TPER is a wholly Government-owned company which, from 2017, has the status of Public Interest Entity, pursuant to Article 16, paragraph 1, letter a) of Legislative Decree no. 39/2010.

Following the issuing of the bond and admission to trading in 2017 of the associated securities on the regulated market organised and managed by the Irish Stock Exchange, TPER acquired the status of Public Interest Entity.

The Corporate Governance system is composed of a set of tools, provisions, relations, processes and company systems targeted at correct and efficient management and control of the entire organisation.

TPER's Corporate Governance system is based on the current legislation and regulations and on the provisions which the Company has employed to define responsibilities and powers.

The corporate bodies are:

- the Shareholders' Meeting;
- the Board of Directors;
- the Board of Statutory Auditors.

The Board of Directors is responsible for managing activities and carrying out all the appropriate acts for the implementation and achievement of the corporate purpose, excluding those reserved to the Shareholders' Meeting by law. The Board of Directors has delegated part of its management duties to the Chief Executive Officer, the Company Manager and the Head of Administration, Finance and Control.

The Board of Statutory Auditors is the control body that monitors observance of the law and the articles of association and respect for the principles of proper administration and the adequacy of the organisational structure.

A Supervisory Body is also in place, which oversees the actual functioning of the control system envisaged by Law 231/2001 and subsequent amendments.

The audit, pursuant to Article 2409-bis of the Italian Civil Code, is performed by a company listed in the appropriate register according to the relevant legislative and regulatory provisions, which is tasked with verifying, during the year, that company books are regularly kept, and the correct registration of management events in the company's accounting records.

The independent auditors are also tasked with checking that the financial statements correspond to the results of the accounting records and that they conform to the regulations that govern their drafting.

More specifically, the audit functions are attributed to the Independent Auditors PwC S.p.A., with the Shareholders' Meeting of 29 May 2018, for the nine-year term from 2018 until 2026, given the company's acquisition of the status of Public Interest Entity (EIP).

HUMAN RESOURCES

As at 31 December 2020, TPER's staff consisted of 2,179 employees, broken down by professional category as follows:

- 12 executives
- 48 middle managers
- 261 white-collar workers
- 1,590 blue-collar workers
- 268 apprentices.

These figures include 16 employees under a fixed-term contract, while the rest are employed with a permanent contract.

In 2020, TPER hired 92 new employees, while 96 employees left. The substantial difference between the two years is the transfer of the railway business unit from TPER to Trenitalia TPER.

1,939 employees are full-time, while 240 employees are part-time, of which 133 are women. With reference to age, 201 employees are up to 29 years old, 1,112 employees are between 30 and 50 years old and 866 are over 50 years old.

Employees at 31/12	2020	2019	CHANGE (+ hires-terminations-business unit)
Executives	12	12	0
Middle managers	48	53	-5
White-collar workers	261	292	-31
Blue-collar staff	1,590	2,000	-410
Apprentices	268	226	42
Associates	0	0	0
Total	2,179	2,583	-404

Personnel number: equivalent units	2020	2019	CHANGE
Average for the year	2,109	2,468	-359
As at 31/12	2,106	2,508	-402

Table 11TPER employees

With reference to the Group's employees, TPER has a total of 2,486 employees, broken down as follows.

Total number of employees by category/gender			
	WOMEN	MEN	TOTAL
Executives	1	12	**13**
Middle managers	13	38	**51**
White-collar workers	132	167	**299**
Blue-collar workers	335	1,502	**1,837**
Apprentices	50	234	**284**
Associates	-	2	**2**
Total	531	1,955	2,486

Table 12 Employees of the TPER Group

The professional growth of employees is a key element for TPER. Therefore, also in 2020, despite the difficulties caused by the health emergency, resources, ideas and energies were put in place to give continuity to the training activity that involved a total of 35,536 hours, of which 5,900 delivered remotely; more than 15% of the hours recorded concerned the health and safety training programs, which have always been a focus of attention for the Company.

All the interventions carried out have been designed and defined in relation to the priority HR management policies, the development of human capital, and the continuous updating and retraining of professional skills.

No particularly significant workplace accidents occurred in 2020.

INFORMATION ON THE MAIN RISKS AND UNCERTAINTIES

The COVID-19 pandemic affected the macroeconomic context for the year, with serious repercussions on communities, employees and customers. The international and domestic economic activity, affected by progressive and repeated lockdown phases, suffered serious consequences starting from the first months of 2020, with inevitable repercussions on the Group's performance.

In 2020, the TPER Group continued to carefully monitor the main risk factors that influence company management, affected by the exceptional health and economic situation that our country is facing following the spread, on a global scale, of the COVID-19 virus ("Coronavirus"), assessing the operational, organizational, economic and financial impacts that this event is producing.

The paragraphs that follow provide a separate analysis of the main risks and uncertainties, dealing with those of a financial nature first then the operating ones.

FINANCIAL RISKS

For more details on financial risks, in addition to the information provided in this section, please refer to the details included, for IFRS 7 purposes, in the Explanatory Notes to the Consolidated Financial Statements.

CREDIT RISK

Within the TPER Group, the current management, assessment and monitoring of credit risks are based on sound and prudent management criteria.

Credit risk represents the Group's exposure to potential losses deriving from the failure of commercial counterparties to fulfil their obligations, as well as by financial counterparties in relation to the portfolio of financial assets, deposits at banks and capital contributions, also in the form of loans granted to investees.

With reference to the aspects of credit risk management, mechanisms are defined through specific credit governance rules that, on the one hand, govern the relative responsibilities and, on the other hand, ensure compliance of the credit risk framework with the reference regulatory framework to which it is subject.

LIQUIDITY RISK

Liquidity risk is the risk that financial resources are insufficient to cover financial and trade obligations in accordance with the agreed terms and deadlines. Risk management is carried out, in the first instance, through constant monitoring of expected and current cash flows and the correlation of the maturity profiles of financial assets and liabilities.

Liquidity risk is dealt with by means of continuous monitoring and control tools on requirements and future liquidity, in order to ensure timeliness of payments.

RISK OF DEFAULT

The bond, in line with international practice for similar transactions, generally give the bond-holder the right to request the reimbursement of its receivable by arranging for the early termination of the relationship with the debtor in all cases where the latter is declared insolvent and/or subject to bankruptcy proceedings, or has initiated a liquidation procedure or another procedure with similar effects.

Furthermore, compliance with financial covenants is required:

- the bond envisages the obligation of respecting, for the entire duration of the debt:
    - the ratio between consolidated net financial position and consolidated shareholders' equity must not exceed 1;
    - the ratio between consolidated net financial position and consolidated EBITDA must not exceed 3.5.

Non-compliance with the clauses described above constitutes a breach of the contractual obligations and the Company may be required to pay the residual debt.

Respect for these covenants is monitored by the Group and, at the current state of play, all covenants have been observed. Respect for these covenants is monitored by the Group and, at the current state of play, all covenants have been observed and compliance also for 2021 is anticipated on the basis of budgets.

COMMODITY PRICE RISK

The TPER Group is exposed to the price risk of energy commodities, i.e. electricity and oil products, since procurement is impacted by fluctuations in the prices of these commodities, directly or through indexing formulas.

OPERATING RISKS

For operational risks, specific monitoring of operational incidents linked, also indirectly, to the COVID-19 epidemic was carried out to promptly intercept potential critical issues in the process or inadequate behaviour.

REGULATORY RISKS

TPER carries out primarily public utility activities based on a regulated tariff, therefore a potential source of uncertainty stems from the evolution of the reference legislative and regulatory context, which impacts the methods of assignment of services, the tariffs applied to users and the levels of service quality required and, therefore, the results and operating performance.

TPER continuously monitors the developments of laws and rulings, and engages in constant and constructive dialogue, also via the trade association, with the Authorities and Institutions.

An additional risk factor, which however also represents an opportunity, is the possible evolution of TPL in relation to the future development of mobility in cities and new technologies and applications introduced to the market, also with a view to greater environmental sustainability.

The risks generated within the organisation by current operations and company processes also fall under operating risks.

To complete the picture briefly outlined above, an additional but significant element in terms of impact on the sector is represented by the current crisis situation related to the COVID-19 pandemic emergency, a situation in evolution and on which the relevant analyses and assessments are necessarily carried out during operations.

MALFUNCTIONING AND UNEXPECTED INTERRUPTION OF THE SERVICE AND/OR CLAIMS

Any malfunctioning and unexpected service interruption caused by accidental events and extraordinary events could cause damages to people and/or property, and have a major economic impact. The internal control system and the plans are aimed at ensuring the continuity and safety of the service and safeguarding the company's assets.

ENVIRONMENT, HEALTH AND SAFETY

TPER focuses a great deal of attention on the environmental impact of its activities and monitors the environmental risk factors related to each process, with a view to prevention and emergency assistance in relation to any activities that can have a significant internal and external impact. Accidents and occupational illnesses represent the main risk factors; investments and training with a view to prevention are of fundamental importance for operational management directed at continuous improvement, preventing incidents and maintaining adequate standards. To this end, TPER is committed to guaranteeing full respect of the prevention obligations, in compliance with the current workplace health and safety regulations.

HUMAN RESOURCES

Thanks to the skills acquired, personnel guarantee operations and, therefore, represent a company “asset” which has a significant impact on the ability to operate in the medium/long-term. TPER carries out training and recruiting activities for the necessary people.

DISPUTES

As regards the tax dispute on the IRAP tax relief of the “tax wedge” originated by ATC S.p.A. (the company whose demerger contributed to the formation of TPER in 2012, now in liquidation), TPER, for the 2012-2014 period, prudently settled all of the IRAP following the instructions of the Italian Tax Authorities, therefore without deductions and at a rate of 4.20%. Subsequently, TPER requested reimbursement of the portion of tax it considers to have overpaid, i.e. in relation to the applicable deductions as part of the 2012-14 “tax wedge” and for the difference with the ordinary IRAP rate of 3.90% from 2012. In 2016, in view of the lack of response from the tax authorities, TPER filed an appeal at first instance for the reimbursement of the amount prudently paid in excess with regard to IRAP for the years 2012-13. Unfortunately, in 2017 the Bologna Provincial Tax Commission rejected both the appeals lodged by TPER. TPER submitted two separate appeals in second instance against these decisions by the Provincial Tax Commission, this time to the Bologna Regional Tax Commission. The appeal cases concerning 2012-13 IRAP are currently pending, with hearing set for 7 July 2021.

SIGNIFICANT EVENTS AFTER THE END OF THE REPORTING PERIOD

SUSPENSION OF TENDER APPEAL

Following the exclusion of TPER from the tender procedure for the assignment of activities relating to the parking plan and services/activities complementary to mobility in the Municipality of Bologna, TPER filed an appeal with the Bologna Regional Administrative Court, challenging the exclusion from the procedure on two counts: on the one hand, asserting the criticality and fragility of the telematic platform used by the contracting authority, and on the other, raising objections regarding the admission of the applicant who was subsequently awarded the contract, who did not appear to meet the requirements within the terms set in the in the tender's by the lex specialis relating to the tender.

The Regional Administrative Court of Bologna rejected the appeal, dismissing the technical issues raised, and decided it was not able to examine the objections against the admission of the other competitor, on the assumption that once the legitimacy of the exclusion of TPER from the tender was declared, it would not have been able to action the judicial remedy against the admission of the other candidate.

At the end of the proceedings, an appeal was filed with the Council of State, which reproposed the complaints against the exclusion of TPER, and it was pointed out that, regardless of the rejection of the appeal against said exclusion, the first-instance Judge in any event, should have assessed the validity of the encumbrance in relation to the possession of the requirements of the admitted economic operator.

PUBLIC SUPPORT AGAINST THE COVID-19 PANDEMIC

The Support Decree bis was published in the Official Gazette of 26 May 2021. Decree Law no. 73/2021 reports the “Urgent measures related to the COVID-19 emergency, for businesses, work, young people, health and area services" which have allocated but not yet committed an additional contribution of Euro 800 million to support the TPL as compensation for lost revenues for COVID-19, whose amount which will affect the year 2021.

BUSINESS OUTLOOK

Due to the marked uncertainties linked to the continuation of the COVID-19 pandemic and to the quantification of the impacts of the consequent containment measures in the sectors in which the Group operates, it is not possible to predict with certainty the timing of recovery of pre-pandemic volumes and results.

The Group is mainly active in regulated activities and is therefore potentially not subject to volatility, or subject to very limited volatility.

The Group’s top priority is to carefully monitor the evolution of the situation and fully return to pre-crisis activity levels, in compliance with the regulatory provisions that have significantly limited the freedom of individual movement, with the objective of containing and preventing the spread of the epidemic and ensuring the protection of the public’s health.

An estimate of public support for lost revenues of Euro 14 million was recorded as a result of the various decree-laws to compensate for the lost revenues due to the health emergency. The amount thus determined is currently the best estimate that can be made on the basis of the rules defined at national and regional level, applied on the basis of a prudential approach. In fact, it was calculated by initially identifying the total funds allocated to compensate for the lost tariff revenues relating to passengers from 23 February 2020 to 31 January 2021, equal to approximately Euro 1 billion, and broken down according to the percentage of traffic revenues for each Autonomous Region and Province provided by the database of the Observatory on local public transport policies in the period from 23 February to 3 May 2018 (6.91% for Emilia-Romagna). Once the value allocated to the Emilia-Romagna Region was obtained, this was in turn divided according to the percentage of traffic revenues for each provincial public transport area, as part of public transport by road in the provinces of Bologna and Ferrara. An additional portion is expected to be accounted for in 2021, both as a balance of public funds allocated in 2020 and as a result of additional funds allocated in 2021.

The company is also determined to continue with its investment plans undertaken to upgrade the fleet and for the development of local transport system projects launched in the areas within its competence.

INTERCOMPANY RELATIONS AND TRANSACTIONS WITH RELATED ENTITIES

No shareholder of the Parent Company TPER holds control. The Emilia-Romagna Region is the relative majority shareholder of TPER (46.13%). The other shareholders are the Municipality of Bologna (30.11%), the Metropolitan City of Bologna, (18.79%), the Azienda Consorziale Transport ACT of Reggio Emilia (3.06%), the Province of Ferrara (1.01%), the Municipality of Ferrara (0.65%), Ravenna Holding S.p.A. (0.04%) and the Province of Parma (0.04%).

The group carries out activities for some shareholders regulated by appropriate service contracts for the management of Public Transport.

TPER, as Parent Company, carries out transactions with subsidiaries which essentially concern the provision of services and financial transactions. The relations are strictly of a commercial and financial nature, which do not include atypical and/or unusual transactions and are governed by contracts under conditions in line with the market ones.

A summary of transactions with related parties is provided below.

In thousands of euros		Sales to related parties	Purchases from related parties	Receivables from related parties	Payables to related parties
Subsidiaries					
Omnibus S.c.r.l.	2019	283	1,858	6,564	2,850
	2020	2,709	7,415	5,086	4,386
TPF S.c.r.l.	2019	17,445	548	2,942	159
	2020	19,032	544	2,404	153
TPB S.c.r.l.	2019	69,760	70	21,226	18
	2020	80,571	60	23,201	5
MA.FER S.r.l.	2019	691	14,472	11,799	3,804
	2020	2,788	75	14,453	7,446
DINAZZANO PO S.p.A.	2019	701	559	848	138
	2020	1,356	78	1,206	1
HERM S.r.l.	2019	3	0	0	0
	2020	3	11	0	11
SST S.r.l.	2019	356	2,317	285	555
	2020	431	2,408	315	940
Total	*2019*	*89,239*	*19,824*	*43,664*	*7,524*
	2020	*106,889*	*10,591*	*46,666*	*12,942*
Associates					
SETA S.p.A.	2019	1,300	258	635	125
	2020	176	8	176	56
CONSORZIO TRASPORTI INTEGRATI	2019	18,366	341	3,319	312
	2020	1,107	40	1,800	163
TRENITALIATPER S.c.r.l.	2019	31,880	0	18,541	0
	2020	17,270	0	11,502	2,810
MARCONI EXPRESS S.p.A.	2019	826	80	9,568	80
	2020	821	142	10,472	237
Total	*2019*	*52,372*	*679*	*32,063*	*517*
	2020	*19,374*	*190*	*23,950*	*3,265*
TOTAL	**2019**	**141,611**	**20,503**	**75,727**	**8,041**
	2020	**126,263**	**10,780**	**70,616**	**16,207**

Table 13

RESEARCH & DEVELOPMENT ACTIVITIES

In 2020, research and development activities related to the following projects got under way and/or continued.

EMV TICKETING SYSTEM

During 2020, the EMV electronic ticketing project became operational.

The project aims to further develop the public transport electronic ticketing system so as to allow the use of credit cards with bank-standard contactless EMV (acronym of Europay, MasterCard and VISA).

The system allows customers with a contactless credit card to access the transport service directly using the card without previously having to buy any travel ticket.

The following activities were carried out in 2020:

- Drafting of the executive project
- Installation of an EMV validator on the first 100 city buses
- Construction and activation of the new EMV ticketing management centre

On 30 March 2021, the EMV ticketing system became operational on urban line 25.

The project is financed using regional funds from the 'Regional Operational Programme of the European Regional Development Fund (ERDF ROP) 2014-2020' and carried out in collaboration with the companies TEP, START and SETA.

INFORMATION SERVICE ON OVERCROWDING OF INCOMING BUSES

A service has been developed for public transport users that provides an indication of the filling level of the bus arriving at the stop, by consulting in a simple and intuitive way the Roger mobility app, already available for free on every smartphone.

This function is even more valuable in the period of health emergency and allows the user to know in advance the situation on the bus and decide whether to get on or wait for the next bus.

The app automatically and absolutely anonymously detects how many smartphones with Wi-Fi antenna are present on board each bus: a statistical algorithm therefore processes an estimate of the total number of passengers in real time.

The image of a small stylised bus is coloured green, orange or red when the number of passengers is respectively less than 20%, between 20% and 50%, or greater than 50% of the maximum capacity of the bus as per the bus' registration certificate.

EXTENSION OF EMAIL SERVICE TO ALL PERSONNEL

Individual company e-mail accounts were activated for all personnel, extending the service to those without one (drivers). Therefore, a simple and immediate channel is available for the exchange of messages and information within the TPER community of over 2,500 people.

All personnel can send or receive emails regarding the workplace, significantly expanding the methods of interaction between colleagues and with the various company functions. The service is accessible from any browser at the address https://hellomail.tper.it/ by entering your company credentials.

ONLINE PURCHASE AND RENEWAL OF PARKING GARAGE PASSES

From September 2020, also to deal with the current health emergency, it is possible to purchase and renew passes to the parking facilities managed by TPER (over 1000 car/motorcycle parking spaces) on the customer portal https://solweb.tper.it.

Compared to the previous system, some additional functions have been introduced for customers, such as an automatic reminder via email to the customer of the imminent expiry of the season ticket, as well as accurate management of waiting lists, where present.

After the introduction of this new method, more than 500 transactions were completed for the purchase or renewal of parking subscriptions in the September-December 2020 period.

ONLINE PURCHASE OF ZTL (LIMITED TRAFFIC ZONE) E-TICKETS

From June 2020, in addition to the TPER points, e-tickets to access the Bologna ZTL can be purchased on the customer portal https://solweb.tper.it. As from 31 December 2020, e-tickets fully replace previous paper tickets, which cannot be used from that date. This new management method also aims to place services online and to limit travel during the current health emergency.

In the first six months of use, in the period June-December 2020, more than 42,000 e-tickets were purchased, of which more than 32,000 online.

FREE SEASON TICKETS FOR CHILDREN RESIDING IN EMILIA-ROMAGNA

“Grande” is the active season ticket for the 2020/2021 school year, reserved to children under 14 residing in Emilia-Romagna, and granted free of charge by the Emilia-Romagna Region.

The initiative, undertaken in 2020, envisaged a letter to be sent to elementary school children (born from 2010 to 2014) with an attached card containing the Urban Season Ticket for the area of residence, while boys and girls in lower secondary schools were instructed to request a season ticket on the portal https://rogerapp.it, to conveniently access it through the ROGER app or (in case of no access to a smartphone) on a MiMuovo card sent to the student's residence.

REIMBURSEMENT OF SEASON TICKETS THROUGH VOUCHERS FOR NON-USE DUE TO COVID-19 HEALTH EMERGENCY

From August to the end of November 2020, upon resolution of the Emilia-Romagna Region, it was possible to request reimbursement for non-use of one's own season ticket (annual or monthly on the MiMuovo card, chip on paper or magnetic and eco ticket) during the lockdown period of the year 2020. The reimbursement, which can be requested online or at TPER points through self-certification indicating the impossibility of using the season ticket, was based on the issue of an electronic voucher associated with the holder of the season ticket, with an amount calculated on the value of the season ticket related to the period of non-use of the ticket and expendable, also partially, at the time of purchase of tickets or season tickets (or to top-up of their season ticket) for public transport.

The reimbursement of season tickets associated with Mobility Management agreements was, however, the subject of specific negotiation with the companies/entities benefiting from the agreement, in order to be able to promptly and jointly verify the levels of non-use.

In the period indicated, over 30,700 vouchers were issued, of which almost 24,000 online, for a total equivalent value of over Euro 1,760,000. At present, more than 26,000 vouchers have been used, for an amount exceeding Euro 1,500,000.

ON-BOARD VIDEO SURVEILLANCE SYSTEM FOR BUSES

During 2020, the installation of video surveillance systems on city buses was completed for a total of 567 buses.

They are fitted with on-board equipment composed of video cameras, video recorders, motion sensors and 4G/Wi-Fi routers linked to a video surveillance control unit, in order to reduce pick-pocketing and vandalism on buses and increase the perception of security by users. The project is financed using regional funds from the ‘Regional Operational Programme of the European Regional Development Fund (ERDF ROP) 2014-2020’ and carried out in collaboration with the companies TEP, START and SETA.

MISCELLANEOUS

CONSOLIDATED STATEMENT OF NON-FINANCIAL CHARACTER

The Group prepares the Consolidated Non-Financial Statement, pursuant to Legislative Decree 254/2016 and Consob Resolution no. 20267 of 18 January 2018, in a separate document, published on the website in the section:

> The Company, > Transparent Company, > Financial Statements.

SECONDARY LOCATIONS

Pursuant to paragraph 4 of Article 2428 of the Italian Civil Code, please note that the parent company TPER carries out its activities in the following locations: in Bologna (BO), Via Battindarno 121, Via Due Madonne 10, Via Ferrarese 114, Via delle Bisce 17, Piazza XX Settembre 6, Via Marconi 2/2 and 4, Via Rizzoli 1/D, Piazza delle Medaglie d'Oro, Via San Donato 25, via Magenta 16; in Ferrara (FE), Via Trenti 35, Via Porta Reno 182; at Castel di Casio - Località Prati (BO) Via Caduti di Nassiriya 8; in Imola (BO), Via Marconi 4; in Comacchio (FE), Via Provinciale 38.

PROPOSED ALLOCATION OF OPERATING PROFIT

Dear Shareholders,

At the end of this presentation, we invite you to:

a) discuss and approve the management report of the Board of Directors and the financial statements for the year ended 31 December 2020, which show a profit for the year of Euro 3,180,941.52;
b) allocate the profit for the year:
    - for Euro 159,047.08 to legal reserve,
    - for Euro 3,021,894.44 to extraordinary reserve.

At the date of approval of the financial statements, treasury shares amounted to 111,480.

Bologna, 27 May 2021

for the Board of Directors

The Chairperson

Giuseppina Gualtieri

CONSOLIDATED FINANCIAL STATEMENTS 2020

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Cambia il movimento

Consolidated Statement of Financial Position

IN THOUSANDS OF EUROS	NOTES	31/12/2020	31/12/2019
ASSETS			
NON-CURRENT ASSETS			
Tangible assets	1	**161,712**	**211,732**
Real estate		3,358	3,263
Rolling stock		145,389	172,216
Infrastructure		10,718	32,212
Other tangible assets		2,247	4,041
Intangible assets	2	**17,319**	**23,626**
Goodwill and other intangible assets with an indefinite useful life		0	0
Concession rights		16,651	22,587
Other intangible assets		669	1,039
Assets for rights of use	3	**11,372**	**13,289**
Equity investments	4	**16,202**	**15,021**
Equity investments at cost or at fair value		3,342	3,342
Equity investments measured using the equity method		12,860	11,678
Financial assets	5	**32,754**	**8,014**
Financial assets for contributions		32	145
Other financial assets		32,722	7,869
Deferred tax assets	6	**7,372**	**3,377**
Other assets	7	**0**	**0**
Non-current assets and disposal groups of assets	8	**0**	**7,177**
TOTAL NON-CURRENT ASSETS		**246,731**	**282,236**
CURRENT ASSETS			
Trade assets	9	**102,460**	**99,928**
Inventories		24,895	22,391
Trade receivables		77,566	77,537
Cash and cash equivalents	10	**74,346**	**55,441**
Financial assets	5	**7,666**	**5,225**
Financial assets for contributions		6,502	4,103
Other financial assets		1,164	1,122
Assets for current income taxes	11	**2,231**	**2,576**
Other assets	7	**5,722**	**5,245**
TOTAL CURRENT ASSETS		**192,424**	**168,414**
TOTAL ASSETS		**439,156**	**450,651**

LIABILITIES

Group shareholders' equity		**162,439**	**158,984**
Capital issued		68,493	68,493
Reserves		60,297	54,298
Profits/(losses) carried forward		30,997	30,241
Actuarial profit/loss		(962)	(919)
Profit/loss for the year		3,615	6,871
Shareholders' equity attributable to Minority interests		**2,948**	**3,067**
Minority interests in capital and reserves		3,008	2,985
Profit/(loss) attributable to minority interests		(61)	83
TOTAL SHAREHOLDERS' EQUITY	**12**	**165,387**	**162,051**
NON-CURRENT LIABILITIES			
Funds for provisions	**13**	**47,442**	**48,959**
Provisions for employee benefits		18,308	20,347
Provision for restoration and replacement of rolling stock		0	8,123
Other provisions		29,134	20,488
Financial liabilities	**14**	**95,409**	**103,260**
Bonds		94,878	94,648
Medium/long-term loans		77	8,062
Derivatives		31	100
Other financial liabilities		423	449
Long-term liabilities for leased assets	**3**	**6,841**	**10,053**
Deferred tax liabilities			
Other liabilities	**15**	**21,782**	**21,335**
TOTAL NON-CURRENT LIABILITIES		**171,474**	**183,607**
CURRENT LIABILITIES			
Trade liabilities	**16**	**64,139**	**53,964**
Funds for provisions current portion	**13**	**4,906**	**5,186**
Provisions for employee benefits		1,986	1,964
Other provisions		2,920	3,223
Financial liabilities	**14**	**0**	**5,331**
Current account overdrafts		0	0
Short-term loans		0	0
Derivatives		0	0
Medium/long-term loans		0	5,331
Other financial liabilities		0	0
Long-term liabilities for leased assets - short-term portion	**3**	**4,289**	**2,944**
Current income tax liabilities	**10**	**0**	**0**
Other current liabilities	**15**	**28,960**	**33,390**
Liabilities associated with disposal groups of assets	**8**	**0**	**4,177**
TOTAL CURRENT LIABILITIES		**102,294**	**104,994**
TOTAL LIABILITIES		**273,768**	**288,600**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**439,156**	**450,651**

CONSOLIDATED INCOME STATEMENT

IN THOUSANDS OF EUROS	NOTES	2020	2019
Revenue		**220,561**	**311,812**
TPL line services	17	180,915	202,605
Railway line services	18	26,521	92,273
Parking and car sharing	19	13,125	16,934
Other income	20	**45,200**	**16,859**
Operating costs		**234,157**	**289,154**
Personnel costs	21	107,439	131,921
Cost for services	22	81,285	99,566
Raw materials and materials	23	33,934	44,719
Use of third-party assets	24	7,258	7,997
Other operating costs	25	4,240	4,952
Amortisation/depreciation		**21,070**	**22,487**
Depreciation of tangible assets		15,423	16,190
Amortisation of intangible assets		1,183	1,104
Amortisation of assets for rights of use		4,464	5,193
Value write-downs/(reversals)	26	**1,158**	**1,798**
Change in funds for provisions	27	**5,018**	**6,104**
Operating result		**4,358**	**9,127**
Financial income	28	**983**	**501**
Dividends		0	0
Other financial income		983	501
Financial charges	29	**2,555**	**2,428**
Charges on bonds		1,988	1,978
Charges on loans		115	82
Other financial charges		452	368
Total financial income (charges)		**(1,572)**	**(1,927)**
Share of profit (loss) on investments accounted for using the equity method	30	**(831)**	**66**
Result before tax		**1,955**	**7,266**
Tax charges	31	**(1,600)**	**313**
Current income taxes		2,393	1,102
Deferred tax assets and liabilities		(3,993)	(789)
Net profit/(loss) for the year (Group and Minority Interests)		**3,555**	**6,954**
Of which:			
Profit attributable to the Group		3,615	6,871
Profit attributable to Minority Interests		(61)	83

IN THOUSANDS OF EUROS		NOTES	2020	2019
Profit for the year	**(a)**		**3,555**	**6,954**
Profit/(loss) from the measurement of equity investments using the equity method		3	(127)	(385)
Tax effect on profit/(loss) from the fair value measurement of cash flow hedges			0	0
Profit/(loss) from the fair value measurement of available-for-sale assets			0	0
Tax effect on profit/(loss) from the fair value measurement of available-for-sale assets			0	0
Other components of the comprehensive income statement for the year that can be reclassified to the income statement	**(b)**		**(127)**	**(385)**
Profit/(loss) from actuarial valuation of provisions for employee benefits		11	(58)	(868)
Tax effect on profit/(loss) from actuarial valuation of provisions for employee benefits		5	14	208
Other components of the comprehensive income statement for the year that cannot be reclassified to the income statement	**(c)**		**(44)**	**(660)**
Reclassifications from other components of the statement of comprehensive income to the income statement for the year	**(d)**		0	0
Tax effect related to reclassifications from other components of the statement of comprehensive income to the income statement for the year	**(e)**		0	0
Total other components of the income statement for the year	**(f= b+c+d+ e)**		**(171)**	**(1,045)**
Comprehensive economic result for the year	**a+f**		**3,384**	**5,909**
Of which:				
attributable to the Group			3,445	5,826
attributable to Minority interests			(62)	83

STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

IN THOUSANDS OF EUROS	GROUP SHAREHOLDERS' EQUITY								Shareholders' equity attributable to Minority interests	TOTAL SHAREHOLDERS' EQUITY ATTRIBUTABLE TO THE GROUP AND TO MINORITY INTERESTS
	Capital issued	Reserve for measurements of equity investments using the equity method	Treasury shares	Other reserves	Actuarial profit/loss	Profits/(losses) carried forward	Profit/loss for the year	Total		
Balance as at 31/12/2018	68,493	262	(188)	49,566	(259)	26,341	13,083	157,298	3,042	160,340
Comprehensive economic result for the year		(385)			(660)		6,871	**5,826**	83	**5,909**
Transactions with shareholders and other changes										
- Dividends							(4,140)	**(4,140)**	(58)	**(4,198)**
- Purchase of treasury shares								**0**		**0**
- Allocation of the previous-year result				4,140		4,803	(8,943)	**0**		**0**
- Other changes				904		(904)		**0**		**0**
Balance as at 31 December 2019	**68,493**	**(123)**	**(188)**	**54,610**	**(919)**	**30,240**	**6,871**	**158,984**	**3,067**	**162,051**
Comprehensive economic result for the year		(127)			(43)		3,615	**3,445**	(62)	**3,384**
Transactions with shareholders and other changes										
- Dividends								**0**	(58)	**(58)**
- Purchase of treasury shares								**0**		**0**
- Allocation of the previous-year result				6,114		757	(6,871)	**0**		**0**
- Other changes				10				**10**	0	**10**
Balance as at 31 December 2020	**68,493**	**(250)**	**(188)**	**60,734**	**(962)**	**30,997**	**3,615**	**162,439**	**2,948**	**165,387**

Table 147 Statement of changes in consolidated shareholders' equity

CONSOLIDATED CASH FLOW STATEMENT

IN THOUSANDS OF EUROS	2020	2019
Profit/(loss) for the year	**3,555**	**6,954**
Amortisation/depreciation	21,070	22,487
Operating change of funds	5,018	6,104
Write-downs/(revaluations) of financial assets and equity investments accounted for at cost and at fair value	0	0
Share of profit/(loss) on equity investments accounted for using the equity method	(831)	(66)
Financial income and (charges)	1,572	1,927
Value write-downs/(revaluations) of current and non-current financial assets	1,158	1,798
Value write-downs/(revaluations) of current and non-current assets		
Losses/(gains) from disposal of non-current assets	(4,390)	232
Change in working capital and other changes	(5,950)	(15,305)
Net cash flows from operating activities	**21,202**	**24,131**
Investments in tangible assets	(33,548)	(24,979)
Investments in intangible assets	2,576	(638)
Equity investments	0	0
Investments gross of contributions	**(30,972)**	**(25,617)**
Contributions to tangible assets	40,495	4,750
Contributions to intangible assets	0	
Contributions	**40,495**	**4,750**
Disposals of tangible assets	4,901	379
Disposals of intangible assets	0	26
Disposals of equity investments	0	
Disposals	**4,901**	**405**
Net cash flow for investment activities	**14,424**	**(20,461)**
Dividends paid	(58)	(4,198)
Change in liabilities for leased assets	(1,867)	(2,619)
Obtainment of medium/long-term loans	0	0
Repayment of medium/long-term loans	(13,316)	(6,058)
Collected financial income	983	501
Paid financial charges	(2,325)	(2,428)
Net change in other financial assets	(42)	(1,334)
Net change in other financial liabilities	(96)	(900)
Net cash flow from financial assets	**(16,721)**	**(17,035)**
Net cash flow for the period	**18,905**	**(13,366)**
Cash and cash equivalents at the start of the year	**55,441**	**68,807**
Cash and cash equivalents at the end of the year	**74,346**	**55,441**

Table 8Consolidated cash flow statement

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

INTRODUCTION - GENERAL INFORMATION

TPER Group operates in the local and regional public road and rail transport sector. For more information on the Group's activities, see the Report on Operations.

The Parent Company is TPER S.p.A. (hereinafter TPER or Company or Parent Company), a joint stock company with its registered office in Bologna, in Via di Saliceto, 3. The company term is fixed to 31 December 2050.

At the date of preparation of these financial statements, no shareholder holds control. The Emilia-Romagna Region is the relative majority shareholder of TPER (46.13%). The other shareholders are the Municipality of Bologna (30.11%), the Metropolitan City of Bologna, (18.79%), the Azienda Consorziale Transport ACT of Reggio Emilia (3.06%), the Province of Ferrara (1.01%), the Municipality of Ferrara (0.65%), Ravenna Holding S.p.A. (0.04%) and the Province of Parma (0.04%).

Furthermore, TPER owns 111,480 treasury shares (0.16%).

The consolidated financial statements of the TPER Group relating to the year ended as at 31 December 2020 are drafted in thousands of Euros, the current currency in the economy in which the Group operates.

METHODS OF PRESENTATION OF FINANCIAL STATEMENTS, ACCOUNTING METHODS AND STANDARDS APPLIED

COMPLIANCE WITH IFRSS

The consolidated financial statements of TPER for the year ended 31 December 2020, prepared in accordance with the business continuity of the Parent Company and of the other consolidated companies, have been prepared pursuant to Articles 2 and 3 of Legislative Decree no. 38/2005, in compliance with the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board and endorsed by the European Commission, which include the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) as well as the previous International Accounting Standards (IAS) and previous interpretations of the Standard Interpretations Committee (SIC) still in force. For simplicity, the set of all the standards and interpretations is hereafter defined as the "IFRS".

Following the issue by the Parent Company of a bond quoted on the Dublin Stock Exchange on 15 September 2017, the TPER Group has adopted the international accounting standards, International Financial Reporting Standards (IFRS), from the year 2017, with a date of transition to IFRS of 1 January 2016.

PRESENTATION OF FINANCIAL STATEMENTS

The consolidated financial statements consist of the Balance Sheet, Income Statement, Statement of Comprehensive Income, Statement of changes in shareholders' equity and Cash Flow Statement) and of the Explanatory Notes.

The accounting standards reflect the full operations of the Group in the foreseeable future and are applied in the assumption of the company as a going concern. For more details regarding verification of the going concern assumption please refer to the appropriate paragraph of these Explanatory Notes.

The items in the balance sheet are classified into current and non-current, those of the income statement are classified by nature.

Assets and liabilities are classified as current if: (i) they are expected to be realised/extinguished in the normal company operating cycle or in the twelve months after the close of the year; (ii) are composed of cash or cash equivalents that do not present constraints as such to limit their use in the twelve months after the close of the year; or (iii) are held primarily for trading purposes.

The statement of comprehensive income (loss) indicates the economic result supplemented by income and charges which, owing to an express provision of the IFRS, are not booked to the income statement.

The statement of changes in shareholders' equity presents the comprehensive income (loss) for the year, transactions with shareholders and other changes in shareholders' equity.

The cash flow statement is prepared according to the "indirect method", by adjusting the profit for the year for other non-monetary components.

The accounting standards reflect the full operations of the Company in the foreseeable future and are applied in the assumption of the Company as a going concern. For more details regarding verification of the going concern assumption please refer to the appropriate paragraph of these explanatory notes.

IFRS are applied consistently with the indications provided in the "Conceptual Framework for Financial Reporting" and there have not been any critical issues that have led to the use of derogations pursuant to IAS 1, Paragraph 19.

All values are expressed in thousands of euros, unless otherwise indicated.

The Euro represents the functional currency of the Parent Company and of the subsidiaries, as well as that of the presentation of the consolidated financial statements of the TPER Group.

For each item of the financial statements, the corresponding value of the previous year closed as at 31 December 2019 is shown for comparative purposes.

CRITERIA, PROCEDURES AND SCOPE OF CONSOLIDATION

The scope of consolidation includes the Parent Company and the companies over which TPER directly or indirectly exercises control, both by virtue of having obtained the majority of the votes that can be exercised during the meeting (also taking into account potential voting rights deriving from immediately exercisable options), both as a result of other facts or circumstances that (even apart from the extent of shareholder relations) attribute power over the company, the exposure or the right to variable returns on the investment in the company and the ability to use that power on the company to influence investment returns.

The subsidiaries, consolidated on a line-by-line basis, are as follows:

Company name	Registered office	Currency	Share capital	TPER Group interests
OMNIBUS	Via di Saliceto,3 BOLOGNA	Euro	80.000	51
TPF	Viale S. Trenti, 35 FERRARA	Euro	10.000	97
TPB	Via di Saliceto,3 BOLOGNA	Euro	10.000	85
MAFER	Via di Saliceto, 3 BOLOGNA	Euro	3.100.000	100
DINAZZANO PO	P.zza Guglielmo Marconi, 11 REGGIO EMILIA	Euro	38.705.000	95,35
SST	Viale S. Trenti, 35 FERRARA	Euro	110.000	51
HERM	Via di Saliceto,3 BOLOGNA	Euro	10.840.000	94,95

Table 9

Entities are included in the scope of consolidation from the date on which the TPER Group acquires control, as defined above, while they are excluded from the date on which the TPER Group loses control.

According to the provisions of accounting standard IFRS 10, control is obtained when the TPER Group is exposed, or is entitled to variable returns deriving from the relationship with the investee and has the capacity, through the exercise of power over the investee, to influence the related returns.

Power is defined as the present ability to direct the relevant assets of the subsidiary under existing substantial rights. The existence of control does not depend solely on the possession of the majority of the voting rights, but on the substantial rights of the investor over the investee company. Consequently, the management's judgement is required to evaluate specific situations that determine substantial rights that give the TPER Group the power to direct the significant activities of the investee in order to influence its returns.

For the purposes of the assessment on the requirement of control, the management analyses all the facts and circumstances, including agreements with other investors, rights deriving from other contractual agreements with potential voting rights (call options, warrants, put options assigned to minority shareholders, etc.). These other facts and circumstances may be particularly relevant in the context of this assessment, especially in cases where the TPER Group holds less than the majority of the voting rights, or similar rights, of the investee company.

TPER Group reviews the existence of the control conditions on an investee when the facts and circumstances indicate that there has been a change in one or more elements considered for the verification of its existence. Lastly, it should be noted that, in assessing the existence of the control requirements, no de facto control situations were found. The changes in the shareholding in investments in subsidiaries that do not involve the loss of control are recognised as capital transactions by adjusting the portion attributable to the shareholders of the Parent Company and that to third parties to reflect the change in ownership. Any difference between the consideration paid or received and the corresponding fraction of net assets acquired or sold is recognised directly in consolidated shareholders' equity. When the TPER Group loses control, any residual shareholding in the previously controlled company is remeasured at fair value (with a contra-entry in the income statement) at the date on which it loses control.

For the purposes of consolidation, the financial statement figures of the subsidiaries are drawn up using the same accounting standards as the parent company for each accounting item; any consolidation adjustments are made to homogenise the items that are affected by the application of different accounting standards.

All intercompany balances and transactions, including any significant unrealised profits deriving from transactions between companies of the TPER Group, are completely eliminated. The accounting value of the equity investment in each of the subsidiaries is eliminated against the corresponding share of shareholders' equity of each of the subsidiaries including any adjustments to the fair value at the date of acquisition; any positive difference is treated as "goodwill", and any negative difference is recorded in the income statement at the acquisition date.

The minority interests in the net assets of the consolidated subsidiaries are identified separately from the shareholders' equity of the TPER Group. This interest is determined based on the percentage held by them in fair value of the assets and liabilities recorded at the date of the original acquisition and in the changes in the shareholders' equity after that date. Subsequently, losses attributable to minority shareholders exceeding their shareholders' equity are attributed to the Group's shareholders' equity, except in cases where minorities have a binding obligation to cover losses and are able to sustain further investments to cover the losses.

Equity investments in companies in which the Group has a significant influence (which is presumed to exist when the equity investment is between 20% and 50%), hereinafter "associates", and in joint ventures are measured using the equity method. At the time of the acquisition of the equity investment accounted for using the equity method, any difference between the cost of the equity investment and the entity's interest in the net fair value of the identifiable assets and liabilities of the investee is accounted for as follows:

- Goodwill pertaining to an associate or a joint venture is included in the book value of the equity investment; said goodwill is not amortised.
- In determining the initial value of the equity investment in the entity, any excess of the interest in the net fair value of the identifiable assets and liabilities of the investee with respect to the cost of the equity investment, is included as income in the profit (loss) of the associate or joint venture in the period in which the equity investment is acquired.

In addition, following acquisition, adequate adjustments are made to the entity's interest in the profit (loss) of the associate or the joint venture, in order to take account, for example, of the amortisation of assets which can be amortised based on the respective fair values at the acquisition date, and any impairment of the goodwill or property, plant and equipment. In addition, the equity method requires:

- profits or losses pertaining to the Group to be booked to the income statement from the date on which the significant influence or control started until the date the significant influence or control ceases; in the event that, as a result of losses, the company measured using the method in question shows negative equity, the carrying amount of the investment is eliminated and any loss attributable to the Group, if the latter has committed to fulfilling legal or implicit obligations of the investee company, or in any case, covering its losses, is recognised in a specific liability provision; changes in the equity of companies measured using the equity method, not represented by the profit from the income statement, are recorded directly as an adjustment to the equity reserves;
- Unrealised gains and losses generated on transactions between the Parent Company/subsidiaries and the investee company measured using the equity method are eliminated on the basis of the value of the Group's

interest in the investee company; unrealised losses are eliminated, except where they represent an impairment loss.

ACCOUNTING POLICIES AND VALUATION CRITERIA

The most important accounting standards and valuation criteria applied in the preparation of the TPER Group's annual accounts are described below.

TANGIBLE ASSETS

A tangible asset is recognised if, and only if: (a) it is probable that the future economic benefits associated with the item will flow to the entity; and (b) the cost can be measured reliably.

Tangible assets are recorded at purchase cost, including any directly attributable accessory charges, as well as financial charges incurred in the period of realisation of the assets.

Costs for the improvement, updating and transformation of a tangible asset are recognised as an increase in the initial cost when it is probable that the expected future economic benefits will increase. The replacement costs of identifiable components are recognised as tangible assets and depreciated over their useful life. The remaining book value of the replaced component is recognised in the income statement. All other maintenance and repair costs are charged to the income statement when incurred.

The amount to be depreciated is the cost or other amount substituted for the cost minus its residual value.

The residual value of an asset is the estimated amount that an entity would currently obtain from the divestment of the asset, net of estimated disposal costs, if the asset was already of the age and in the expected condition at the end of its useful life.

Starting from the moment in which the asset is available and ready for use, the amount to be depreciated is systematically depreciated on a straight-line basis over its useful life, defined as the period of time in which the entity is expected to use the asset.

The residual value and useful life of an asset are reviewed at least at each year-end date and, if the expectations differ from the previous estimates, the change is accounted for as a change in an accounting estimate in accordance with IAS 8 Accounting standards, Changes in accounting estimates and errors.

Assets with a closely related use in the context of a concession are depreciated over the concession period or their useful life if lower.

In particular, for the purposes of defining the depreciation plan for buses and trolley buses used by TPER under the Bologna service contract and the Ferrara service contract and allocated for transfer, the depreciable amount is defined on the basis of the difference between the net book value at the beginning of the year and the residual value, which in this specific case is the estimate of the market value recognised by the new contractor, calculated according to the criteria identified by the Resolution of the Transport Regulatory Authority no. 49 of 17 June 2015 and referring to the UNI 11282/2008 standard and subsequent amendments or additions. The depreciable amount determined in this way is depreciated on the basis of the residual maturity of the service agreement taking into account possible extensions and taking into consideration the useful life of the fixed assets subject to depreciation.

During 2019, both the service contract for the management of the TPL (local public transport) in the Municipality of Bologna and that in the Municipality of Ferrara were extended.

In particular, in relation to the service contract for the management of the Bologna TPL, signed on 4 March 2011, SRM Reti and Mobilità S.r.l., on behalf of the Municipality of Bologna, communicated the extension of the assignment to 31 August 2024. TPF and Ami Ferrara signed an extension of the service contract in the Ferrara area until 16 December 2023.

Consequently, the estimate of the useful life was adjusted to take account of the new expiries of the service contracts.

With the exception of what was shown in relation to the depreciation of buses and trolley buses used in the service contracts for the Bologna and Ferrara TPL, the annual depreciation rates used in 2020 presented for similar categories are shown in the following table.

Tangible Assets	Amortisation rate
Buildings used in operations	2.57%
Trains and locomotives	3.50%
Railway carriages	3.50%
Buildings	4%
Light constructions	10%
Plant	10%
Rail cars	10%
Office furniture and equipment	12%
Expenses of long-term use on third-party assets	20%
Office machines and equipment	20%
Technical instruments	20%
Ticketing machines and validators	20%
Electronic machines	20%
Light balls	20%
Motor vehicles	25%
Sundry vehicles	25%

Table 10

In the presence of specific indicators regarding the risk of non-recovery of the carrying amount of the tangible assets, these are subjected to verification to detect any losses (impairment test), as described later in the specific paragraph.

Tangible assets are no longer shown in the financial statements following their sale; any profit or loss (calculated as the difference between the sale value, net of selling costs, and the carrying amount) is recognised in the income statement for the year of sale.

INTANGIBLE ASSETS

Intangible assets are identifiable assets without physical substance, controlled by the company and capable of producing future economic benefits, as well as goodwill, when acquired for consideration.

The ability to identify is defined with reference to the possibility of distinguishing the acquired intangible asset compared to the goodwill. This requirement is normally satisfied when the intangible asset: (i) is attributable to a legal or contractual right or (ii) is separable, i.e. it can be sold, transferred, rented or exchanged independently or as an integral part of other activities. The control by the company consists in the ability to take advantage of the future economic benefits deriving from the asset and in the possibility of limiting its access to others.

Costs relating to internal development activities are recorded in the balance sheet when: (i) the cost attributable to the intangible asset can be reliably determined, (ii) there is the intention with, the availability of financial resources and the technical capacity to make the asset available for use or sale, (iii) it is demonstrable that the asset is capable of producing future economic benefits.

Intangible assets are recorded at cost, which is determined according to the same methods indicated for tangible assets.

Intangible assets with a finite useful life are amortised instead from the moment in which the same assets are available for use, in relation to the residual useful life.

The annual amortisation rates used in 2020, presented by similar categories with evidence of the relative application interval, are shown in the following table.

Intangible assets	Amortisation rate
Dinazzano concession	2.30%
Software	33.33%

Table 11

In the presence of specific indicators regarding the risk of non-full recovery of the value of the intangible assets, these are subject to a review to detect any losses in value (impairment test), as described in the paragraph "Impairment and reversal of impairment of assets (impairment test)".

The gain or loss deriving from the sale of an intangible asset is determined as the difference between the disposal value, net of selling costs, and the net book value of the asset and is recorded in the income statement of the year of sale.

RIGHT OF USE

The accounting treatment of lease contracts was changed following the entry into force of accounting standard IFRS 16 - Leases, starting from 1 January 2019.

At the date of the start of the contract, a right of use of the asset subject to leasing is recognised, equal to the initial value of the corresponding lease liability, plus payments due before or at the same time as the date the contract takes effect (e.g. agency expenses). Subsequently, this right of use is measured net of accumulated amortisation/depreciation and impairment. Amortisation/depreciation starts on the date the lease takes effect, and extends in the shorter of the contractual duration and the useful life of the underlying asset.

The assets consisting of the right of use are presented as a separate item in the Balance Sheet.

The Group avails itself of the right granted by the principle of non-application of the new provisions to short-term leases (with a duration not exceeding twelve months) and contracts in which the individual underlying asset is of low value; for these contracts, the Group continues to adopt IAS 17 by recognising lease fees in the income statement as a contra-entry to trade payables.

BUSINESS COMBINATIONS AND GOODWILL

Acquisitions of companies and business units are accounted for through use of the acquisition method, as required by IFRS 3; for this purpose, the acquired assets and identifiable liabilities acquired are recognised at their respective fair value at the date of acquisition. The cost of acquisition is measured by the total of the fair value, at the exchange date, of the assets, the liabilities assumed and any capital instruments issued by the Company, exchanging control of the acquired entity. Ancillary costs directly attributable to the business combination transaction are recognised in the income statement when incurred.

Goodwill is recorded as the positive difference between the acquisition cost, increased by both fair value on the date of acquisition of any non-controlling interests already held in the acquisition, and of the value of minority interests held by third parties in the acquisition (the latter valued, for each transaction, at the fair value or in proportion to the current value of the identifiable net assets of the acquisition), and the fair value of these assets and liabilities.

At the date of acquisition, the goodwill that emerged was allocated to each of the units generating substantially autonomous financial flows that are expected to benefit from the synergies deriving from the business combination.

In the case of a negative difference between the acquisition cost (increased by the above components) and the fair value of assets and liabilities, this is recorded as income in the income statement of the year of acquisition.

Any goodwill relating to non-controlling investments is included in the carrying amount of the investments relating to these companies.

If all the necessary information for determining the fair value of the assets and liabilities acquired is not available, these are provisionally recognised in the financial year in which the business combination transaction is realised and adjusted, with retroactive effect, no later than twelve months after the date of acquisition.

After initial recognition, goodwill is not amortised and is decreased by any accumulated impairment losses, determined using the methods described in the paragraph "Impairment and reversal of impairment of assets (impairment test)".

EQUITY INVESTMENTS

In the TPER Group's consolidated financial statements, equity investments in companies in which the Group has a significant influence, so-called "associates", and in jointly controlled companies, are measured using the equity method.

Also see the note - Criteria, procedures and scope of consolidation.

Equity investments in other companies, which can be classified in the category of capital financial instruments pursuant to IFRS 9, are initially recorded at cost, registered at the settlement date, insofar as it is representative of the fair value, including directly attributable transaction costs.

After the initial accounting, such equity investments are measured at fair value, with recognition of the effects in the income statement, except those that are not held for trading and for which, as allowed by IFRS 9, the option of designation at fair value with recognition of subsequent changes in the other components of other comprehensive income has been exercised at the time of acquisition.

Equity investments are derecognised when the contractual rights to the cash flows derived from the assets themselves expire or when the equity investment is sold, thereby effectively transferring all the risks and benefits pertaining thereto.

TREASURY SHARES

The purchase cost of treasury shares is recognised as a reduction in equity. The effects of any subsequent transactions on these shares are also recorded directly in equity.

INVENTORIES

Inventories, mainly consisting of supplies and spare parts for the maintenance of rolling stock, are valued at the lower of the purchase or production cost and the net estimated recoverable amount obtainable from its sale in the ordinary course of business. The book value is determined by applying the weighted average cost method.

FINANCIAL INSTRUMENTS

Financial assets and liabilities are recognised when the TPER Group becomes part of the instrument's contractual clauses.

RECEIVABLES AND PAYABLES

The receivables are initially recorded at fair value and subsequently valued at amortised cost, using the effective interest rate method, net of the related impairment losses with reference to the amounts considered uncollectable. The estimate of amounts deemed uncollectable is made on the basis of the expected future cash flows. These flows take into account the expected recovery times, the presumed realisation value, any guarantees received, as well as costs that are expected to be incurred for debt recovery. The original value of receivables is reinstated in subsequent years to the extent that the reasons that determined the adjustment cease to exist. In this case, the reversal of value is recorded in the income statement and cannot in any case exceed the amortised cost that the receivable would have had in the absence of previous adjustments. The effects of write-downs and reversals of value are included in the income statement in the item Write-downs/(reversals) of value.

The payables are initially recognised at cost, corresponding to fair value of the liability, net of any directly attributable transaction costs. After initial recognition, the payables are valued with the amortised cost criteria, using the effective interest rate method.

The trade receivables and payables, whose expiration falls within normal commercial terms, are not discounted.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents are recorded at nominal value, which coincides with the amortised cost, and include the values that meet the requirements of high liquidity, available at sight or very short-term and an irrelevant risk of change in their value.

NON-CURRENT ASSETS (OR DISPOSAL GROUPS) CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATIONS

In compliance with IFRS 5, non-current assets, disposal groups and any discontinued operations are measured at the lower of their book value and respective fair value less selling costs.

When it is expected that there is a high probability of the book value of a non-current asset or a disposal group being recovered, in the current conditions, mainly through a sale or form of disposal, instead of through their continuous use, and the transaction will most likely take place in the short-term, the asset, or disposal group, are classified as held for sale and for disposal in the appropriate items of the balance sheet. The transaction is considered highly likely, when the parent company's Board of Directors, or, for matters within its competence, a controlled entity, is committed to a programme for disposal of the asset (or disposal group), and activities have been initiated to identify a buyer and complete the programme. Sales include exchanges of non-current assets with other non-current assets where the exchange is of a commercial nature.

The non-current assets and net assets of disposal groups held for sale and disposal constitute discontinued operations if, alternatively: i) they represent a separate major line of business or geographical area of operations, ii) is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations, or iii) is a subsidiary acquired exclusively with a view to resale. The profits and losses from discontinued operations, as well as any capital gains/losses realised following the disposal, are shown separately in the income statement in a specific item, net of the related tax effects. The economic values of discontinued operations are also indicated for the comparison years.

If, subsequent to the date of drafting of the financial statements, an asset (or disposal group) no longer meets the criteria to be classified as held for sale, it must be reclassified based on a valuation of the lower between:

- The book value before the asset (or disposal group) was classified as held for sale, adjusted for all amortisation/depreciation, write-downs or reversals of value that would have otherwise been recognised if the asset (or disposal group) had not been classified as held for sale;
- The recoverable sum calculated on the date on which the subsequent decision not to sell was taken.

Any adjustment needed to the book value of a non-current asset that ceases to be classified as held for sale is included in the profit (loss) for the year deriving from operating assets in operation in the period in which the criteria for being classified as held for sale are no longer satisfied. If an individual asset or liability is removed from a disposal group classified as held for sale, the remaining assets and liabilities of the disposal group to be sold continue to be measured as a single group only if it satisfies the criteria for being classified as held for sale.

FINANCIAL DERIVATIVE INSTRUMENTS

All derivative financial instruments are shown in their financial statements at fair value, determined on the closing date of the financial year.

The derivatives are classified as hedging instruments, in accordance with IFRS 9, when the relationship between the derivative and the subject of the hedge is formally documented and the effectiveness of the hedge, initially and periodically verified, is high.

For instruments which cover the risk of changes in the cash flows of assets and liabilities (including with reference to prospective and highly probable assets and liabilities) subject to hedging (cash flow hedges), changes in the fair value are recognised in the statement of comprehensive income and any non-effective part of the hedging is recorded in the income statement. The cumulative changes in fair value set aside in the cash flow hedge reserve are reclassified from the statement of comprehensive income to the income statement for the year in which the hedging relationship is to cease.

For instruments that cover the risk of changes of the fair value of hedged assets and liabilities (fair value hedge), the changes in fair value are recorded in the income statement for the period. The related hedged assets and liabilities are also consistently adjusted to fair value, with an impact on the income statement.

The changes of fair value derivatives that do not meet the conditions for qualifying for IFRS 9 as hedging instruments are recognised in the income statement.

OTHER FINANCIAL ASSETS AND LIABILITIES

The other financial assets in which the intention and the ability to maintain them exists until maturity and the other financial liabilities are recorded at cost, registered at the settlement date, represented by the fair value of the initial consideration, increased in the case of assets and reduced in the case of the liabilities of any transaction costs directly attributable to the acquisition of the assets and the issue of the liabilities. Subsequent to initial recognition, the financial liabilities are valued at amortised cost, using the effective interest rate method.

Financial assets and liabilities are no longer shown in the financial statements when, as a result of their sale or settlement, TPER Group is no longer involved in their management, nor does it hold the risks and benefits relating to these instruments sold/terminated.

If there is a change in one or more elements of an existing financial instrument (also through substitution with another instrument), a qualitative and quantitative analysis is carried out in order to verify whether this change is substantial with respect to the existing contractual terms. In the absence of substantial changes, the instrument continues to be expressed at the amortised cost already recorded, and the recalculation of the effective interest rate of the instrument is carried out; in the event of modifications to the financial statements, the existing instrument is cancelled and there is contextual recognition of the fair value of the new instrument, with the allocation in the income statement of the relative difference.

The financial assets held with the aim of making a profit in the short term are recorded and valued at fair value, with allocation of the effects to the income statement; other financial assets other than the previous ones are classified as financial instruments available for sale, recorded and valued at fair value with allocation of the effects in the statement of comprehensive income and, therefore, in a specific equity reserve. No reclassification of financial instruments has ever been made between the categories described above.

LEASE LIABILITY

The lease liability, with the nature of a financial liability, is initially recognised at the present value of lease fees unpaid at the date of contractual effectiveness; for the purposes of calculation of the present value, the Group uses the incremental borrowing rate, defined for the duration of the loan and for each Group company.

The payments included in the initial measurement of the lease liability include:

- Fixed payments, net of any lease incentives to be received;
- Variable payments due for the lease that depend on an index or rate initially measured using an index or rate at the date of effectiveness (e.g. ISTAT adjustments);
- The exercise price of a purchase option, if the lessee is reasonably certain to exercise the option.

Variable payments that do not depend on an index or a rate are, by contrast, not included in the initial value of the lease liability. These payments are booked as a cost in the Income Statement, in the period in which the event or condition that generates the obligation is verified.

Subsequently, the lease liability is reduced to reflect the lease fees paid and increased to reflect the interest on the value that remains.

The Group recalculates the lease liability (and makes a corresponding adjustment to the associated right of use) in the event of a change in:

- Of the duration of the lease;
- Of future payments due for the lease, deriving from a variation in the index or rate used to determine the payments (e.g. ISTAT) or due to renegotiation of the economic terms and conditions.

Only in the event of a significant change in the duration of the lease or the future payments due for the lease does the Group recalculate the residual value of the lease liability, making reference to the incremental borrowing rate in force on the date of the change; in all other cases, the lease liability is recalculated by using the initial discount rate.

FUNDS FOR PROVISIONS

"Funds for provisions" are recognised when there is a current obligation (legal or implicit) with respect to third parties resulting from a past event, an outflow of resources is likely to satisfy the obligation and a reliable estimate of the amount of the obligation can be made.

The provisions are recorded at the value representing the best estimate of the amount that the entity would pay to extinguish the obligation or to transfer it to third parties at the closing date of the financial year. If the effect of discounting is significant, the provisions are determined by discounting the expected future cash flows at a discount rate that reflects the current market valuation of the cost of money. When discounting is carried out, the increase in the provision due to the passage of time is recognised as a financial charge.

The "Funds for the restoration and replacement of rolling stock" are determined on the basis of the wear and age of the rolling stock outstanding at year-end.

EMPLOYEE BENEFITS

The liabilities related to short-term benefits guaranteed to employees, paid during the employment relationship, are recognised on an accrual basis for the amount accrued at the end of the financial year.

The liabilities related to medium-long term benefits guaranteed to employees are recorded in exercising the right of the law, net of any assets serving the plan and the advances paid, determined on the basis of actuarial assumptions, if significant, and are recorded on an accrual basis consistent with the work services necessary to obtain the benefits.

The liabilities relating to the benefits guaranteed to employees, paid in connection with or after the termination of the employment relationship through defined contribution plans, are recorded for the amount accrued at the end of the financial year.

The liabilities related to the benefits guaranteed to employees, paid in connection with or after the termination of the employment relationship through defined benefit plans, are recorded in the year of maturity of the right, net of any assets servicing the plan and the advances paid, determined on the basis of actuarial assumptions and are recognised on an accrual basis consistent with the work services necessary to obtain the benefits. The liability assessment is carried out by independent actuaries. The profit or loss deriving from the actuarial calculation is fully recorded in the statement of comprehensive income, in the reference year.

REVENUES FROM CONTRACTS WITH CUSTOMERS

Revenue is the gross inflow of economic benefits arising in the course of the ordinary activities of an entity and is recognised when the control of the goods or services is transferred to the customer, at a figure representing the amount of consideration to which the entity expects to be entitled. More specifically, revenue is recognised through the application of a model that must meet the following criteria:

- Identification of the contract, defined as an agreement in which the parties undertake to fulfil their respective obligations;
- Identification of the individual performance obligations contained in the contract;
- Determination of the transaction price, i.e. the consideration expected for the transfer to the customer of the goods or services;
- Allocation of the transaction price to each performance obligation, on the basis of the selling prices of the individual obligation;
- Recognition of revenue when (or as) the performance obligation is satisfied by transferring the promised goods or service to the customer.

The transaction price is the amount of consideration to which the entity expects to be entitled in exchange for transferring the promised goods and services to the customer. It may include fixed and/or variable amounts. Revenues based on variable amounts are recognised in the Income Statement if reliably estimated and only if it is highly likely that such consideration will not, in subsequent periods, need to be wholly or substantially reversed from the Income Statement. In the event of a high prevalence of uncertainty related to the nature of the consideration, said consideration will only be recognised when such uncertainty is resolved.

Revenues can be recognised:

- At a point in time, when the entity fulfils the obligation to transfer the promised goods or service to the customer; or
- Over time, as the entity fulfils the obligation to transfer the promised goods or service to the customer.

The good is transferred when, or in the course of the period in which, the customer acquires control of it.

With reference to revenues for relationships with the most important customers for the Group, the moment of revenue recognition generally coincides:

- For travel tickets, with provision of the service;
- For supplementing of remuneration, set forth in the appropriate service agreements with public authorities, revenue is recognised for an amount equal to the actual amount accrued on the basis of current laws and agreements;
- For parking, with provision of the service;
- For car sharing, with provision of the service;
- For maintenance activities, with provision of the railway and automotive service.

For logistics and transport activities, connected to the railway goods service

GOVERNMENT GRANTS

Government grants are recognised at fair value when their amount can be reliably determined, there is reasonable certainty that they will be received and the conditions for obtaining them will be respected.

Grants for operating expenses are recorded in the income statement in the year they accrue, as a reduction of the costs to which they are commensurate if provided as compensation for expenses incurred, otherwise they are recognised under other income.

The grants received for investments in rolling stock or other tangible assets are recorded as a reduction in the cost of the asset to which they refer and contribute, in reduction, to the calculation of the relative depreciation rates.

INCOME TAXES

Income taxes are recorded on the basis of an estimate of the tax charges to be paid, in accordance with the applicable provisions in force.

The payables relating to income taxes are recorded under current tax liabilities in the balance sheet, net of advances paid. Any positive imbalance is recorded among current tax assets.

Deferred tax assets and liabilities are calculated on the basis of the temporary differences between the book value of the assets and liabilities and their tax value.

Deferred tax assets are recognised:

- For all deductible temporary differences, if it is likely that a taxable income will be realised against which the deductible temporary difference can be utilised, unless the deferred tax asset derives:
    - From the initial recognition of goodwill;
    - From goodwill whose amortisation is not deductible for tax purposes;
    - From the initial recognition of an asset or a liability in a transaction other than a business combination that, at the date of the transaction, does not influence either the accounting result or the taxable income (tax loss);
- For the carry-forward of unused tax losses and unused tax credits, if a taxable income is likely to be generated against which the tax loss or the tax credit can be used.

Deferred tax liabilities, if present, are booked in any case.

Deferred tax assets and liabilities are determined on the basis of the tax rates envisaged for the taxation of income in the years in which the temporary differences will reverse, based on the tax rates and tax legislation in force or essentially in force at the reference date. The effect of the change in tax rates on the aforementioned taxes is booked to the income statement in the year in which said change materialises. Deferred tax assets and liabilities are only set off when legally allowed.

IMPAIRMENT AND REVERSAL OF IMPAIRMENT OF ASSETS (IMPAIRMENT TEST)

On the balance sheet date, the book value of tangible, intangible and financial assets and equity investments is subject to verification to determine whether there are indications that these assets have suffered impairment. If these indications exist, we proceed to estimate the value of these assets, to verify the recoverability of the amounts recorded in the financial statements and determine the amount of any write-down to be recorded. For intangible assets with an indefinite useful life and those in progress, the above-mentioned impairment test is carried out at least annually, regardless of whether or not events occur that lead to the assumption of a reduction in value, or more frequently in the case that events or changes in circumstances occur which may bring about any reduction in value.

If it is not possible to estimate the recoverable value of an asset individually, the estimated recoverable value is included within the Cash Generating Unit (CGU) the asset belongs to. This verification consists in estimating the recoverable value of the asset (represented by the higher between the presumable market value, net of selling costs, and the value in use) and in comparison with the related net book value. If the latter is higher, the asset is written down to the extent of the recoverable amount. In determining the value in use, the expected future cash flows before taxes are discounted using a discount rate, before taxes, which reflects the current market estimate in relation to the cost of capital based on time and the specific risks of the asset. In the case of estimation of future cash flows of operating CGUs in operation, cash flows and discount rates are used instead net of taxes, which produce results that are substantially equivalent to those deriving from a pre-tax assessment. The impairment losses are recorded in the income statement and are classified differently depending on the nature of the impaired asset. At the closing date of the financial statements, if there is an indication an impairment loss recognised in previous years may have been reduced, in whole or in part, the recoverability of the amounts recorded in the financial statements is checked and the potential amount of the write-down to be reversed is determined; this reversal cannot in any case exceed the amount of the write-down previously carried out. The relative impairment losses are restored, within the limits of the write-downs carried out, if the reasons that generated them cease to exist, except for goodwill and for the consideration of participating financial instruments valued at cost, in cases where the fair value cannot be reliably determined and they cannot be restored.

IMPAIRMENT AND REVERSAL OF IMPAIRMENT OF FINANCIAL ASSETS (IMPAIRMENT TEST)

At each balance sheet date, pursuant to IFRS 9, financial assets other than those measured at fair value through profit and loss are assessed to see if there is any evidence that their book value may be considered not to be fully recoverable.

In the event that such evidence exists (evidence of impairment), the financial assets in question - together with, where existing, all those remaining belonging to the same counterparty - are considered impaired. Value adjustments equal to the expected losses relating to their entire residual life are recognised against these exposures.

For financial assets for which there is no evidence of impairment (non-impaired financial instruments), at each balance sheet date an assessment must be made as to whether there are indicators that the credit risk of individual transactions has significantly increased with respect to initial registration. Upon completion of this assessment:

- Where there are indicators of significant increase in the credit risk of individual transactions with respect to the initial recording of the financial asset, in accordance with the provisions of international accounting standards and, even in the absence of an evident impairment loss, an impairment equal to the expected losses along the entire residual life of the financial instrument is recognised. These adjustments are reviewed at each subsequent closing date both in order to periodically verify their accuracy with respect to the continuously updated loss estimates, and to take account, in the event that the indicators of a “significantly increased” credit risk cease to exist, of a change in the forecasting horizon for the calculation of expected loss.
- In the absence of indicators of significant increase in the credit risk, in accordance with the provisions of international accounting standards and, even in the absence of an evident impairment loss, expected losses for the specific financial instrument, over the course of the next twelve months, are recognised. These adjustments are reviewed at each subsequent balance sheet date both in order to periodically verify their accuracy with respect to the continuously updated loss estimates, and to take account - in the event that indicators of a “significantly increased” credit risk become evident - of a change in the forecasting horizon for the calculation of expected loss.

As regards the assessment of the financial assets and, in particular, the identification of a “significant increase” in credit risk, the main factors, within the meaning of the standard and its operational interpretation by TPER, to be taken into consideration are the following:

- The change (beyond determined thresholds) in the lifetime default probability with respect to the initial recording of the financial instrument in the financial statements. This is, therefore, an assessment based on a “relative” measure, which serves as the main “driver”.

- The presence of any contractual payment more than 30 days past due, without prejudice to the significance thresholds established by law. In the presence of such cases, in other words, the credit risk of the exposure is considered to have "significantly increased".

Once the exposures have been allocated to the various credit risk stages, the Expected Credit Loss (ECL) is determined on the basis of the Probability of Default (PD), Loss Given Default (LGD) and Exposure At Default (EAD) parameters. This estimate is carried out both by incorporating forward-looking information and using experienced credit judgement, so as to reflect factors that are not taken into consideration by the models.

PD is the probability that an asset will not be repaid and will go in default. This is determined both over a 12-month time horizon and over a lifetime time horizon. The PD for each instrument is based on historical data and is estimated taking into consideration current market conditions through reasonable and supportable information on future economic conditions, and through the use of Internal Ratings already used for credit limit purposes.

EAD is an estimation of the extent of credit exposure to a counterparty at the time of a default event occurs. This parameter includes an estimate of any value that is not expected to be recovered at the time of default (such as, for example, collateral, guarantees, insurance policies, offsettable payables, etc.).

LGD is the amount that is not expected to be recovered at the time the default event occurs and is determined both on a historical basis and through supportable and reasonable information regarding future market conditions.

IFRS 9 also allows the use of an additional approach, defined as "simplified". This method can be used for the following categories of financial instruments only:

- Trade receivables;
- Leasing receivables;
- Contract Assets according to IFRS 15.

This approach allows only the use of Lifetime PD for the calculation of expected losses, eliminating the need to determine the 12-month PD and to monitor the credit risk at each valuation date.

As part of the simplified approach, the "Provision Matrix" is used. This model foresees the use of impairment percentages determined by maturity date on the basis of the historical losses recorded. These percentages are subsequently supplemented with forward-looking information in order to incorporate market information into the percentages, in addition to historical information. This model was applied in particular for trade receivables from third-party customers, i.e. not belonging either to the Public Administration or to related parties, and therefore without internal ratings.

EARNINGS PER SHARE

The basic earnings per share are calculated by dividing the result for the year by the weighted average of the Company's shares outstanding during the year, excluding treasury shares.

The diluted earnings per share are calculated by dividing the result for the year by the weighted average of the Company's shares outstanding during the year, excluding treasury shares, increased by the number of shares that could potentially be issued.

It should be noted that, as at 31 December 2020, there were no shares that could potentially be place in circulation.

ESTIMATES AND EVALUATIONS

The preparation of the annual accounts, in application of IFRS, requires making estimates and assumptions that affect the values of revenues, costs, assets and liabilities in the financial statements and information on potential assets and liabilities at the reference date. In making the budget estimates, the main sources of uncertainties that could have an impact on the evaluation processes are considered. The final results may differ from these estimates.

The actual results recorded could subsequently differ from these estimates; however, the estimates and valuations are reviewed and updated periodically and the effects deriving from any change are immediately reflected in the financial statements.

The estimates also took into account assumptions based on the parameters, market and regulatory information available at the date the preparation of the financial statements. The current facts and circumstances that influence the assumptions regarding future developments and events, however, may change due to changes in market developments or applicable regulations that are beyond the control of the TPER Group. These changes in assumptions are also reflected in the financial statements when they occur.

The estimates were used in the evaluation of the Impairment Test, to determine any sales revenues, for provisions for risks and charges, the provision for doubtful debts and other provisions for write-downs, amortisation and depreciation, valuations of derivative instruments, employee benefits and deferred tax assets and liabilities.

On the basis of the rules defined at national and local level, an estimate was made of the public contributions pertaining to 2020 to support for revenue losses, during the period of lockdown and application of the restrictive measures for the COVID pandemic. See also the explanatory notes to the financial statements under item Revenues for TPL services.

REVENUES FROM CONTRACTS WITH CUSTOMERS

The recognition of revenues from contracts with customers includes variable components, in which penalties are especially significant (other than those envisaged for compensation for damages). The variable components are identified at the inception of the contract and estimated at the close of each accounting period during the entire period of contractual validity, to take account of both new circumstances that materialised, and changes in the circumstances already considered for the purposes of previous evaluations. The variable price components include liabilities for future reimbursements.

FUNDS FOR PROVISIONS

The Group incorporates in Funds for provisions the probable liabilities attributable to disputes and expenses related to personnel, suppliers, third parties and, in general, other expenses deriving from the obligations undertaken. These assessments include, among other things, the measurement of the liabilities that could result from various types of disputes and proceedings, the economic effects of seizures ordered and still not definitively assigned, as well as foreseeable adjustments or reimbursements to be made to customers in cases in which they are not definitively determined.

The calculation of the allocations to Funds for provisions involves the assumption of estimates based on current knowledge of factors which may change over time, being able to generate final outcomes that are also significantly different from those taken into account in the drafting of these financial statements.

IMPAIRMENT AND STAGE ALLOCATION OF FINANCIAL INSTRUMENTS

For the purposes of the calculation of impairment and determining the stage allocation, the main factors subject to estimates by the TPER Group are as follows, relating to the internal model prepared for counterparties:

- Estimate of the ratings for counterparties
- Estimate of the Probability of Default (PD) for counterparties.

DEPRECIATION OF TANGIBLE ASSETS AND AMORTISATION OF INTANGIBLE ASSETS

The cost of tangible and intangible assets is amortised/depreciated on a straight-line basis over the estimated useful life of each asset. The economic useful life is determined at the time of purchase of the assets and is based on historical experience for similar investments, market conditions and the anticipation of any future events that could have an impact, including changes in technology. The actual useful life may therefore differ from the estimated useful life.

In particular, with regard to the depreciation plan relating to buses and trolley buses used as part of the service contracts for the TPL of Bologna and Ferrara, the estimated residual value at the end of the agreements was based on specific appraisals drawn up by an independent expert who determined the takeover value that will presumably be recognised to TPER in application of the criteria identified by Resolution no. 49 of 17 June 2015 of the Transport Regulatory Authority and referring to the UNI 11282/2008 standard and subsequent amendments or additions.

DEFERRED TAX ASSETS

Accounting for deferred tax assets takes place on the basis of expectations of taxable income in future years. The valuation of expected taxable income for the purpose of accounting for deferred taxes depends on factors that may vary over time and have significant effects on the valuation of said financial statements item.

EMPLOYEE SEVERANCE INDEMNITY

The evaluation of Employee severance indemnity is also based on the conclusions reached by the Group's external actuaries. The calculation takes account of the Employee severance indemnity accrued for work already carried out and is based on the different demographic and economic-financial assumptions. These assumptions, also based on experience and reference best practice, are subject to periodic revisions.

GOING CONCERN

The economic and operating impacts of the COVID-19 emergency on the TPER Group's activities are currently being determined.

In compliance with the provisions of IAS 1 pursuant to paragraph 25, in the preparation phase of this annual report, the Group carried out an assessment of the entity's ability to continue to operate as a going concern. In this regard, the aforementioned standard establishes that "An entity must prepare financial statements on a going concern basis unless management intends to liquidate the entity or discontinue its operations, or has no realistic alternatives to this.

If management is aware, in making its judgements, of significant uncertainties relating to events or conditions that may give rise to serious doubts about the entity's ability to continue as a going concern, the entity must highlight these uncertainties. If an entity does not prepare its financial statements on a going concern basis, it must disclose that fact, together with the criteria on the basis of which it prepares the financial statements and the reason why the entity is not considered to be operating". As part of the evaluation of the correctness of the going concern assumption, the Directors have identified a series of areas of concern, linked to the restrictions and the subsequent reduction in ticketing revenues as well as their possible repercussions on expected profitability for the current year and on the related cash flows.

The Directors evaluated the significance of the circumstances linked to COVID-19 in relation to the company's capacity to fulfil its obligations. This evaluation included the consideration of the following elements:

- The effects of the Government provisions already implemented to support local public transport;
- Other actions implemented by the national and supranational authorities to tackle the health crisis and deal with the relevant economic and financial fall-out;
- The availability of liquidity reserves or other forms of access to credit which would allow the TPER Group to get through the next 12 months with lower passenger traffic, without ending up in a position whereby its business continuity is compromised.

As already highlighted elsewhere, it should be noted that in 2020 an estimate of public support for lost revenues was recorded on the basis of the rules defined at national and regional level applied on the basis of a prudential approach; the Company expects to recognise an additional portion in 2021 both as a balance of the public funds allocated in 2020, and as a result of the additional funds allocated in 2021.

In light of the above considerations, the Directors considered the going concern assumption to be appropriate and correct after having verified the Group's ability to fulfil its obligations in the foreseeable future and, in particular, in the next 12 months.

ACCOUNTING STANDARDS, INTERPRETATIONS AND IMPROVEMENTS APPLIED FROM 1 JANUARY 2020

The following documents, previously issued by the IASB and endorsed by the European Union, which amend the international accounting standards, came into force from 1 January 2020:

AMENDMENTS TO IFRS 16 - LEASES COVID-19 "RELATED RENT CONCESSIONS"

On 28 May 2020, the IASB issued the document "Amendment to IFRS 16 Leases COVID-19 Related Rent Concessions", effective from 1 June 2020. The changes introduced now allow a practical expedient that allows the lessee not to consider any concessions deriving from the effects of COVID-19 on the payment of the fees a modification of the original contract. Therefore, the above-mentioned amendments must be accounted for as if the contract had not been modified, recognising in the income statement the impacts deriving from the changes in the lease payments due to which the lessee applied the practical expedient. This expedient applies to the incentives related to COVID-19 that reduce the payments of fees due by 30 June 2021 and does not concern lessors. The amendment applies only to incentives relating to leases that occur as a direct consequence of the COVID-19 pandemic and only if a series of conditions are met. Lastly, the lessee is required to adopt the practical expedient of providing specific information in the financial statements. This option was not used by TPER.

AMENDMENTS TO IFRS 3 - BUSINESS COMBINATIONS

On 22 October 2018, the IASB published the document "Definition of a Business (Amendments to IFRS 3)", to better clarify the definition of a business. In particular, according to the amendment the presence of an output is not strictly necessary to identify a business when there is an integrated set of activities, processes and assets. However, to meet the business definition, an integrated set of activities, processes and assets must include, as a minimum, a substantial input and a process that together contribute significantly to the ability to create an output. To this end, the IASB has replaced the term "ability to create an output" with "ability to contribute to the creation of an output" to make it clear that a business can exist even without the presence of all the necessary inputs and processes to create an output.

The amendment also introduced a test ("concentration test"), to be used on an optional basis for the entity, to determine whether a set of activities, processes and assets acquired is a business.

AMENDMENTS TO IFRS 9, IAS 39, IFRS 7 REGARDING "INTEREST RATE BENCHMARK REFORM"

On 26 September 2019, the IASB published the document "Interest Rate Benchmark Reform (Amendment to IFRS 9, IAS 39 and IFRS 7)", which modifies some of the requirements for the application of hedge accounting, providing for temporary exceptions to the same, in order to mitigate the impact of the uncertainty of the IBOR reform (still in progress) on future cash flows in the period prior to its completion. The amendment became necessary as a result of the report "Reforming Major Interest Rate Benchmarks" with which the European Council for Financial Stability issued recommendations aimed at strengthening the existing reference indices and other potential reference rates based on interbank markets and at processing almost risk-free alternative reference rates. The amendment also requires companies to provide information in the financial statements regarding their hedging relationships that are directly affected by the uncertainties generated by the reform and to which the above-mentioned exceptions apply and in particular the circumstance that companies can continue to comply with what is established by IFRS, assuming that the reference indices for determining the existing interest rates are not changed following the reform of interbank rates.

AMENDMENTS TO IAS 1 "PRESENTATION OF FINANCIAL STATEMENTS" AND IAS 8 - ACCOUNTING POLICIES, CHANGES IN ACCOUNTING ESTIMATES AND ERRORS

On 31 October 2018, the IASB published the document "Definition of Material (Amendments to IAS 1 and IAS 8)", which specified the definition of the term "material" contained in IAS 1 and IAS 8. This amendment also includes the objective of introducing the concept of "obscured information", alongside the concepts of "omitted" or "erroneous" information already present in the two standards subject to amendment. The amendment clarifies that information is "obscured" if it has been described in such a way as to produce for the readers of financial statements an effect similar to that which would have occurred if the information had been omitted or incorrect.

NEWLY ISSUED ACCOUNTING STANDARDS AND INTERPRETATIONS, REVISIONS AND AMENDMENTS TO EXISTING STANDARDS NOT YET IN FORCE OR NOT YET APPROVED

As required by IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors, the new accounting standards and interpretations are reported below, as are the changes to the existing standards and interpretations already applicable, not yet effective as at 31 December 2020, that could be applied in the future in the Group's consolidated financial statements.

AMENDMENTS TO IFRS 9, IAS 39, IFRS 7 REGARDING "INTEREST RATE BENCHMARK REFORM (PHASE 2)"

On 27 August 2020, the IASB published the document "Interest Rate Benchmark Reform - phase 2 (Amendments to IFRS 9, IAS 39 and IFRS 7)" to take into account the consequences of the actual replacement of reference indices for the determination of existing interest rates with alternative reference rates. These amendments provide for a specific accounting treatment to spread over time the changes in the value of financial instruments or lease contracts due to the replacement of the reference index for the determination of interest rates, thus avoiding immediate repercussions on the result for the year and unnecessary termination of hedging relationships following the replacement of the reference index for determining interest rates.

AMENDMENTS TO IAS 1 - PRESENTATION OF FINANCIAL STATEMENTS - CLASSIFICATION OF LIABILITIES AS CURRENT OR NON-CURRENT

On 23 January 2020, the IASB issued the document "Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current", whose provisions are effective for annual periods beginning on or after 1 January 2023, except for any subsequent deferrals established at the time of endorsement by the European Commission. The IASB clarifies the criteria that must be used in order to determine whether the liabilities should be classified as current or non-current. The amendments aim to promote consistency in the application of the requirements by helping companies to determine whether payables and other liabilities with an uncertain settlement date should be classified as current (due or potentially to be paid within one year) or non-current. In addition, they include clarifications regarding the classification requirements for payables that an entity could settle through conversion into equity instruments.

IFRS 17 INSURANCE CONTRACTS

On 18 May 2017, the IASB issued IFRS 17 "Insurance Contracts", which defines the accounting of insurance contracts issued and reinsurance contracts held. The provisions of IFRS 17, which supersede those currently envisaged by IFRS 4 "Insurance contracts", are effective for annual periods beginning on or after 1 January 2021.

AMENDMENTS TO IFRS 3 BUSINESS COMBINATIONS; IAS 16 PROPERTY, PLANT AND EQUIPMENT; IAS 37 PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS; ANNUAL IMPROVEMENTS 2018-2020

On 14 May 2020, the IASB issued the document "Amendments to (i) IFRS 3 Business Combinations; (ii) IAS 16 Property, Plant and Equipment; (iii) IAS 37 Provisions, Contingent Liabilities and Contingent Assets (iv) Annual Improvements to IFRS Standards 2018-2020", whose provisions are effective for the Group as from 1 January 2022, except for any subsequent deferrals established at the time of endorsement by the European Commission. In particular:

- With the "Amendments to IFRS 3 Business Combinations", the IASB updated the reference to the Conceptual Framework in the revised version, without these implying changes to the provisions of the standard.
- Through the "Amendments to IAS 16 Property, Plant and Equipment", the IASB introduced some clarifications, in particular that the amount received for the asset from the sale of assets produced before the asset was ready cannot be deducted from the cost of the asset. These sales revenues, and the related costs, must therefore be recognised in the income statement.
- With the "Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets", the IASB clarified which cost items must be considered in order to assess whether or not a contract is an onerous contract.
- Finally, through the "Annual Improvements to IFRS Standards 2018–2020", changes were made:
    - To IFRS 1 First-time Adoption of IFRS, simplified by a subsidiary that adopts the IFRS standards for the first time after its parent company has already adopted them, in terms of measurement of cumulative translation differences;
    - To IFRS 9 Financial Instruments, clarifying that when the "10 per cent" test is carried out, in assessing whether the changes made to a financial liability are significant (and, therefore, involve derecognition), only commissions paid or received between the entity and the lender must be included.

For all the reviewed standards as well as to the existing standards, the Group is evaluating any impacts currently not reasonably estimated, deriving from their future application.

SIGNIFICANT EVENTS AFTER THE CLOSE OF THE YEAR

The significant transactions which occurred after 31 December 2020 are summarised below.

SUSPENSION OF TENDER APPEAL

Following the exclusion of TPER from the tender procedure for the assignment of activities relating to the parking plan and services/activities complementary to mobility in the Municipality of Bologna, TPER filed an appeal with the Bologna Regional Administrative Court, challenging the exclusion from the procedure on two counts: on the one hand, asserting the criticality and fragility of the telematic platform used by the contracting authority, and on the other, raising objections regarding the admission of the applicant who was subsequently awarded the contract, who did not appear to meet the requirements within the terms set in the in the tender's by the lex specialis relating to the tender.

In April 2021, the Regional Administrative Court of Bologna rejected the appeal, dismissing the technical issues raised, and decided it was not able to examine the objections against the admission of the other competitor, on the assumption that once the legitimacy of the exclusion of TPER from the tender was declared, it would not have able to action the judicial remedy against the admission of the other candidate. At the end of the proceedings, an appeal was filed with the Council of State, which reproposed the complaints against the exclusion of TPER, and it was pointed out that, regardless of the rejection of the appeal against said exclusion, the first-instance Judge in any event, should have assessed the validity of the encumbrance in relation to the possession of the requirements of the admitted economic operator.

PUBLIC SUPPORT AGAINST THE COVID-19 PANDEMIC

The Support Decree bis was published in the Official Gazette of 26 May 2021. Decree Law no. 73/2021 reports the “Urgent measures related to the COVID-19 emergency, for businesses, work, young people, health and area services" which have allocated but not yet committed an additional contribution of Euro 800 million to support the TPL as compensation for lost revenues due to the effects of the COVID-19 pandemic, whose amount which will affect the year 2021.

INFORMATION ON THE STATEMENT OF FINANCIAL POSITION

The items in the balance sheet as at 31 December 2020 are commented on below. The values in brackets in the headings of the notes refer to balances as at 31 December 2019.

1. TANGIBLE ASSETS

Euro 161,712 (211,732) thousand

Tangible assets as at 31 December 2020 showed a net value of Euro 161,712 thousand compared to the net value as at 31 December 2019 of Euro 211,732 thousand. The table below shows the initial and final amounts of the items of tangible assets, with evidence of the original cost and accumulated depreciation at the end of the year.

IN THOUSANDS OF EUROS	31/12/2020			31/12/2019		
	Cost	Accumulated depreciation	Net value	Cost	Accumulated depreciation	Net value
Real estate	4,750	(1,392)	3,358	4,537	(1,274)	3,263
Rolling stock buses/trolley buses	302,750	(229,137)	73,612	295,356	(226,274)	69,082
Rolling stock buses/trolley buses IN PROGRESS	1,679	0	1,679	4,679	0	4,679
Railway rolling stock	91,045	(21,251)	69,794	113,411	(15,145)	98,267
Vehicle rolling stock	3,086	(2,783)	303	2,738	(2,552)	187
Infrastructure	35,453	(24,735)	10,718	57,953	(25,740)	32,212
Other tangible assets	12,559	(10,312)	2,247	12,642	(8,601)	4,041
Total tangible assets	**451,322**	**(289,610)**	**161,712**	**491,317**	**(279,586)**	**211,732**

Table 12

The decrease in the net value of tangible assets compared to the balance as at 31 December 2019, equal to Euro 50,020 thousand, is due to the following changes.

In thousands of euros	31/12 2019 Net value	Investments	Depreciation	Write-downs	Disposals	Other reclassifications or adjustments	Grants on investments	Non-current assets and disposal groups of assets	31/12 2020 Net value
Real estate	3,263	144	(36)	0	(83)	69	0	0	3,358
Rolling stock buses/trolley buses	73,761	13,544	(9,901)	929	(276)	2,730	(5,495)		75,293
Railway rolling stock	98,267	10,285	(3,233)	0	(116)	(3,024)	(32,386)	0	69,794
Vehicle rolling stock	187	71	(130)	0		175	0	0	303
Infrastructure	32,212	4,721	(589)	0	(19)	(20,473)	(5,134)	0	10,718
Other tangible assets	4,041	795	(291)	0	(18)	(1,851)	(430)	0	2,247
Total change tangible assets	**211,732**	**29,561**	**(14,180)**	**929**	**(511)**	**(22,374)**	**(43,445)**	**0**	**161,712**

Table 13

The item "Real estate" includes buildings and land owned for instrumental purposes for the exercise of the operations.

The "Rolling stock buses/trolley buses" included in the item "Rolling Stock" for an amount, net of depreciation, equal to Euro 75.3 million, is used as part of the Bologna and Ferrara TPL contract. Its useful life is estimated on the basis of the residual maturity of the service agreements, and the depreciable amount is estimated on the basis of the difference between the historical cost and the takeover value that it is presumed will be paid to TPER by the new contractor in application of the criteria identified by the Transport Regulatory Authority (ART) resolution no. 49 of 17/06/2015, with reference to UNI 11282/2008.

It should be noted that the company commissioned an independent expert to estimate the takeover value.

During 2020, the railway rolling stock increased by approximately Euro 10 thousand as a result of investments and decreased mainly as a result of the recognition of grants on investments of Euro 32,386 thousand, following regional resolution 6692 of 21 April 2020, which refers to a lot of 7 electric trains purchased with a contract signed in 2014. The further reduction is due instead to the recognition of depreciation for the year of Euro 3,233 thousand and to the reclassification of the rolling stock provision under tangible fixed assets in the form of accumulated depreciation of rolling stock for the portion of Euro 3,024 thousand following the application of the component approach envisaged by IAS 16. This reclassification was carried out considering those trains which, due to scheduled maintenance, have a longer useful life than some of its components.

The item "Infrastructure in progress" consists of works carried out on third-party assets, electronic machines, issuers, validators, parking meters, electronic information panels with variable message and information systems for users. The main change in the year was the decrease of Euro 27,547 as a result of the reclassification of the Crealis Project as a financial fixed asset and the recognition of new grants received, which lead to reduction of the assets to which they refer. The reclassification of the Crealis Project under financial fixed assets was carried out following the entry into operation of the TPGV - Crealis service as from 1 July 2020 and the definition of the new framework contract envisaged by the draft agreement between TPER, SRM, the Metropolitan City of Bologna, the Municipality of Bologna and the Municipality of San Lazzano. These conditions, which arose in 2020, made it possible to treat the transaction for accounting purposes according to IFRIC 12. To this decrease, included among the changes indicated in the table shown as other reclassifications and adjustments, is added the reclassification under tangible fixed assets of Euro 5,549 thousand relating to extraordinary maintenance carried out at the Dinazzano freight yard.

Finally, it should be noted that as at 31 December 2020, the tangible assets are not encumbered by mortgages, liens or other real guarantees that limit their availability.

2. INTANGIBLE ASSETS

Euro 17,319 (23,626) thousand

IN THOUSANDS OF EUROS	31/12/2020			31/12/2019		
	Cost	Accumulated amortisation	Net value	Cost	Accumulated amortisation	Net value
Concession rights	18,201	(1,551)	16,651	23,097	(510)	22,587
Other intangible assets	772	(103)	669	1,022	17	1,039
Total	18,974	(1,654)	17,319	24,119	(493)	23,626

Table 14

The table below shows the amounts at the beginning and at the end of the year as well as the relative changes occurred in 2020.

In thousands of euros	31/12 2019	Changes in the financial year						31/12 2020
	net value	investments	depreciation	write-downs	disposals	Other reclassifications or adjustments	grants on investments	net value
Concession rights	22,587		(388)			(5,549)		16,650
Other intangible assets	1,039	335	(795)			91		669
Total	23,626	335	(1,183)	0	0	(5,459)		17,319

Table 15

The concession rights refer to the concession contract for the compendium of the Dinazzano Po freight yard formalised on 4 August 2017 by means of a deed with Register no. 15625 with the Province of Reggio Emilia. In Article 3, the contract provides that "the Concession has a duration of 50 (fifty) years, starting from the date of completion of the works relating to the area and specifically from 14 July 2014", therefore, the expiry date of the Concession is 14 July 2064. It should be noted that the Dinazzano and Guastalla freight railway stations are managed by the TPER Group with effect from 1 February 2012, as part of the partial demerger of the transport branch carried out by FER S.r.l. to FER Trasporti S.r.l. which, on the same date, was merged into the company TPER S.p.A.

Euro 5.5 million relating to extraordinary maintenance carried out at the Dinazzano freight yard was reclassified under tangible fixed assets (infrastructure), as also reported in the table of changes in property, plant and equipment.

3. ASSETS FOR RIGHTS OF USE AND LIABILITIES FOR LEASED ASSETS

Assets for rights of use Euro 11,372 (13,289) thousand

The right of use of leased assets is analysed below:

In thousands of euros	TPL Bologna and Ferrara	Company cars	Business unit rental fees	Car sharing	Transport of goods	Total
Opening balance as at 01.01.2020	**1,505**	**269**	**3,738**	**3,781**	**3,996**	**13,289**
Increases	952	48	45	461	1,042	2,547
Amortisation/depreciation	(535)	(165)	(877)	(1,649)	(1,238)	(4,464)
Closing balance as at 31.12.2020	**1,922**	**152**	**2,906**	**2,593**	**3,799**	**11,372**

Table 16

The right of use of leased assets ("RoU") of Euro 11,372 thousand essentially relates: (i) for Euro 1,922 thousand to contracts relating to property and related appurtenances for implementing of the Local Public Transport of the Municipality of Bologna. The contract originally set to expire on 29 February 2020 was extended until 31 August 2024 (ii) for Euro 152 thousand to the rental of company cars (iii) for Euro 2,906 thousand to the right of use relating to the business unit rental contract (Bologna TPL) stipulated between TPER, via the TPB consortium and the granting body SRM, in-house company of the Municipality of Bologna on 4 March 2011, and to the concession contract for use of the assets functional to the TPL service of the Municipality of Ferrara, (iv) for Euro 2,593 thousand to the rental of cars for provision of the car sharing service and (v) for Euro 3,799 thousand to the contracts relating to the rental of rolling stock for the performance of goods transport by the subsidiary Dinazzano Po.

Liabilities for leased assets

- Non-current portion Euro 6,841 (10,053) thousand
- Current portion Euro 4,289 (2,944) thousand

Liabilities for leased assets amounting to Euro 11,130 thousand as at 31 December 2020 are analysed as follows:

In thousands of euros	TPL Bologna and Ferrara	Company cars	Business unit rental fees	Car sharing	Transport of goods	Total
Liabilities for leased assets	**1,967**	**155**	**2,956**	**2,689**	**3,364**	**11,130**
Of which						
Current liabilities	639	78	876	1,551	1,145	4,289
Non-current liabilities	1,328	77	2,080	1,138	2,219	6,841

Table 17

4. EQUITY INVESTMENTS

Euro 16,202 (15,021) thousand

The table below shows the main equity investments held by the TPER Group as at 31 December 2020, with an indication of the percentages held and their carrying amount, net of any tenths to be paid, with evidence of the original cost and the accumulated revaluations and write-downs. at the end of the year.

In thousands of euros	31/12/2020				31/12/2019			
	% ownership	Cost	Revaluations (write-downs)	Final value	% ownership	Cost	Revaluations (write-downs)	Final value
Equity investments measured at cost or at fair value		4,041	-700	3,342		4,041	-700	3,341

Start Romagna S.p.A.	14%	4,036	-700	3,336	14%	4,036	-700	3,336
Consorzio Esperienza Energia S.c.r.l. in liquidation	<1%	0	-	0	<1%	0	-	0
Consorzio Acquisti dei Trasporti S.c.r.l.		5	0	5		5	0	5
Equity investments measured using the equity method		**16,695**	**-3,836**	**12,860**		**13,695**	**-2,017**	**11,680**
MARCONI EXPRESS S.p.A.	25%	2,000	-1,572	428	25%	2,000	-1,076	925
Consorzio Trasporti Integrati S.c.r.l.	26%	3	0	3	26%	3	0	3
TrenitaliaTper S.c.r.l.	30%	3,300	-704	2,596	30%	300	0	300
SETA S.p.A.	47%	11,393	-1,559	9,834	47%	11,393	-940	10,452
Total Equity investments		**20,736**	**-4,536**	**16,202**		**17,736**	**-2,717**	**15,021**

Table 25

The changes in the year refer to the increase in the equity investment in Trenitalia TPER (TT) for Euro 3 million following the transfer of the business unit and the write-downs made on the investees Marconi Express (Euro 0.5 million), Trenitalia TPER (Euro 0.7 million), SETA (Euro 0.6 million).

5. FINANCIAL ASSETS

Non-current portion Euro 32,754 (8,014) thousand

Current portion Euro 7,666 (5,225) thousand

The table below shows the breakdown of other financial assets at the beginning and end of the financial year, highlighting the current and non-current portions.

In thousands of euros	31/12/2020			31/12/2019		
	financial statement value	current portion	non-current portion	financial statement value	current portion	non-current portion
Financial assets for contributions	**6,534**	**6,502**	**32**	**4,248**	**4,103**	**145**
Emilia-Romagna Region	3,157	3,157		3,876	3,876	54
Municipality of Bologna	542	542		-	-	-
Ministry of Transport	2,490	2,490		-	-	-
Municipality of San Lazzaro	313	313		227	227	-
Other	32		32	91	-	91
Other financial assets	**33,886**	**1,164**	**32,722**	**8,991**	**1,122**	**7,869**
Loan to investee Marconi Express S.p.A.	9,161	1,143	8,018	7,869		7,869
Crealis	27,121	-	27,121	-		-
Other	21	21		1,122	1,122	
Provision for the write-down of financial assets	(2,417)	-	(2,417)		-	
Total Thousands of euros	**40,420**	**7,666**	**32,754**	**13,239**	**5,225**	**8,014**

Table 26

6. DEFERRED TAX ASSETS

Deferred tax assets Euro 7,372 (3,377) thousand

The amount of deferred tax assets is highlighted below, net of deferred tax liabilities and deferred tax assets and liabilities, based on the nature of the temporary differences that originated them, summarised in the following table. Deductible temporary differences in subsequent years were not significantly different from that of the Parent Company TPER.

In thousands of euros	31/12/2020	31/12/2019
Deferred tax assets IRES	7,463	3,880
Deferred tax assets IRAP	632	198
Deferred tax assets	**8,095**	**4,078**
Deferred tax liabilities IRES	(-665)	(-643)
Deferred tax liabilities IRAP	(-58)	(-58)
Deferred tax liabilities	**(-723)**	**(-701)**
Net deferred tax assets	**7,372**	**3,377**

Table 27

With regard to the Parent Company, which represents the most significant part, the temporary differences and the tax losses amount respectively to Euro 48.4 million and Euro 9.7 million, against which DTAs were allocated only for the amount of Euro 5.5 million, which is deemed to be recoverable in the coming years. Consequently, no deferred tax assets were set aside on tax losses of Euro 2.3 million and on temporary differences of Euro 7.2 million.

In thousands of euros	31/12/2019	Changes in the financial year					31/12/2020
	Opening balance	Provisions	(Releases)/(Uses)	Allocations to (releases from) OCI	Changes in A.P. estimate	Other reclassifications or adjustments	Closing balance
Allocations to non-deducted provisions	3,040	5,792	(1,562)			245	7,515
Other temporary differences	1,038	235	(329)	7		(371)	580
Deferred tax assets	**4,078**	**6,027**	**(1,891)**	**7**	**0**	**(126)**	**8,095**
Differences between tax value and book value of FTA adjustments	(701)	0	0	0	0	0	(701)
Other temporary differences	0	(22)	0	0	0	0	(22)
Deferred tax liabilities	**(701)**	**(22)**	**0**	**0**	**0**	**0**	**(723)**
Net deferred tax assets	**3,377**	**6,005**	**(1,891)**	**7**	**0**	**(126)**	**7,372**

Table 28

The 2020 allocations to provisions not deducted refer mainly to the provision for labour disputes, the RCA exemption provision, the rolling stock maintenance provision, the Marconi Express onerous contract provision and the component approach on locomotives.

7. OTHER ASSETS

Current portion Euro 5,722 (5,245) thousand

The change in the item other current assets of Euro 477 thousand is mainly due to:

- Euro 638 thousand for the increase in receivables for excise duties on diesel relating to the company Dinazzano Po;
- Euro 250 thousand for the reduction in excise duties on diesel relating to the Company TPER;
- Euro 76 thousand for the increase in prepaid expenses of the investees Dinazzano Po, Mafer and SST;
- Euro 14 thousand for the increase in receivables from employees of the company TPER.

The receivables recorded are attributable for the following amounts to:

- Euro 1,637 thousand for receivable from Ferrovie Emilia Romagna, for government grants;
- Euro 1,773 thousand for receivables relating to excise duties on diesel fuel;
- Euro 802 thousand for prepayments;
- Euro 977 thousand for travel tickets at retail outlets;
- Euro -4,439 thousand for the bad debt provision.

The item "Other assets" also includes the receivable from Atc S.p.A., equal to Euro 3.6 million, attributable to the adjustments of the extraordinary merger operation of 2012 and the accounting recognition of the IRES credit from IRAP referable to previous years. For this receivable it was considered appropriate to attach an adequate provision for write-downs because, despite the recognition of the debt and the full availability to extinguish it, Atc has tax litigation underway that could compromise - in the event of a loss to Atc - the financial capacity of the company. Receivables for the endowment of travel tickets at retail outlets were also covered by the bad debt provision.

8. NON-CURRENT ASSETS/LIABILITIES AND DISPOSAL GROUPS OF ASSETS/LIABILITIES

Non-current disposal assets and disposal groups of assets - Euros 0 (7,177) thousand

Non-current liabilities and disposal groups of liabilities - Euros 0 (4,177) thousand

Non-current assets and disposal groups of assets and non-current liabilities and disposal groups of assets and liabilities in 2019 included all the assets and liabilities elements involved in the transfer of the business unit to the investee Trenitalia TPER S.c.r.l. on 5 December 2019 belonging to regional rail transport in Emilia-Romagna, effective from 1 January 2020, date of the start of full operations of the new company.

9. TRADE ASSETS

Euro 102,460 (99,928) thousand

The item, mainly consisting of trade receivables, increased by Euro 2,532 thousand compared to the balance as at 31 December 2019. This increase is mainly due to an increase in the railway spare parts inventory.

As at 31 December 2020, trade assets included:

- inventories, amounting to Euro 24,895 thousand (Euro 22,391 thousand as at 31 December 2019), consisting of inventories and spare parts for the maintenance of rolling stock:

In thousands of euros	31/12/2020	31/12/2019
Raw materials (railway parts)	20,115	18,147
Raw materials (automotive parts)	15,594	15,050
Provision for inventory write-downs	(10,815)	(10,806)
Total	**24,895**	**22,391**

Table 29

The provision for inventory write-downs includes the value of the engines and other complex subsystems used and overhauled as well as a provision on slow-moving parts. This provision is adjusted annually, as regards the automotive sector based on indexes regarding the changes in individual parts, while in relation to railway parts based on the obsolescence of parts. There were no uses of the provision in 2020.

- Trade receivables, equal to Euro 77,566 thousand (Euro 77,357 thousand as at 31 December 2019), the breakdown of which is detailed in the table below.

IN THOUSANDS OF EUROS	31/12/2020	31/12/2019
Trade receivables from associates	14,790	23,502
Trade receivables from owner entities	2,458	964
Customers/Other receivables for different services	60,318	53,072
TRADE RECEIVABLES (NET)	**77,566**	**77,537**

Table 30

Trade receivables due from associates, amounting to Euro 14,790 thousand, mainly refer to the receivable from railway companies that managed the railway services: Consorzio Trasporto integrati up to 31 May 2019; Trenitalia/TPER S.c.r.l. from 1 June 2019. The full collection of these items normally happens by the end of September of the following year.

The item "Customers/Other receivables for different services", amounting to Euro 60,318 thousand, is attributable to receivables for the sale of travel and parking tickets (Euro 1,150 thousand), receivables from Italian customers (Euro 49,833 thousand) for penalties charged to the manufacturers of rolling stock, for the repair and maintenance services of third-party vehicles, for services related to mobility rental income and the sale of advertising space and for railway goods transport services.

The receivables were recognised net of the bad debt provision which as at 31 December 2020 amounted to Euro 4,094 thousand for the TPER Group. The following table shows the changes in the provision for doubtful debts related to trade receivables.

In thousands of euros	31/12/2019	Reclassifi cations	Uses	Provisions	31/12/2020
Provision for doubtful debts on trade receivables	5,539		- 1,898	453	4,094
Total	**5,539**		**-1,898**	**453**	**4,094**

Table 31

10. CASH AND CASH EQUIVALENTS

Euro 74,346 (55,441) thousand

The item includes bank and postal deposits as well as cash funds for minute and urgent expenses.

For more details on the events that generated the increase in the item during the 2020 financial year, please refer to the cash flow statement.

11. CURRENT TAX ASSETS

Current tax assets Euro 2,231 (2,576)

The table below shows the amount of current tax assets and liabilities at the beginning and end of the year, in relation to the excess of prepayments on the payable for the year.

In thousands of euros	31/12/2020	31/12/2019
Current tax assets - IRES	2,005	3,815
Current tax assets - IRAP	241	- 289
Direct tax assets	**2,246**	**3,526**
Current tax liabilities - IRES		- 950
Current tax liabilities - IRAP	- 16	-
Direct tax liabilities	**- 16**	**- 950**
Direct tax assets	**2,231**	**2,576**

Table 32

12. SHAREHOLDERS' EQUITY

Euro 165,387 (162,051) thousand

As at 31 December 2020:

- The outstanding shares are equal to 68,492,702 (68,492,702 as at 31 December 2019);
- The treasury shares amount to 11,480 (11,480 at 31 December 2019).

The treasury shares relate to the acquisition on the market of 11,480 shares, in relation to the withdrawal of the shareholders Province of Mantua, Province of Modena, Province of Reggio Emilia and Province of Rimini.

The shareholders' equity pertaining to the Group, amounting to Euro 162,439 thousand, increased by Euro 3,455 thousand compared to 31 December 2019. The main changes during the year, represented in detail in the statement of changes in the Group's shareholders' equity, refer to:

- The profit for the year pertaining to the Group, equal to Euro 3,615 thousand;
- The negative result of the other components of the statement of comprehensive income, equal to Euro 170 thousand, determined in part by the negative change in the item "Profit/(loss) from actuarial valuation of provisions for employee benefits" for Euro 24 thousand and for the remainder of the effects deriving from the valuation of investments in associates using the equity method.

The shareholders' equity attributable to minority interests amounted to Euro 2,948 thousand and showed a decrease of Euro 120 thousand compared to 31 December 2019 (Euro 3,067 thousand), essentially due to the combined effect of the following main changes:

- The profit for the year attributable to minority interests, amounting to Euro 62 thousand;
- The distribution of dividends for 2019 equal to Euro 58 thousand distributed by SST.

	Shareholders' equity (including result for the year)	Result for the year
Shareholders' equity and result of the Parent Company	153,818	3,181
Effect of company consolidation	8,511	(181)
Alignment with IFRSs	173	677
Elimination of intercompany dividends	(61)	(61)
Shareholders' equity and result pertaining to the Group	162,441	3,616
Share pertaining to third parties	2,947	(61)
Consolidated shareholders' equity and result for the year	165,388	3,555

Table 33 Shareholders' equity and result

13. FUNDS FOR PROVISIONS

Non-current portion Euro 47,442 (48,959) thousand

Current portion Euro 4,906 (5,186) thousand

IN THOUSANDS OF EUROS	31/12/2020			31/12/2019		
	Financial statement values	Current portion	Non-current portion	Financial statement values	Current portion	Non-current portion
Provisions for employee benefits	20,001	1,986	18,015	22,311	1,964	20,347
Provision for restoration and replacement of rolling stock	0	0	0	8,123	0	8,123

Other provisions	32,347	2,920	29,427	23,711	3,223	20,488
Total	**52,348**	**4,906**	**47,442**	**54,145**	**5,186**	**48,959**

Table 34

The table below shows the amounts at the beginning and end of the year for funds for provisions and the related changes for 2020 compared with the changes for 2019.

In thousands of euros	**31/12/2019**	**Changes in 2020**							**31/12/2020**
	Opening balance	**Provisions**	**Financial charges**	**Decreases for uses**	**Decreases for releases**	**Allocations to (releases from) OCI**	**Other reclassifications or adjustments**	**Reclassification - IFRS 5**	**Closing balance**
Provisions for employee benefits	22,311	628		(2,893)		30	(75)		20,001
Provision for restoration and replacement of rolling stock	8,123				(5,407)		(2,716)		0
Insurance deductibles provision	2,789	312		(1,653)					1,449
Provision for labour disputes in progress	11,427	2,877	1	(243)	(233)		110		13,939
Provision for tax disputes	6,312			(692)					5,620
Expropriation litigation provision	1,992								1,992
Other provisions	1,191	8,157							9,348
Total Changes in Provisions	**54,145**	**11,975**	**1**	**(5,481)**	**(5,640)**	**30**	**(2,681)**	**0**	**52,349**

Table 35

The provision for restoration and replacement of rolling stock was released for Euro 5.4 million and the remaining balance of Euro 2.7 million was reclassified under tangible fixed assets, to adjust the rolling stock.

The “Insurance deductibles provision”, equal to Euro 1,449 thousand, represents the probable liability for the deductibles charged to TPER still to be paid on motor vehicle accidents occurring before 31 December 2020.

The "Provision for labour disputes in progress", amounting to Euro 13.938 thousand, has been created to cover the foreseeable liabilities, expressed at current values, relating to disputes with employees. The provision also includes an estimate of legal fees and other potential ancillary costs.

The "Provision for tax disputes", amounting to Euro 5,620 thousand, consists of the involvement of TPER - as a legally supportive subject - in relation to tax disputes on matters prior to its constitution.

The "Expropriation Litigation Provision", amounting to Euro 1,992 thousand, is set up to cover the outcome of the disputes pending before the Court of Appeal, concerning the calculation of compensation for expropriation of land on which the Dinazzano railway station insists. The 2020 increase in other provisions is mainly due to the provision of Euro 6.9 million to cover future potential charges deriving from the management of the service known as People Mover.

PROVISIONS FOR EMPLOYEE BENEFITS

As at 31 December 2020, the provision for employee benefits, amounting to Euro 20,000 thousand, refers entirely to employee severance indemnity (TFR) for employees subject to Italian legislation, to be paid upon termination of employment.

The changes in the provision for employee benefits in 2020 is as follows:

In thousands of euros	31/12/2020
Balance as at 1 January 2020	22,311
Cost for recurrent services	628
Financial component	0
Effect of actuarial (profits)/losses	30
Uses in the year	(2,893)
Other reclassifications	(75)
Total Changes in Provisions	20,001

Table 36

The main assumptions made for the actuarial estimate process of the employee severance indemnity provision as at 31 December 2020 are summarised below.

	31/12/2020	31/12/2019
Annual discounting rate	-0.02%	0.37%
Annual inflation rate	0.80%	1.20%
Annual rate of increase of severance indemnity	**2.10%**	**2.40%**
Frequency of advances	**2%**	**2%**
Annual turnover rate	**1.50%**	**1.50%**

Table 37

In particular, it should be noted that:

- the annual discounting rate used for the determination of the present value of the liability was derived, in accordance with paragraph 83 of IAS 19, from the Iboxx Corporate AA index with a duration of 7-10 observed at the date of valuation. For this purpose, the performance with durability has been chosen comparable to the duration of the total workers evaluated;
- The annual rate of increase in employee severance indemnity pursuant to Article 2120 of the Italian Civil Code is equal to 75% of inflation plus 1.5 percentage points.

The list of statistical sources used is shown below.

Mortality	RG48 mortality tables published by the State General Accounting Office
Disability	INPS tables distinguished by age and sex
Retirement age	100% upon reaching the AGO requirements in accordance with Decree Law no. 4/2019

Table 38

Future estimated benefits Years	**Thousands of euros**
1	2,140
2	660
3	1,099
4	1,177
5	1,383

Table 39

14. FINANCIAL LIABILITIES

Non-current portion Euro 95,409 (103,260) thousand

Non-current portion Euro 0 (5,331) thousand

The detailed schedules of financial liabilities are shown below, highlighting the composition of the financial statement balance, the corresponding nominal value of the liability and the related collectability (current and non-current portion).

IN THOUSANDS OF EUROS	31/12/2020				31/12/2019			
	Nominal value	Financial statement value	Current portion	Non-current portion	Nominal value	Financial statement value	Current portion	Non-current portion
Bonds	95,000	94,878	0	94,878	95,000	94,648	0	94,648
Medium/long-term loans	77	77	0	77	13,393	13,393	5,331	8,062
Derivatives	0	31	0	31	0	100	0	100
Current account overdrafts	0	0	0	0	0	0	0	0
Short-term loans	0	0	0	0	0	0	0	0
Other financial liabilities	423	423	0	423	449	449	0	449
Total financial liabilities	**95,500**	**95,409**	**0**	**95,409**	**108,757**	**108,591**	**5,331**	**103,260**

Table 40

On 15 September 2017, TPER completed the issue of an unsecured debenture bond loan for an amount of Euro 95 million, listed on the Dublin Stock Exchange (Irish Stock Exchange), the world's leading marketplace for regulated government and corporate bonds. Non-convertible TPER bonds, with a maturity of 7 years and amortising repayments starting from the fifth year, present a fixed annual coupon of 1.85% and were entirely placed with institutional investors.

Note that the bond requires the observance of certain financial parameters (financial covenants). The criteria for determining the economic figures used in the calculation of the ratios are set forth in the agreements. Failure to meet these by the respective reference dates may result in a default event and entail the obligation to repay in advance the principal amounts, the interest and the additional amounts provided for in the agreements. The financial covenants relate to:

- Compliance with a minimum threshold for the ratio between net financial debt and equity equal to 1;
- Compliance a minimum threshold for the ratio between net financial debt and EBITDA of 3.5.

The level of return on the TPER bond as at 31 December 2020 is estimated at roughly 1.00% (compared to 1.98% on the bond at the issue phase in September 2017). Based on said rate of return, the nominal value of the bond as at 31 December 2020 is equal to Euro 97,128,000 (compared to Euro 95,000,000 on issue).

15. OTHER LIABILITIES

Non-current portion Euro 21,782 (21,335) thousand

Non-current portion Euro 28,960 (33,390) thousand

The most significant part of the non-current portion consists of amounts due to SRM Società Reti e Mobilità S.p.A., equal to Euro 20,345 thousand, corresponding to the balance due on the reference date in relation to the rental agreement of the business unit underwritten on 4 March 2011 between the mobility agency SRM Società Reti e Mobilità S.p.A. and the company Trasporto Pubblico Bolognese S.c.r.l. at the same time as signing the service agreement for the management of public transport on the local road in the Bologna area, currently extended until 31 August 2024.

Among the most significant items of "Other liabilities", please note: Euro 10.7 million for ticket revenue pertaining to future financial years, Euro 12.5 million for payables due to personnel and 2.7 million for payables due to social security institutions for salary expenses.

16. TRADE LIABILITIES

Non-current portion Euro 0 (0) thousand

Current portion Euro 64,139 (53,964)

Most of these consisted of payables to suppliers of Euro 58.5 million, which recorded an increase of Euro 6.9 million compared to 2019. There were no payments past due involving a significant amount not paid.

INFORMATION ON THE INCOME STATEMENT ITEMS

The analysis of the main balances of the income statement is shown below.

For details on the balances of the income statement items deriving from transactions with related parties, please refer to the section "Transactions with related parties".

17. REVENUES FOR TPL LINE SERVICES

Euro 180,915 (202,605) thousand

The revenues for TPL line services amounted to Euro 180,915 thousand and showed a decrease of Euro 21,690 thousand (-11%) compared to 2019 (Euro 202,605 thousand).

	2020	2019	Change
TRAVEL TICKETS	46,554	80,476	-33,922
REMUNERATION SUPPLEMENTS	119,208	105,200	14,008
CLA CONTRIBUTIONS	11,997	12,187	-190
PASSENGER FINES	3,096	3,799	-703
OTHER REVENUES	59	942	-883
TOTAL TPL LINE SERVICES	**180,915**	**202,605**	**-21,690**

Table 41

The global health emergency for the COVID-19 pandemic has led to restrictions on travel and limits on the occupancy of public transport means in order to limit the risk of contagion and the obligation to reimburse season tickets not used during the lockdown period (according to rules established by law); this led to a decrease in travel tickets of more than 42%.

The item Supplement for 2020 fees includes Euro 14 million as a result of the various decree laws to compensate for the loss of revenues due to the health emergency. The amount thus determined is currently the best estimate that can be made on the basis of the rules defined at national and regional level, applied on the basis of a prudential approach. In fact, it was calculated by initially identifying the total funds allocated to compensate for the lost tariff revenues relating to passengers from 23 February 2020 to 31 January 2021, equal to approximately Euro 1 billion, and broken down according to the percentage of traffic revenues for each Autonomous Region and Province provided by the database of the Observatory on local public transport policies in the period from 23 February to 3 May 2018 (6.91% for Emilia-Romagna). Once the value allocated to the Emilia-Romagna Region was obtained, this was in turn divided according to the percentage of revenues from traffic for each provincial public transport basin, as part of public transport by road in the provinces of Bologna and Ferrara was considered. the specific portion TPER.

18. REVENUES FROM RAILWAY LINE SERVICES

Euro 26,521 (92,273) thousand

Revenues from railway line services amounted to Euro 26,521 thousand, down by Euro 65,752 thousand (-71%) compared to 2019 (Euro 92,273 thousand) following the sale of the railway passenger transport business unit to Trenitalia TPER S.c.r.l..

IN THOUSANDS OF EUROS	2020	2019	Change
TRAVEL TICKETS	0	17,092	-17,092
REMUNERATION SUPPLEMENTS	1,098	50,176	-49,078
CLA CONTRIBUTIONS	0	1,151	-1,151
PASSENGER FINES	0	270	-270
OTHER REVENUES	25,423	23,583	1,840
TOTAL TPL LINE SERVICES	**26,521**	**92,273**	**-65,752**

Table 42

The freight railway service remains, in addition to the rental services of passenger railway rolling stock.

19. REVENUES FROM PARKING AND CAR SHARING

Euro 13,125 (16,934) thousand

Revenues for parking and car sharing amounted to Euro 13,125 thousand, a decrease of Euro 3,810 thousand (-22.5%) compared to 2019 (Euro 16,934 thousand).

IN THOUSANDS OF EUROS	2020	2019	Change
STOPPING AND PARKING	10,805	15,058	-4,253
ACCESS TO THE HISTORIC CENTRE	1,332	1,797	-465
CAR SHARING	987	78	909
TOTAL	**13,125**	**16,934**	**-3,810**

Table 43

Parking activities in the municipality of Bologna and car sharing were also limited by the COVID-19 pandemic.
Against lower revenues for parking and access to the historical centre, a corresponding reduction was observed in the cost of the fee paid to the grantor.

20. OTHER INCOME

Euro 45,200 (16,859) thousand

The details of other income are shown in the following table.

IN THOUSANDS OF EUROS	2020	2019	Change
MAINTENANCE MEANS AND OTHER SERVICES RENDERED TO THIRD PARTIES	5,676	1,807	3,869
RAILWAY MAINTENANCE	16,860	3,682	13,178
INSURANCE AND OTHER REIMBURSEMENTS	4,367	1,591	2,776
FINES	923	731	192
OTHER	17,375	9,048	8,326
TOTAL OTHER INCOME	**45,200**	**16,859**	**28,341**

Table 44

The most significant increase was recorded in railway maintenance which experienced an increase in volume, as since 2020 all maintenance activity of passenger trains is entirely carried out for companies outside the TPER Group.

21. PERSONNEL COSTS

Euro 107,439 (131,921) thousand

The breakdown of personnel costs is shown in the following table.

In thousands of euros	2020	2019	*CHANGE*
Salaries and wages	79,395	101,348	-21,953
Social security contributions	22,350	24,235	-1,885
Pension provisions	5,023	5,522	-499
Other personnel costs	671	816	-144
Total	**107,439**	**131,921**	**-24,481**

Table 45

Personnel costs, amounting to Euro 107,439 thousand (Euro 131,921 thousand as at 31 December 2019). The main change relates to the sale of the rail passenger transport business unit from 1 January 2020 to Trenitalia/TPER S.c.r.l., with the transfer of 381 employees.

The following table shows the headcount as at 31 December, divided by level of job classification:

	2020	2019	CHANGE
Executives	13	13	-
Middle managers	52	59	(7)
White-collar workers	298	328	(30)
Blue-collar workers	1,811	2,228	(417)
Apprentices	284	233	51
Associates	2	7	(5)
Total	**2,460**	**2,868**	**(408)**

Table 46

22. COSTS FOR SERVICES

Euro 81,285 (99,566) thousand

The financial statement balance is detailed in the following table.

IN THOUSANDS OF EUROS	2020	2019	Change
Transport services	34,150	39,188	-5,038
Rail tolls	743	10,718	-9,975
Maintenance	16,827	17,795	-968
Cleaning	7,231	5,295	1,936
Insurance	4,768	6,561	-1,793
Electric power	1,789	1,708	81
Canteen service	1,475	2,124	-649
Other utilities	1,895	1,624	271
Consultancy	1,842	1,212	630
Other	10,566	13,341	-2,775
Total	**81,285**	**99,566**	**-18,281**

Table 47

The main reason for the reduction in costs for services is related to the sale of the railway passenger transport business unit from 1 January 2020 to Trenitalia/TPER S.c.r.l.. The COVID-19 health emergency also led to a small reduction in costs for services as a result of the decrease in production, but it also led to increased costs for sanitisation, recorded under the item “cleaning”.

23. RAW MATERIALS AND MATERIALS

Euro 33,934 (44,719) thousand

This item includes the costs for the purchases of materials:

IN THOUSANDS OF EUROS	2020	2019	Change
Fuels	15,128	23,439	-8,311
Lubricants	562	587	-25
Tyres	937	832	105
Spare parts	16,919	16,972	-53
Various materials	-294	2,278	-2,572
Other	683	611	72
Total	**33,934**	**44,719**	**-10,784**

Table 48

The reduction in the cost of fuels is determined by both the decrease in quantities purchased and the decrease in unit prices of said fuels.

24. COSTS FOR USE OF THIRD-PARTY ASSETS

Euro 7,258 (7,997) thousand

The item includes:

In thousands of euros	2020	2019	*CHANGE*
Parking and permit management fee	4,930	7,835	(2,905)
Other rentals and leasing	2,328	162	2,166
Total	7,258	7,997	(739)

Table 49

The parking and permit management fee relates to the amount due from TPER to the Municipality of Bologna on the basis of the contract awarding the related tender.

The reduction in revenues from parking and permits led to a corresponding fee to the grantor.

25. OTHER OPERATING COSTS

Euro 4,240 (4,952) thousand

The item includes:

IN THOUSANDS OF EUROS	2020	2019	Change
Taxes and fees	1,374	2,348	-974
Audits and inspections	134	131	3
Membership fees	366	243	123
Other	2,366	2,230	136
Total	**4,240**	**4,952**	**-712**

Table 50

The main component of the item "Other" refers to the charges deriving from the contract in place with SRM for the TPL of Bologna.

26. WRITE-DOWNS AND WRITE-BACKS

Euro 1,158 (1,798) thousand

In thousands of euros	**31/12/2020**	**31/12/2019**	***Change***
Write-downs of tangible assets	159	0	159
Reversals of impairment of tangible assets	0	0	
Write-downs/(reversals) of impairment of financial assets	(1,317)	(1,798)	481
Total	(1,158)	(1,798)	640

Table 51

27. CHANGE IN FUNDS FOR PROVISIONS

Euro 5,018 (6,104) thousand

The item consists of the operating changes (provisions and releases) of funds for provisions, excluding those for employee benefits (classified in personnel costs), allocated by the Company to fulfil the legal and contractual obligations that are presumed to require the use of economic resources in subsequent years.

The balance of the item, equal to Euro 5 million, is related to the increase, net of releases for the year, of the provision for labour disputes for Euro 2.6 million, the release of Euro 5.4 million of the provision for rolling stock maintenance, to the allocation of Euro 6.9 million for provisions for risks on a Marconi Express onerous contract plus Euro 0.9 million of other provisions.

28. FINANCIAL INCOME

Euro 983 (501) thousand

The balance of financial income and charges is detailed in the tables below.

IN THOUSANDS OF EUROS	2020	2019	Change
of which interest income on receivables	508	501	7
of which interest income on bank accounts	1		1
of which other interest income	474		474
Total	**983**	**501**	**482**

Table 52

29. FINANCIAL CHARGES

Euro 2,555 (2,428) thousand

IN THOUSANDS OF EUROS	2020	2019	Change
Charges on bonds	1,988	1,978	10
Charges on loans	115	82	33
Other financial charges	452	368	84
Total	**2,555**	**2,428**	**128**

Table 53

30. SHARE OF PROFIT (LOSS) ON INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Euro - 831 (66) thousand

The “Share of net profit (loss) on investments accounted for using the equity method” for 2020 includes a net loss of Euro 831 thousand, attributable to the pro-quota results for the year of associates.

For further details, please refer to note 4.

31. TAX CHARGES

Euro -1,600 (313) thousand

The table below shows the details of the tax charges in the two financial years compared.

In thousands of euros	2020	2019	*Change*
IRES	2,239	1,163	1,076
IRAP	415	869	-454
Current income taxes	**2,654**	**2,032**	**622**
Income taxes for previous years	-261	-930	-1,191
Differences on income taxes for previous years	**-261**	**-930**	**-1,191**
Provisions			
Releases	-3,993	-789	-3,204
Prepaid taxes	**-3,993**	**-789**	**-3,204**
Provisions			
Releases			
Deferred taxes	**0**	**0**	0
Deferred tax assets and liabilities	**-3,993**	**-789**	**-3,204**
Tax charges (income)	**-1,600**	**313**	**-1,360**

Table 54

EARNINGS PER SHARE

The table below shows the statement of the basic and diluted earnings per share for the two financial years compared.

	31/12/2020	31/12/2019
Weighted average number of shares issued	68,492,702	68,492,702
Weighted average number of treasury shares in portfolio	111,480	111,480
Weighted average number of shares outstanding for the purpose of calculating basic earnings	68,381,222	68,381,222
Profit for the year (thousands of euros)	3,615	6,871
Basic earnings per share (euros)	0.05	0.10
Diluted earnings per share (euros)	0.05	0.10

Table 55

It should be noted that, as at 31 December 2020, there were no shares that could potentially be outstanding and, therefore, the diluted earnings per share coincided with the earnings per share.

ADDITIONAL FINANCIAL INFORMATION

INFORMATION ON THE CASH FLOW STATEMENT

The year 2020 recorded a positive net cash flow of Euro 18,905 thousand compared to a negative value in 2019 of Euro 13,366 thousand.

The net cash flow generated by operating activities amounted to Euro 21,202 thousand in 2020, and decreased by Euro 2,929 thousand compared to the previous year. The reduction is attributable to the combined effect of the following factors:

- The reduction in profit for the year of Euro 3,555 thousand compared to that of the previous year of Euro 6,954 thousand (Euro -3,399 thousand) in a year heavily marked by the COVID-19 health emergency;
- The reduction in depreciation and amortisation of Euro 21,070 thousand in 2020 compared to Euro 22,487 thousand in 2019 (Euro - 1,417 thousand), also in relation to the sale of the railway passenger transport business unit;
- The reduction of Euro 4,622 thousand for capital gains from the sale of non-current assets;
- The reduction of other items of operational management for Euro 2,846 thousand;
- The increase in the change in working capital and other changes from Euro -15.3 million in 2019 to Euro -5.9 million in 2020.

Investment activities recorded the generation of cash flows of Euro 5,644 thousand in 2020, compared to 2019 of Euro - 20,461 thousand in 2019 following the collection of public grants for Euro 35.3 million on the purchase of 7 electric trains completed in 2014.

The net cash flow absorbed by financial assets amounted to Euro 16,721 thousand, in line with the 2019 value of Euro 17,035 thousand, but with a different composition. The main differences are:

- Minor dividends paid to shareholders for a total of Euro 4,140 thousand;
- Greater reimbursement of medium-long term loans for Euro 7,259 with the repayment of a TPER mortgage.

MANAGEMENT OF THE FINANCIAL RISK

The TPER Group's objective is to maintain a balanced management of its financial exposure over time, designed to ensure a liability structure that is balanced with the composition of assets and able to ensure the necessary operational flexibility by using liquidity generated from current operating activities and bank loans.

The ability to generate liquidity from ordinary operations, combined with the debt capacity, enable the TPER Group to adequately satisfy its operating needs, financing of operating working capital and investment requirements, as well as respect for its financial commitments.

The strategies employed by the TPER Group to manage and control financial risks are illustrated below.

The Group, in the ordinary performance of its operating and financial activities, is exposed to:

- Liquidity risk, with reference to the availability of adequate financial resources to meet its short-term commitments;

- The risk of non-compliance with bond covenants;
- The risk of fluctuation in interest rates deriving from the exposure to variable interest rates;
- The risk deriving from fluctuations in commodities prices;
- The credit risk, connected both to normal commercial relations and to the possibility of default of a financial counterparty.

The Group is not exposed to exchange rate risk.

LIQUIDITY RISK

Liquidity risk is the possibility that the available financial resources may be insufficient to cover maturing bonds. The Group believes that it has access to sufficient sources of funding to meet the planned financial needs, also in relation to the possible criticalities concerning the disbursement of the contributions due from transfers of the Public Administration, taking into account its capacity to generate cash flows, the wide diversification of the sources of financing and the liquidity generated by the issue of the bond loan.

The strategy adopted by the Group for the management of liquidity risk focuses on optimising its ability to generate cash flows, and on diversifying sources of funding to cover its requirements for the management of the year and for investments and on the continuous monitoring of expected cash flows to respect the expiry of the commitments assumed.

The following table provides details on the remaining expiries of liabilities based on the non-discounted cash flows. For the bond issue and the bank loans the amounts include both the flows relating to the reimbursement of the capital portion, and the flows relating to interest. In the event in which the flows relating to interest are at a variable rate, their non-discounted value is estimated by applying, for subsequent expiries, the latest variable rate applied in 2019.

For financial liabilities for leased assets, the flows are determined on the basis of contractual fees and, in the event in which these are subject to indexing, their non-discounted value is estimated by applying, for subsequent expiries, the latest variable rate applied in 2019.

In thousands of euros	Financial statement value	Contractual flows				Total
		Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	After 5 years	
As at 31 December 2020						
Bonds	94,878	1,757	66,262	32,253		100,272
Loans	77	27	21	29		77
Derivatives	31	31				31
Liabilities for leased assets	11,130	4,328	4,019	4,877	63	13,287
Trade liabilities	64,139	64,139				64,139
As at 31 December 2019						
Bonds	94,648	1,757	1,757	98,514		102,028
Loans	13,843	5,419	5,409	2,723		13,551
Derivatives	100	80	29			109
Liabilities for leased assets	12,997	4,961	3,660	5,022		13,643
Trade liabilities	53,964	53,964				53,964

Table 56

The TPER Group believes it has the ability to fulfil its payment obligations through the generation of cash flows from operating activities and, subordinately, through the use of stocks of cash and/or financial instruments in the portfolio that can be converted to cash.

RISK OF DEFAULT AND NON-COMPLIANCE WITH COVENANTS

The risk of default relates to the possibility that loan agreements or the settlement of the bond may contain provisions that give counterparties, whether they are banks or bond-holders, the legitimate right to ask the debtor, when given events occur, for the immediate reimbursement of the sums granted, subsequently giving rise to liquidity risk.

The loan agreements, as with the bond, in line with international practice for similar transactions, generally give the lender/bond-holder the right to request the reimbursement of its receivable by arranging for the early termination of the relationship with the debtor in all cases where the latter is declared insolvent and/or subject to bankruptcy proceedings, or has initiated a liquidation procedure or another procedure with similar effects.

In particular, the contracts make provision for respect for financial covenants:

- the bond envisages the obligation of respecting, for the entire duration of the debt:
  - The ratio between the consolidated net financial position and consolidated shareholders' equity must not exceed 1;
  - the ratio between consolidated net financial position and consolidated EBITDA must not exceed 3.5.

Non-compliance with the clauses described above constitutes a breach of the contractual obligations and the Company may be required to pay the residual debt.

Respect for these covenants is monitored by the Group and, at the current state of play, all covenants have been observed and compliance also for 2021 is anticipated on the basis of budgets.

INTEREST RATE RISK

The interest rate risk is linked to the uncertainty caused by the trend in interest rates and can generally present a double manifestation:

- Cash flow risk: this is connected to financial assets or liabilities with flows indexed to a market interest rate;
- fair value risk: it represents the risk of loss deriving from an unexpected change in the value of a financial asset or liability following an unfavourable change in the market rate curve.

The Group's approach to managing interest rate risk, which takes account of the structure of assets and the stability of the cash flows, aims to preserve funding costs and stabilise cash flows, in such a way as to safeguard margins and ensure the certainty of cash flows deriving from ordinary activities. The TPER Group's approach to managing interest rate risk is, therefore, prudent and provides for the analysis and control of the position, carried out periodically based on specific requirements.

The following table shows loans payable at variable and fixed rates.

In thousands of euros	31.12.20	Contractual cash flows	Current portion	Between 1 and 2 years	Between 2 and 5 years	After 5 years
Variable rate	77	77	27	21	29	-
Fixed rate	94,878	100,272	1,757	66,262	32,253	-
Total	94,955	100,349	1,784	66,283	32,284	-

Table 57

In thousands of euros	31.12.19	Contractual cash flows	Current portion	Between 1 and 2 years	Between 2 and 5 years	After 5 years
Variable rate	13,843	13,550	5,419	5,409	2,723	-
Fixed rate	94,648	102,028	1,757	1,757	98,514	-
Total	108,491	115,578	7,176	7,166	101,237	-

Table 58

COMMODITY PRICE RISK

The TPER Group is exposed to the price risk of energy commodities, i.e. electricity and oil products, since procurement is impacted by fluctuations in the prices of these commodities.

The Group procures commodities through tender procedures and does not make recourse to financial markets for hedges.

CREDIT RISK

Credit risk represents the exposure to potential losses resulting from the failure of commercial counterparties to meet their obligations.

The TPER Group's counterparties are primarily composed of:

- Group companies;
- The Municipality of Bologna, the Municipality of Ferrara, the Emilia-Romagna Region and their investees;
- Financial counterparties in relation to deposits at banks and capital contributions, also in the form of loans granted to investees.

As regards users of TPL services, the TPER Group operates by providing public services and the revenues deriving from the tariffs applied are essentially collected with the provision of the service.

However, there are some non-performing credit positions, positions subject to analytical valuation, and an overall estimate of the riskiness of outstanding credit positions, for which a provision for write-downs has been created that takes into account the estimate of recoverable flows and the related collection date, future recovery charges and expenses, as well as the value of guarantees and deposits received from customers.

The credit risk on liquidity and on financial instruments in the portfolio is limited given that the TPER Group only operates with counterparties with a high credit rating.

The low exposure to credit and counterparty risk is confirmed by the results of the impairment analysis, as detailed in the dedicated section.

To measure expected losses, receivables were grouped on the basis of the characteristics of the counterparty risk and by maturity date. In order to apply the selected models, impairment percentages were established determined by maturity date and on the basis of the historical losses recorded by the Company. These percentages were subsequently supplemented with forward-looking information in order to incorporate market information, in addition to historical information.

The table below shows the Company's exposure to credit risk as at 31 December 2020.

IN THOUSANDS OF EUROS					Past due		
	Receivables 31/12/2020	not past due	0-30	31-60	61-90	91-180	over 180
Trade assets	73,472	67,206	1,757	710	494	858	2,448
Financial assets	40,420	40,420	-	-	-	-	-
Other assets	5,722	1,007		-	-	-	4,714
Provision for doubtful debts	(10,950)	(8,033)	(83)	(106)	(102)	(169)	(2,457)
Total	108,663	100,600	1,674	604	392	689	4,705

Table 59

ADDITIONAL DISCLOSURES ON FINANCIAL INSTRUMENTS

The details of financial assets and liabilities required by IFRS 7, subdivided into the categories defined by IFRS 9, are shown below.

In thousands of euros	Notes	Fair value level	Amortised Cost	Fair value recognised in the income statement			Total	
			31/12/2020	31/12/2019	31/12/2020	31/12/2019	31/12/2020	31/12/2019
NON-CURRENT ASSETS								
Equity investments	4	3	16,202	15,027	3,336	3,336	19,538	18,363

Financial assets	5		32,754	8,014	32,754	8,014
CURRENT ASSETS					-	
Trade receivables	8		77,566	77,537	77,566	77,537
Financial assets	5		7,666	5,225	7,666	5,225
Assets for current income taxes	10		2,231	2,576	2,231	2,576
Other assets	11		5,722	5,245	5,722	5,245
NON-CURRENT LIABILITIES					-	-
Bonds	14		94,878	94,648	94,878	94,648
Medium/long-term loans	14		77	8,062	77	8,062
Derivatives	14	2	31	100	31	100
Long-term liabilities for leased assets	3		7,986	10,053	7,986	
Other liabilities	15		21,782	21,335	21,782	21,335
CURRENT LIABILITIES					-	-
Trade liabilities	16		64,139	53,964	64,139	53,964
Financial liabilities	14		-	5,331	-	5,331
Liabilities for leased assets - short-term portion	3		3,144	2,944	3,144	2,944
Other liabilities	15		28,960	33,390	28,960	33,390

Table 60

DETERMINATION OF THE FAIR VALUE

The fair value of the financial assets and liabilities is determined in line with IFRS 13, which requires these values to be classified based on a hierarchy of levels, which reflects the characteristics of the inputs used to determine the fair value:

- Level 1: valuations performed on the basis of quoted prices in active markets for financial assets and liabilities identical to those subject to valuation.
- Level 2: valuations performed on the basis of inputs other than quoted prices pursuant to level 1, which for the financial asset or liability are directly (prices) or indirectly (price derivatives) observable.
- Level 3: valuations that take as a reference parameters not observable on the market.

Taking the aforementioned classification as a reference, procedures were implemented to measure the fair value of the assets and liabilities as at 31 December 2019 and 31 December 2018, with reference to the observable market parameters:

- The fair value of the financial assets and liabilities with standard conditions and terms, quoted on an active market is measured with reference to prices published in said market by leading market contributors.
- The fair value of other financial assets and liabilities is measured, where the conditions are met, by applying the discounted cash flow method, using the prices recorded for recent market transactions by leading market contributors for similar instruments as the reference balances.

The table below shows the financial assets and liabilities measured at fair value:

In thousands of euros	31/12/2020	Fair value at the reporting date		
		Level 1	Level 2	Level 3
Equity investments	3,336			3,336
Derivatives	3,144		3,144	

Table 61

In accordance with the provisions of IFRS 13, the fair value of the financial liabilities as at 31 December 2020 is reported, which includes the bond which is measured at amortised cost.

During the year, there were no transfers between the different levels of the fair value hierarchy.

For medium/long-term financial instruments, other than derivatives, where no market shares are available, the fair value is determined by discounting the expected cash flows, using the market interest rate curve at the reference date and considering counterparty risk in the case of financial assets and its own credit risk in the case of financial liabilities.

GUARANTEES

Description	31/12/2020	31/12/2019
Guarantees given to third parties		
Sureties granted	20,408	20,219
Risks		
Third-party assets at the company		4,042
SRM rented assets at the company	28,037	27,990
SRM assets at the company	19	19
	48,464	**52,270**

Table 62

The sureties granted to third parties refer, for the most part, to the guarantees provided by TPER for:

- on behalf of TPB S.c.r.l. and TPF S.c.r.l., to the respective mobility agencies for service contracts for local public transport in the Bologna and Ferrara areas;
- the awarding of the regional service (jointly with Trenitalia) to the regional rail transport agency;
- the participation in the tendering procedure for urban/extra-urban public transport in the Padua province;
- payment obligation towards Marconi Express for the People Mover works carried out;
- guarantee of the loans received for the purchase of buses in favour of the Emilia-Romagna Region.

The item "SRM rented assets at the company" corresponds to the net book value of the company rented by SRM for public transport in the Bologna basin.

The item third-party assets is attributable to the assets of third-party company warehouses used by the subsidiary MAFER for maintenance of rolling stock of proprietary companies.

RELATIONS WITH RELATED PARTIES

The following tables show the economic and financial balances of a commercial and financial nature, deriving from transactions with related parties.

Amounts in thousands of euros:

In thousands of euros		Sales to related parties	Purchases from related parties	Receivables from related parties			Payables to related parties		
				Trade	Expenses	Total	Trade	Expenses	Total
Associates									
SETA S.P.A.	2019	1,300	258	635		**635**	125		**125**
	2020	176	8	176		**176**	56		**56**
CONSORZIO TRASPORTI INTEGRATI	2019	18,366	341	3,319		**3,319**	312		**312**
	2020	1,107	40	1,800		**1,800**	163		**163**
TRENITALIATPER S.C.R.L.	2019	31,880		18,541		**18,541**	0		**0**
	2020	33,387	440	17,769		**17,769**	3,250		**3,250**
MARCONI	2019	826	80	1,008	8,559	**9,567**	80		**80**

EXPRESS S.p.A.	2020	821	142	1,882	8,590	10,472	237		**237**
Total	**2019**	**52,372**	**679**	**23,503**	**8,559**	**32,062**	**517**	**0**	**517**
	2020	**35,491**	**630**	**21,627**	**8,590**	**30,217**	**3,706**	**0**	**3,706**

Table 63

The sales and purchases with related parties are made with the terms and conditions equivalent to those prevailing in free transactions. No guarantees have been provided for receivables and payables with related parties. In the financial year ended as at 31 December 2019, the TPER Group did not record any impairment loss of receivables contracted with related parties. This assessment is carried out annually, at each balance sheet date, taking into consideration the financial position of the related party and the market in which the related party operates.

The income statement and balance sheet results of related parties with reference to the last approved financial statements are shown below.

INCOME STATEMENT IN THOUSANDS OF EUROS	2020				2019			
	SETA	MARCONI EXPRESS	TRENITALIA TPER	CTI	SETA	MARCONI EXPRESS	TRENITALIATPER	CTI
Value of Production	101,155	6,502	274,495	1,577	108,630	6,862	78,067	62,281
Costs of Production	-101,079	-4,203	-276,749	-1,577	-107,792	-4,381	-78,150	-62,281
Financial income and charges	-12	-4,174	-148	0	-49	-2,887	-108	0
Taxes	-49	402	564	0	-125	11	20	0
PROFIT/LOSS FOR THE YEAR	15	-1,473	-1,838	0	664	-395	-171	0

Table 64

BALANCE SHEET IN THOUSANDS OF EUROS	2020				2019			
	SETA	MARCONI EXPRESS	TRENITALIATPER	CTI	SETA	MARCONI EXPRESS	TRENITALIATPER	CTI
Fixed assets	48,273	117,103	89,198	0	48,888	111,492		0
Current assets	38,292	3,870	178,602	15,792	38,115	5,773	42,521	26,514
Accruals and deferrals	2098	2,913	0	0	2,286	3,107		0
Total Assets	**88,663**	**123,886**	**267,800**	**15,792**	**89,289**	**120,372**	**42,521**	**26,514**
Shareholders' equity	-17,917	-12,584	-8,652	-14	-17,237	-14,567	-490	-14
Provisions for risks and charges	-5,817	-4,334	-2,022	0	-2,595	-3,663		0
Employee severance indemnity	-7,372	0	-19,756	0	-9,860	0		0
Payables	-35,207	-73,575	-237,049	-15,748	-35,300	-68,682	-42,031	-26,500
Accruals and deferrals	-22,350	-33,393	-321	-30	-24,297	-33,460		0
Total Liabilities	**-88,663**	**-123,886**	**-267,800**	**-15,792**	**-89,289**	**-120,372**	**-42,521**	**-26,514**

Table 65

COMPENSATION TO DIRECTORS AND STATUTORY AUDITORS AND AUDITING COMPANIES

The information concerning the remuneration of the directors, statutory auditors and the independent auditors of the TPER Group is presented below.

,	31/12/2020	31/12/2019	*Change*
Directors' fees	307	315	- 8
Statutory auditors' fees	146	151	- 5
Independent auditors' fees	104	95	9
Total	**561**	**561**	**- 4**

Table 66

It should be noted that the fee for the audit of the consolidated accounts is included in the amount envisaged for the audit of the Parent Company TPER.

OPERATING SECTORS

Here is a summary of the most significant data from the company's operating segments.

TPER GROUP

2 0 2 0

MILLIONS OF EUROS	LOCAL PUBLIC TRANSPORT	TRANSPORT OF GOODS	URBAN PARKING AND MOBILITY	TOTAL
Revenues from third parties	205.0	20.8	12.4	238.2
Other revenues from third parties	32.3	2.4	0.0	34.7
Total operating revenues	237.3	23.2	12.4	272.9
EBITDA	36.4	3.0	-0.7	38.7
Depreciation and amortisation, write-downs and write-backs	-19.4	-2.5	-0.3	-22.2
Provisions and other adjustment allocations	-12.3	0.2		-12.1
EBIT	4.7	0.7	-1.0	4.4
Financial income/(charges)				-1.6
Share profit (Loss) equity method				-0.8
Profit before taxes from operating activities				2.0
Tax income/(charges)				1.6
Profit for the year				3.6
CFO - Cash flow from operations	22.4	0.5	-0.7	22.2
Operating investments	27.5	2.4	0.0	29.9

Table 67

2 0 1 9

MILLIONS OF EUROS	LOCAL PUBLIC TRANSPORT	TRANSPORT OF GOODS	URBAN PARKING AND MOBILITY	TOTAL
Revenues from third parties	271.2	23.4	17.2	311.8
Other revenues from third parties	13.6	3.3	0.0	16.9
Total operating revenues	284.8	26.7	17.2	328.7
EBITDA	36.1	3.0	0.4	39.5
Depreciation and amortisation, write-downs and write-backs	-22.7	-1.2	-0.3	-24.3
Provisions and other adjustment allocations	-5.1	-1.0		-6.1
EBIT	8.3	0.7	0.1	9.1
Financial income/(charges)				-1.9
Share profit (Loss) equity method				0.1
Profit before taxes from operating activities				7.3
Tax income/(charges)				-0.3
Profit for the year				7.0
CFO - Cash flow from operations	19.2	2.6	0.4	22.2
Operating investments	26.4	0.4	0.0	26.8

Table 68

ORDERS FOR INVESTMENTS

Orders for investments in place at the date of year-end are reported below.

IN THOUSANDS OF EUROS	**31/12/2020**	**31/12/2019**	***Change***
Asset orders in place			
Tangible assets	2,450	26,150	- 23,700
Intangible assets	60	101	- 41
Total	2,510	26,251	- 23,741

Table 69

The increase in 2019 over 2018 relates largely to the higher orders in place for rolling stock.

GRANTS, CONTRIBUTIONS, PAID OFFICES AND ECONOMIC BENEFITS L. 124/2017

Pursuant to Article 1, paragraph 125, of Law no. 124 of 4 August 2017, in accordance with the obligation of transparency, it should be noted that in 2020 the following grants/contributions were received from public administrations:

AMOUNT RECEIVED Euro	ISSUING ENTITY	DESCRIPTION
260,417	Emilia-Romagna Region	Contribution for the purchase of Intelligent Transport Systems - POR-FESR 2014/2020 funds
1,232,959	Emilia-Romagna Region	20% balance of the Bologna and Ferrara STIMER project and fitting on sub-concessionaires' buses
35,275,000	Emilia-Romagna Region	85% advance for 7 Stadler trains (first contract) - FSC provisions 2014/2020
57,082	Emilia-Romagna Region	Grant for the purchase of new funds POR vehicles, RESOLUTION RER 1239 of 2 February 2017
1,594,590	Ministry of Infrastructure and Transport	Grant for the realisation of the Guided Public Transport System Bologna City Centre - San Lazzaro (BO) (TPGV) - Law 211/92
378,092	Municipality of Bologna	Grant for the implementation of the Guided Public Transport System Bologna City Centre - San Lazzaro (BO) (TPGV)
3,817,036	SRM Bologna	balance for 27 buses - MIT 2017/2019 Consip tender funds
1,103,362	AMI Ferrara	balance for 10 buses - MIT 2017/2019 Consip tender funds
200,000	SRM Bologna	advance grant to improve TPL quality and safety for prevention and containment of COVID-19 contagion
100,000	AMI Ferrara	advance grant to improve TPL quality and safety for prevention and containment of COVID-19 contagion
3,085,702	AMI Ferrara	Information pursuant to art. 1, paragraph 125, of Law no. 124 of 4 August 2017 national collective labour agreements grants
9,701,413	SRM Bologna	Information pursuant to art. 1, paragraph 125, of Law no. 124 of 4 August 2017 national collective labour agreements grants
1,658,043	Customs Agency	Excise duties on transport diesel
11,366	Ministry of Infrastructure and Transport	MIT grant for training pursuant to Ministerial Decree 570/2017
557,016	Ministry of Infrastructure and Transport	MIT freight regulation grant pursuant to Legislative Decree No. 61 of 29/12/2016
1,176	INPS	CIGO
12,977	INPS	FIS COVID
8,136,279	Mobility agencies	COVID-19 public relief for loss of revenues
28,297	Revenue Agency	Tax credit for COVID-19-related sanitisation and PPE
16,340	Banca del Mezzogiorno	Guarantee provision on special sections pursuant to Art. 56 of Decree Law 17/03/2020
67,227,147	TOTAL RECEIVED IN 2020	

Table 70

TPER S.P.A. FINANCIAL STATEMENTS

BALANCE SHEET

Balance sheet

	notes	31/12/20	31/12/19
ASSETS			
NON-CURRENT ASSETS			
Tangible assets	1	142,422,234	199,170,299
Real estate		3,221,810	3,263,401
Rolling stock		134,202,090	162,395,521
Infrastructure		3,636,930	32,206,581
Other tangible assets		1,361,404	1,304,796
Intangible assets	2	661,156	991,705
Goodwill and other intangible assets with an indefinite useful life		-	
Concession rights		-	
Other intangible assets		661,156	991,705
Assets for rights of use	3	4,667,234	5,463,998
Equity investments	4	56,828,706	54,688,706
Financial assets	5	42,255,586	19,679,028
Financial assets for contributions			
Other financial assets		42,255,586	19,679,028
Deferred tax assets	6	5,101,549	3,611,584
Other assets			
Non-current assets and disposal groups of assets	7		7,177,488
TOTAL NON-CURRENT ASSETS		251,936,467	290,782,808
CURRENT ASSETS			
Trade assets	8	79,049,887	90,368,926
Inventories		11,886,799	11,684,639
Trade receivables		67,163,087	78,684,287
Cash and cash equivalents	9	67,042,115	38,230,593
Financial assets	5	7,645,072	4,102,755
Financial assets for contributions		6,502,122	4,102,755
Other financial assets		1,142,950	-
Assets for current income taxes	10	3,718,110	2,504,880
Other assets	11	3,172,496	3,927,412
TOTAL CURRENT ASSETS		160,627,680	139,134,566
TOTAL ASSETS		412,564,146	429,917,374

Tper Cambia il movimento

Balance sheet

	notes	31/12/20	31/12/19
LIABILITIES			
Shareholders' equity	12	153,817,701	150,659,550
Capital issued		68,492,702	68,492,702
Reserves		59,934,454	54,721,139
Profit/(loss) carried forward		23,128,737	23,128,737
Actuarial profit/(loss)		(919,133)	(896,343)
Profit/(loss) for the year		3,180,942	5,213,314
TOTAL SHAREHOLDERS' EQUITY		153,817,701	150,659,550
NON-CURRENT LIABILITIES			
Funds for provisions	13	41,207,223	51,239,343
Provisions for employee benefits		16,058,255	18,164,851
Other provisions		25,148,968	33,074,492
Financial liabilities	14	95,291,135	103,135,370
Bonds		94,878,408	94,648,081
Medium/long-term loans		0	7,978,481
Derivatives		30,909	100,185
Other financial liabilities		381,819	408,624
Long-term liabilities for leased assets	3	4,161,483	6,530,999
Other liabilities	15	21,712,390	21,334,970
TOTAL NON-CURRENT LIABILITIES		162,372,231	182,240,681
CURRENT LIABILITIES			
Trade liabilities	16	61,408,814	48,578,141
Funds for provisions current portion	13	4,905,938	5,186,193
Provisions for employee benefits		1,986,303	1,963,538
Other current provisions		2,919,635	3,222,655
Financial liabilities	14	0	5,318,987
Medium/long-term loans - short-term portion		0	5,318,987
Long-term liabilities for leased assets - short-term portion	3	3,144,436	2,944,361
Other current liabilities	15	26,915,026	30,811,973
Liabilities associated with disposal groups	7		4,177,488
TOTAL CURRENT LIABILITIES		96,374,214	97,017,143
TOTAL LIABILITIES		258,746,445	279,257,824
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		412,564,146	429,917,374

INCOME STATEMENT

Tper
Cambia il movimento

Income Statement

		2020	2019
Revenue		**174,829,102**	**261,049,129**
TPL line services	**17**	155,984,654	173,743,625
Railway line services	**18**	6,417,516	70,100,207
Parking and car sharing	**19**	12,426,932	17,205,296
Other income	**20**	**27,550,605**	**9,819,815**
Operating costs		**178,959,296**	**241,000,842**
Personnel costs	**21**	93,719,668	117,917,352
Cost for services	**22**	49,761,102	74,530,854
Raw materials and materials	**23**	26,122,370	35,098,322
Use of third-party assets	**24**	5,850,273	9,705,683
Other operating costs	**25**	3,505,882	3,748,632
Amortisation/depreciation	**26**	**15,839,188**	**17,234,533**
Depreciation of tangible assets		13,667,247	15,099,842
Amortisation of intangible assets		663,242	634,022
Amortisation of assets for right of use		1,508,699	1,500,669
Value write-downs/(reversals)	**27**	**249,188**	**1,243,960**
Change in funds for provisions	**28**	**4,484,745**	**5,675,436**
Operating result		**2,847,289**	**5,714,172**
Financial income	**29**	**1,108,180**	**550,458**
Dividends		60,822	58,931
Other financial income		1,047,358	491,527
Financial charges	**30**	**2,473,381**	**2,230,459**
Charges on bonds		1,987,827	1,977,673
Charges on loans		101,039	41,816
Other financial charges		384,514	210,969
Total financial income (charges)		**(1,365,201)**	**(1,680,001)**
Result before tax		**1,482,088**	**4,034,171**
Tax charges	**31**		
Current income taxes		(216,085)	(316,672)
Deferred tax assets and liabilities		(1,482,768)	(862,471)
Net profit/(loss) for the year		**3,180,942**	**5,213,314**

Comprehensive income statement

		2020	2019
Profit for the year	(a)	3,180,942	5,213,314
Other components of the comprehensive income statement for the year that can be reclassified to the income statement	(b)	0	0
Profit/(loss) from actuarial valuation of provisions for employee benefits		(29,987)	(857,532)
Tax effect on profit/(loss) from actuarial valuation of provisions for employee benefits		7,197	205,808
Other components of the comprehensive income statement for the year that cannot be reclassified to the income statement	(c)	(22,790)	(651,724)
Total other components of the income statement for the year	(d= b+c)	(22,790)	(651,724)
Comprehensive economic result for the year	a+d	3,158,151	4,561,590

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

In thousands of euros	Share capital	Reserves										Shareholders' equity
		Valuation reserves		Other reserves								
		Reserve for actuarial valuations for employee benefits	Other	Treasury shares	Legal reserve	Share premium reserve	Capital contributions reserve	Accumulated merger surplus reserve	Other reserves	Profit/(loss) carried forward	Result for the year	
Balance as at 31 December 2018	**68,493**	**(245)**		**(189)**	**4,335**	**272**	**32,716**	**1,516**	**11,930**	**23,129**	**8,280**	**150,238**
Transactions with shareholders and other changes												
Distribution of dividends											(4,140)	**(4,140)**
Allocation of the previous-year result					414				3,726		(4,140)	**0**
Purchase of treasury shares												**0**
Other minor changes and reclassifications												**0**
												0
Comprehensive economic result for the year		(652)									5,213	**4,562**
Balance as at 31 December 2019	**68,493**	**(896)**		**(189)**	**4,749**	**272**	**32,716**	**1,516**	**15,656**	**23,129**	**5,213**	**150,660**
Transactions with shareholders and other changes												
Distribution of dividends												**0**
Allocation of the previous-year result					260				4,953		(5,213)	**0**
Purchase of treasury shares												**0**
Other minor changes and reclassifications												**0**
												0
Comprehensive economic result for the year		(23)									3,181	**3,158**
Balance as at 31 December 2020	**68,493**	**(919)**		**(189)**	**5,010**	**272**	**32,716**	**1,516**	**20,609**	**23,129**	**3,181**	**153,818**

Table 71

CASH FLOW STATEMENT

Tper Cambia il movimento

	2020	2019
Profit/(loss) for the year	3,180,942	5,213,314
Amortisation/depreciation	15,839,188	17,234,533
Operating change of funds	7,201,114	5,675,436
Value write-downs/(revaluations) of financial assets	249,188	1,243,960
Value write-downs/(revaluations) of non-financial assets		
Losses/(gains) from disposal of non-current assets	(4,209,510)	226,275
Financial income/(charges)	1,365,201	1,680,001
Net change in deferred taxation		
Change in working capital and other changes	5,012,297	(10,919,763)
Income taxes paid	(539,490)	(186,995)
Net cash flow provided by/(used in) operating activities	28,098,931	20,166,762
Investments in tangible assets	(27,565,741)	(25,870,265)
Investments in intangible assets	(1,044,629)	(560,544)
Equity investments		
Investments gross of contributions	(28,610,370)	(26,430,809)
Contributions to tangible assets	40,495,398	4,750,000
Contributions to intangible assets		
Contributions	40,495,398	4,750,000
Disposals of tangible assets	4,523,423	1,232,922
Disposals of intangible assets	0	26,000
Disposals of equity investments		
Disposals	4,523,423	1,258,922
Net cash flow provided by/(used in) investing activities	16,408,451	(20,421,887)
Issue/(repayment) of bonds	0	0
Disbursement/(Repayment) of medium/long-term loans	(13,297,468)	(5,318,987)
Disbursement/(Repayment) of short-term loans	0	0
Reimbursement of financial liabilities for leased assets	(2,169,442)	(2,533,356)
Change in financial assets	1,002,004	283,040
Change in financial liabilities	(96,081)	(57,363)
Financial income	1,047,358	491,527
Interest expense	(1,858,539)	(2,019,490)
Other financial charges	(384,514)	
Purchase of treasury shares		
Dividends paid	0	(4,140,091)
Dividends received	60,822	58,931
Net cash flow provided by/(used in) financial assets	(15,695,860)	(13,235,790)
Net cash flow for the period	28,811,522	(13,490,915)
Cash and cash equivalents at the start of the year	38,230,593	51,721,508
Cash and cash equivalents at the end of the year	67,042,115	38,230,593

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS OF TPER S.P.A.

GENERAL INFORMATION

TPER S.p.A. (hereinafter TPER or Company) is a joint stock company established in 2012 with registered office in Bologna, in Via di Saliceto, 3. The company term is fixed to 31 December 2050.

TPER is an integrated mobility company with core business in local automotive and railway public transport (hereinafter "TPL"). For more details please refer to the Report on Operations.

At the date of preparation of these financial statements, no shareholder holds control. The Emilia-Romagna Region is the relative majority shareholder of TPER (46.13%). The other shareholders are the Municipality of Bologna (30.11%), the Metropolitan City of Bologna, (18.79%), the Azienda Consorziale Transport ACT of Reggio Emilia (3.06%), the Province of Ferrara (1.01%), the Municipality of Ferrara (0.65%), Ravenna Holding S.p.A. (0.04%) and the Province of Parma (0.04%).

Furthermore, TPER owns 111,480 treasury shares (0.16%).

The present financial statements as at 31 December 2020 were approved by the Board of Directors of TPER at the meeting of 27 May 2021, considering that the Board of Directors of TPER dated 22 March 2021, as the conditions set forth in Article 2364, paragraph 2 of the Italian Civil Code were satisfied, resolved to defer the ordinary deadline for approval of the company's financial statements from 120 days to 180 days from the end of the financial year.

It should be noted that the Company, which holds significant controlling interests, also provides for the preparation of the Group's consolidated financial statements, published together with these financial statements.

COMPLIANCE WITH IFRS

TPER's financial statements for the year ended as at 31 December 2020, drafted on the basis of the going concern assumption, were prepared in accordance with articles 2 and 3 of Legislative Decree no. 38/2005, in compliance with the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board and approved by the European Commission, which include the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) as well as the previous International Accounting Standards (IAS) and previous interpretations of the Standard Interpretations Committee (SIC) still in force. For simplicity, the set of all the standards and interpretations is hereafter defined as the "IFRS".

Following the issue of a bond quoted on the Dublin Stock Exchange on 15 September 2017, TPER adopts the international accounting standards, International Financial Reporting Standards (IFRS), starting from the year 2017, with a date of transition to IFRS of 1 January 2016. The last financial statements prepared according to Italian accounting principles are for the financial year ended 31 December 2016.

PRESENTATION OF FINANCIAL STATEMENTS

TPER's financial statements consist of the Balance Sheet, Income Statement, Statement of Comprehensive Income, Statement of Changes in Shareholders' Equity and Cash Flow Statement) and of the Explanatory Notes.

The items in the balance sheet are classified into current and non-current, those of the income statement are classified by nature.

Assets and liabilities are classified as current if: (i) they are expected to be realised/extinguished in the normal company operating cycle or in the twelve months after the close of the year; (ii) are composed of cash or cash equivalents that do not present constraints as such to limit their use in the twelve months after the close of the year; or (iii) are held primarily for trading purposes.

The statement of comprehensive income (loss) indicates the economic result supplemented by income and charges which, owing to an express provision of the IFRS, are not booked to the income statement.

The statement of changes in shareholders' equity presents the comprehensive income (loss) for the year, transactions with shareholders and other changes in shareholders' equity.

The cash flow statement is prepared according to the "indirect method", by adjusting the profit for the year for other non-monetary components.

The accounting standards reflect the full operations of the Company in the foreseeable future and are applied in the assumption of the Company as a going concern. For more details regarding verification of the going concern assumption please refer to the appropriate paragraph of these Explanatory Notes.

IFRS are applied consistently with the indications provided in the "Conceptual Framework for Financial Reporting" and there have not been any critical issues that have led to the use of derogations pursuant to IAS 1, Paragraph 19.

All values are expressed in thousands of euros, unless otherwise indicated.

The Euro is the functional currency used to present TPER's financial statements.

For each item of the financial statements, the corresponding value of the previous year is shown for comparative purposes. It should be noted that with respect to what has already been published in the financial statements as at 31 December 2019, for the purposes of better accounting representation, certain reclassifications were made.

MEASUREMENT CRITERIA

The measurement criteria are the same as those used to draft the consolidated financial statements, to which reference should be made, with the exception for the recognition and measurement of equity investments in subsidiaries, joint ventures and associates, which are illustrated below.

EQUITY INVESTMENTS

Equity investments in subsidiaries, associates and joint ventures are valued at cost, including directly attributable additional charges. The cost is adjusted for any impairment according to the criteria established by IAS 36, for which reference should be made to the section on "Impairment and reversal of impairment of equity investments (impairment test)". The value is subsequently reinstated if the conditions that determined the adjustments cease to exist; the reversal of value cannot exceed the original cost of the equity investment. In the event of any losses exceeding the carrying amount of the equity investment, the excess is recognised in a specific liability provision to the extent that the Company is committed to fulfilling legal obligations implied with regard to the investee company or in any case to cover its losses.

Equity investments in other companies, which can be classified in the category of capital financial instruments pursuant to IFRS 9, are initially recorded at cost, registered at the settlement date, insofar as it is representative of the fair value, including directly attributable transaction costs.

After the initial accounting, such equity investments are measured at fair value, with recognition of the effects in the income statement, except those that are not held for trading and for which, as allowed by IFRS 9, the option of designation at fair value with recognition of subsequent changes in the other components of other comprehensive income has been exercised at the time of acquisition.

Equity investments are derecognised when the contractual rights to the cash flows derived from the assets themselves expire or when the equity investment is sold, thereby effectively transferring all the risks and benefits pertaining thereto.

IMPAIRMENT AND REVERSAL OF IMPAIRMENT OF EQUITY INVESTMENTS - IMPAIRMENT TEST

At the closing date of the financial statements, if there is an indication that the book value of one or more equity investments (excluding those measured at fair value) may have suffered an impairment loss, the recoverability of the book value is verified, as described below, to determine the amount of any write-down booked to the income statement.

This verification consists in estimating the recoverable value of the equity investment (represented by the higher between the presumable market value, net of selling costs, and the value in use) and in comparison with the related net book value. If the latter is higher, the equity investment is written down to the extent of the recoverable amount.

The impairment losses are recorded in the income statement.

At the closing date of the financial statements, if there is an indication an impairment loss recognised in previous years may have been reduced, in whole or in part, the recoverability of the amounts recorded in the balance sheet is checked and the potential amount of the write-down to be reversed is determined; this reversal cannot in any case exceed the amount of the write-down previously carried out.

ACCOUNTING ESTIMATES AND SIGNIFICANT JUDGMENTS

The preparation of the annual accounts, in application of IFRS, requires making estimates and assumptions that affect the values of revenues, costs, assets and liabilities in the financial statements and information on potential assets and liabilities at the reference date. In making the budget estimates, the main sources of uncertainties that could have an impact on the evaluation processes are considered. The final results may differ from these estimates.

The actual results recorded could subsequently differ from these estimates; however, the estimates and valuations are reviewed and updated periodically and the effects deriving from any change are immediately reflected in the financial statements.

The estimates also took into account assumptions based on the parameters, market and regulatory information available at the date the preparation of the financial statements. The current facts and circumstances that influence the assumptions regarding future developments and events, however, may change due to changes in market developments or applicable regulations that are beyond the control of the TPER Group. These changes in assumptions are also reflected in the financial statements when they occur.

The estimates were used in the evaluation of the Impairment Test, to determine any sales revenues, for Funds for provisions, the provision for doubtful debts and other provisions for write-downs, amortisation and depreciation, valuations of derivative instruments, employee benefits and deferred tax assets and liabilities.

GOING CONCERN

The economic and operating impacts of the COVID-19 emergency on the TPER Group's activities are currently being determined.

In compliance with the provisions of IAS 1 pursuant to paragraph 25, in the preparation phase of this annual report, the Group carried out an assessment of the entity's ability to continue to operate as a going concern. In this regard, the aforementioned standard establishes that "An entity must prepare financial statements on a going concern basis unless management intends to liquidate the entity or discontinue its operations, or has no realistic alternatives to this. If management is aware, in making its judgements, of significant uncertainties relating to events or conditions that may give rise to serious doubts about the entity's ability to continue as a going concern, the entity must highlight these uncertainties. If an entity does not prepare its financial statements on a going concern basis, it must disclose that fact, together with the criteria on the basis of which it prepares the financial statements and the reason why the entity is not considered to be operating". As part of the evaluation of the correctness of the going concern assumption, the Directors have identified a series of areas of concern, linked to the restrictions and the subsequent reduction in ticketing revenues as well as their possible repercussions on expected profitability for the current year and on the related cash flows.

The Directors evaluated the significance of the circumstances linked to COVID-19 in relation to the company's capacity to fulfil its obligations. This evaluation included the consideration of the following elements:

- The effects of the Government provisions already implemented to support local public transport;
- Other actions implemented by the national and supranational authorities to tackle the health crisis and deal with the relevant economic and financial fall-out;
- The availability of liquidity reserves or other forms of access to credit which would allow the TPER Group to get through the next 12 months with lower passenger traffic, without ending up in a position whereby its business continuity is compromised.

In light of the above considerations, the Directors considered the going concern assumption to be appropriate and correct after having verified the Group's ability to fulfil its obligations in the foreseeable future and, in particular, in the next 12 months.

RECENTLY ISSUED ACCOUNTING STANDARDS

With reference to the description of the recently issued accounting standards, please refer to the consolidated financial statements of the TPER Group.

SIGNIFICANT EVENTS AFTER THE CLOSE OF THE YEAR

The significant transactions which occurred after 31 December 2020 are summarised below.

SUSPENSION OF TENDER APPEAL

Following the exclusion of TPER from the tender procedure for the assignment of activities relating to the parking plan and services/activities complementary to mobility in the Municipality of Bologna, TPER filed an appeal with the Bologna Regional Administrative Court, challenging the exclusion from the procedure on two counts: on the one hand, asserting the criticality and fragility of the telematic platform used by the contracting authority, and on the other, raising objections regarding the admission of the applicant who was subsequently awarded the contract, who did not appear to meet the requirements within the terms set in the in the tender's by the lex specialis relating to the tender.

The Regional Administrative Court of Bologna rejected the appeal, dismissing the technical issues raised, and decided it was not able to examine the objections against the admission of the other competitor, on the assumption that once the legitimacy of the exclusion of TPER from the tender was declared, it would not have been able to action the judicial remedy against the admission of the other candidate.

At the end of the proceedings, an appeal was filed with the Council of State, which reproposed the complaints against the exclusion of TPER, and it was pointed out that, regardless of the rejection of the appeal against said exclusion, the first-instance Judge in any event, should have assessed the validity of the encumbrance in relation to the possession of the requirements of the admitted economic operator.

INFORMATION ON THE STATEMENT OF FINANCIAL POSITION

The items in the balance sheet as at 31 December 2020 are commented on below. The values in brackets in the headings of the notes refer to the balances as at 31 December 2019. For the details of the balances of the balance sheet items deriving from transactions with related parties, please refer to the paragraph "Other information" in these Explanatory Notes.

1. TANGIBLE ASSETS

Thousands of Euros 142,422 (199,170)

Tangible assets as at 31 December 2020 showed a net value of Euro 142,422 thousand compared to the net value as at 31 December 2019 of Euro 199,170 thousand. The table below shows the initial and final amounts of the items of tangible assets, with evidence of the original cost and accumulated depreciation at the end of the year.

In thousands of euros	31/12/2020			31/12/2019		
	Cost	Accumulated depreciation	Net value	Cost	Accumulated depreciation	Net value
Real estate	4,381	(1,347)	3,034	4,350	(1,274)	3,076
Real estate under construction	188	0	188	188	0	188
REAL ESTATE			3,222			3,263
Rolling stock buses/trolley buses	300,854	(228,213)	72,641	295,357	(226,274)	69,083
Rolling stock buses/trolley buses in progress	1,679	0	1,679	4,679	0	4,679
Railway rolling stock	77,866	(18,112)	59,754	98,492	(12,714)	85,778
Railway rolling stock in progress	0	0	0	2,669	0	2,669
Vehicle rolling stock	2,678	(2,551)	127	2,738	(2,552)	187
ROLLING STOCK			134,202			162,396
Infrastructure	25,016	(23,990)	1,026	27,229	(25,735)	1,495
Infrastructure in progress	2,611	0	2,611	30,712	0	30,712
INFRASTRUCTURE			3,637			32,207
Other tangible assets	10,201	(8,840)	1,361	9,907	(8,602)	1,305
OTHER TANGIBLE ASSETS			1,361			1,305
Total Tangible assets	425,475	(283,052)	142,422	476,321	(277,150)	199,170

Table 73

The decrease as at 31 December 2019 in the net value of tangible assets compared to the balance as at 31 December 2019 of Euro 57 million, is essentially attributable for Euro 25.7 million to the reclassification of the Crealis Project as a financial fixed asset and to the recognition of new grants received as a direct decrease in the assets to which they refer. The reclassification of the Crealis Project under financial fixed assets was carried out following the entry into operation of the TPGV - Crealis service as from 1 July 2020 and the definition of the new framework contract envisaged by the draft agreement between TPER, SRM, the Metropolitan City of Bologna, the Municipality of Bologna and the Municipality of San Lazzano. These conditions, which arose in 2020, made it possible to treat the transaction for accounting purposes according to IFRIC 12.

The details are analysed in the following changes.

In thousands of euros	31/12/2019 net value	investments	depreciation	write-downs and write-backs	disposals	other reclassifications or adjustments	grants on investments	31/12/2020 net value
Real estate	3,076	34	(75)	0	(1)	0	0	3,034
Real estate UNDER CONSTRUCTION	188	0	0	0	0	0	0	188
Rolling stock buses/trolley buses	69,083	1,289	(9,901)	929	(276)	17,011	(5,495)	72,641
Rolling stock buses/trolley buses IN PROGRESS	4,679	12,255	0	0	0	(15,255)	0	1,679
Railway rolling stock	85,778	9,091	(2,681)	0	0	(47)	(32,386)	59,754
Railway rolling stock IN PROGRESS	2,669	0	0	0	0	(2,669)	0	0
Vehicle rolling stock	187	71	(130)	0	0	0	0	127
Infrastructure	1,495	183	(589)	0	(19)	0	(43)	1,026
Infrastructure IN PROGRESS	30,712	4,538	0	0	0	(27,548)	(5,091)	2,611
Other tangible assets	1,305	795	(291)	0	(18)	0	(430)	1,361
						0	0	0
Total	199,170	28,256	(13,667)	929	(314)	(28,508)	(43,445)	142,422

Table 74

The item “Real estate” includes buildings and land owned in Bologna, used for purposes instrumental to the exercise of company activity and in particular: the offices in via San Donato and via Magenta, and the land at the Roveri railway station.

The “Rolling stock buses/trolley buses” is used as part of the Bologna and Ferrara TPL contract. Its useful life is estimated on the basis of the lower of the residual economic life of the asset and the residual maturity of the service agreements, and the depreciable amount is estimated on the basis of the difference between the historical cost and the takeover value that it is presumed will be paid to TPER by any future winner of a new tender in application of the criteria identified by the Transport Regulatory Authority (ART) resolution no. 49 of 17/06/2015, with reference to UNI 11282/2008.

It should be noted that the company commissioned an independent expert to estimate the takeover value. The increases for the year refer to 84 buses, 52 of which new and 32 used, registered in 2020.

The item “Infrastructure in progress” consists of works carried out on third-party assets, electronic machines, issuers, validators, parking meters, electronic information panels with variable message and information systems for users.

The net value of "railway rolling stock" as at 31 December 2020 amounted to Euro 59,754 thousand. During the year it and increased by approximately Euro 10 thousand as a result of investments and decreased mainly as a result of the recognition of grants on investments of Euro 32,386 thousand, following regional resolution 6692 of 21 April 2020. The reduction of a further Euro 2,681 thousand, on the other hand, relates to the recognition of depreciation for the year.

Finally, it should be noted that as at 31 December 2020, tangible assets are not encumbered by mortgages, liens or other real guarantees that limit their availability.

2. INTANGIBLE ASSETS

Euro 661 (992) thousand

In thousands of euros	31/12/2020			31/12/2019		
	Cost	Accumulated	Net value	Cost	Accumulated	Net value

		amortisati on			amortisati on	
Goodwill and other intangible assets with an indefinite useful life						
Concession rights						
Intangible assets	7,367	(6,706)	661	7,034	(6,043)	992
Total Intangible assets	7,367	(6,706)	661	7,034	(6,043)	992

Table 75

The item refers entirely to investments in standardised and customised software.

The table below shows the amounts at the beginning and at the end of the year as well as the relative changes occurred in 2020.

In thousands of euros	**31/12/2019**						**31/12/2020**
	Net value	**Investments**	**Amortisation/depreciation**	**Write-downs**	**Disposals**	**Grants on investments**	**Net value**
Intangible assets	992	333	(663)	0	0	(1)	661
Total	992	333	(663)	0	0	(1)	661

Table 76

During the year there were no changes in the estimated useful life of the intangible assets.

3. ASSETS FOR RIGHTS OF USE AND LIABILITIES FOR LEASED ASSETS

Euro 4,667 (5,464) thousand

The right of use of leased assets is analysed below:

In thousands of euros	TPL Bologna and Ferrara	Company cars	Business unit rental fees	Total
Opening balance as at 01.01.2020	1,484	242	3,738	5,464
Increases	592	75	44	712
Amortisation/depreciation	(467)	(165)	(877)	(1,509)
Total Intangible assets	1,609	152	2,906	4,667

Table 77

The right of use in leases ("RoU") of Euro 4,667 thousand essentially refers: (i) for Euro 1,609 thousand to contracts relative to all the functional assets for the management of the TPL of the Municipalities of Bologna and Ferrara; these contracts, originally set to expire on 29 February 2020, were extended until 31 August 2024; (ii) for Euro 152 thousand to the rental of company cars; (iii) for Euro 2,906 thousand refers for Euro 1,513 thousand to the right of use relating to the business unit rental contract (Bologna TPL) stipulated between TPER, via the TPB consortium, and the granting body SRM, in-house company of the Municipality of Bologna on 4 March 2011, and for Euro 1,392 thousand to the concession contract for use of the assets functional to the TPL service of the Municipality of Ferrara.

Liabilities for leased assets Euros 7,306 (9,475) thousand

Liabilities for leased assets amounting to Euro 7,306 thousand as at 31 December 2020 are analysed as follows:

In thousands of euros	**TPL Bologna and Ferrara**	**Company cars**	**Business unit rental fees**	**Car sharing**	**Total**
Liabilities for leased assets	1,677	155	2,956	2,518	7,306
of which					
Current liabilities	639	78	876	1,551	3,144
Non-current liabilities	1,038	77	2,080	967	4,161

Table 78

4. EQUITY INVESTMENTS

Euro 56,829 (54,689) thousand

In thousands of euros	2019	acquisitions and capital contributions	releases and (write-downs)	capital repayments	changes the equity method	other reclassifications and adjustments	2020
Equity investments	54,689	3,000	-860	0	0	0	56,829
Total changes in equity investments	54,689	3,000	-860	0	0	0	56,829

Table 79

In thousands of euros	31/12/2018	changes in the financial year					31/12/2019
	opening balance	acquisitions and capital contributions	Revaluations (write-downs)	Capital repayments	measurement using the equity method	other reclassifications or adjustments	closing balance
Equity investments	54,689	-	-	-	-	-	54,689
Total change equity investments	54,689						54,689

Table 80

As at 31 December 2020, TPER holds direct equity investments in 12 companies, of which 7 are subsidiaries, 4 are associates and 1 is an investee. Details of these are shown below, with an indication of the percentage of ownership and the related carrying amount, net of any tenths to be paid, with evidence of the original cost and of the accumulated revaluations and write-downs at the end of the year.

In thousands of euros	**31/12/2020**				**31/12/2019**				
	% ownership	**Cost**	**Revaluations (write-downs)**	**Final value**	**% ownership**	**Cost**	**Revaluations (write-downs)**	**Revaluations (write-downs)**	**Final value**
Subsidiaries									
TPF S.c.r.l.	97%	10	0	10	97%	10	0		10
SST S.r.l.	51%	94	0	94	51%	94	0		94
TPB S.c.r.l.	85%	9	0	9	85%	9	0		9
OMNIBUS S.c.r.l.	51%	39	0	39	51%	39	0		39
DINAZZANO PO S.p.A.	95%	36,905	0	36,905	95%	36,905	0		36,905
MA.FER S.r.l.	100%	3,100	0	3,100	100%	3,100	0		3,100
HERM S.r.l.	95%	10,621	-2,400	8,221	95%	10,621	-2,400		8,221
Associates									
CONSORZIO TRASPORTI INTEGRATI S.c.r.l.	26%	3	0	3	26%1	3	0		3
MARCONI EXPRESS S.p.A.	25%	2,000	-860	1,140	25%	2,000	0		2,000
Trenitalia TPR S.c.r.l.	30%	3,300	0	3,300	30%	300	0		300
SETA S.p.A.	7%	673	0	673	7%	673	0		673
Equity investments in other companies									
START ROMAGNA S.p.A.	14%	4,036	-700	3,336	14%	4,036	-700		3,336
Total Equity investments		**60,789**	**-3,960**	**56,829**		**57,789**	**-3,100**		**54,689**

Table 81 Subsidiaries and associates as at 31/12/20

The changes during the year refer to the increase in the value of the equity investment in Trenitalia TPER S.c.r.l. following the transfer of the railway transport business unit and to the write-down that was deemed necessary with reference to the equity investment in Marconi Express S.p.A., as a result of the impairment test carried out on the basis of the associate's new economic-financial plan and the cash flows determined by the latter, discounted on the basis of a rate representative of the cost of capital relating to said asset. See also the figures as at 31 December 2020 of the subsidiaries and associates.

Euro/thousand	Registered office	% ownership	Profit (loss)	Shareholders' equity
Subsidiaries				
TPF S.c.r.l.	Bologna	97%	0.2	12
SST S.r.l.	Ferrara	51%	100	1,295
TPB S.c.r.l.	Bologna	85%	0.2	19
OMNIBUS S.c.r.l.	Bologna	51%	0.1	107
DINAZZANO PO S.p.A.	Reggio Emilia	95%	248	40,175
MA.FER S.r.l.	Bologna	100%	72	8,618
HERM S.r.l.	Bologna	95%	0.4	8,440
Associates				
CONSORZIO TRASPORTI INTEGRATI S.c.r.l.	Bologna	26%	0	14
MARCONI EXPRESS S.p.A.	Bologna	25%	(1,472)	12,584
Trenitalia TPER S.c.r.l.	Bologna	30%	(1,838)	8,652
SETA S.p.A.	Modena	7%	15	17,916
Equity investments in other companies				
START ROMAGNA S.p.A.	Rimini	14%	40	30,205

Table 82 Subsidiaries and associates as at 31/12/20

5. FINANCIAL ASSETS

Non-current portion Euro 42,256 (19,679) thousand

Current portion Euro 7,645 (4,103) thousand

The table below shows the breakdown of other financial assets at the beginning and end of the financial year, highlighting the current and non-current portions.

In thousands of euros	**31/12/2020**			**31/12/2019**		
	Financial statement value	**Current portion**	**Non-current portion**	**Financial statement value**	**Current portion**	**Non-current portion**
Financial assets for contributions	6,502	6,502		4,103	4,103	
Emilia-Romagna Region	3,157	3,157		3,876	3,876	
Municipality of Bologna	542	542		-	-	
Ministry of Transport	2,490	2,490		-	-	
Municipality of San Lazzaro	313	313		227	227	
Other				-	-	
Other financial assets	43,399	1,143	42,256	19,679	-	19,679
Loan to subsidiary Mafer S.p.A.	7,000	-	7,000	7,000		7,000
Loan to investee Marconi Express S.p.A.	9,161	1,143	8,018	8,559		8,559
Receivable due from subsidiary Omnibus fleet rental - car sharing	2,534	-	2,534	4,810		4,810
Crealis	27,121	-	27,121	-		-
Provision for the write-down of financial assets	- 2,417	-	- 2,417	- 690	-	- 690

Total Thousands of euros	49,901	7,645	42,256	23,782	4,103	19,679

Table 83

The receivables from the Emilia-Romagna Region, equal to Euro 3,157 thousand, refer to Euro 88.6 thousand for contributions to be collected on the STIMER regional electronic ticketing system, to Euro 1,864 thousand for the purchase of buses, to Euro 200 thousand for trolleybus line 14 extension and to Euro 1,004 thousand for the installation of Intelligent Transport Systems (ITS) on board buses and at Local Public Transport (TPL) bus stops.

The receivable from the Municipality of San Lazzaro, amounting to Euro 313 thousand, refers to the contributions for the construction of the TPGV Crealis transport system.

The loan to the subsidiary Mafer S.p.A., amounting to Euro 7,000 thousand, refers to an interest-bearing loan contract acquired with the extraordinary operation of 2012 which was disbursed for the purchase of the warehouse relating to railway spare parts material.

The loan to the investee company Marconi Express S.p.A., amounting to 9,161 thousand euros, was disbursed in line with the approved business plans and the shareholders' agreements, and refers to the TPER share of the loan for the construction of the monorail connecting the railway station and Bologna airport.

The receivable related to the Crealis project represents the TPER's receivable from the new operator, which will take over from TPB at the end of the current service contract (starting from the assignment of the next tender for the public transport service, scheduled for 1 September 2024). The reclassification of the Crealis project under financial receivables was carried out following the entry into operation of the TPGV - Crealis service as of 1 July 2020 and the definition of the new framework contract envisaged by the draft agreement signed by TPER, SRM, the Metropolitan City of Bologna, the Municipality of Bologna and the Municipality of San Lazzaro. These conditions, which arose in 2020, made it possible to treat the transaction for accounting purposes according to IFRIC 12.

With regard to the provision for the write-down of financial assets, please note that this was recognised for Euro 820 thousand following the first-time application of the impairment criteria provided for by IFRS 9. The changes in this provision are reported in the following table.

In thousands of euros	31/12/2019	Uses/releases	Provisions	31/12/2020
On financial assets	690	0	1,727	2,417
Total provision for doubtful debts	**690**	**0**	**1,727**	**2,417**

In thousands of euros	31/12/2018	Uses/releases	Provisions	31/12/2019
On financial assets	646		44	690
Total provision for doubtful debts	**646**		**44**	**690**

Table 84

6. DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES

Deferred tax assets 5,102 (3,612)

The following table shows the amount of deferred tax liabilities net of deferred tax assets.

In thousands of euros	31/12/2020	31/12/2019
Deferred tax assets IRES	5,192	3,830
Deferred tax assets IRAP	323	196
Offsettable deferred tax assets	**5,516**	**4,026**
Deferred tax liabilities IRES	(356)	(356)
Deferred tax liabilities IRAP	(58)	(58)
Deferred tax liabilities	**(414)**	**(414)**
Assets (Liabilities) for net deferred taxes	**5,102**	**3,612**

Table 85

The changes in deferred tax assets and liabilities based on the nature of the temporary differences that gave rise to them are summarised in the following table. Temporary differences and tax losses amounted to Euro 48.4 million and Euro 9.7 million respectively, against which DTAs were allocated only for the amount of Euro 5.5 million, which is deemed recoverable in the coming years. Consequently, no deferred tax assets were set aside on tax losses of Euro 2.3 million and on temporary differences of Euro 7.2 million.

In thousands of euros	**31/12/2019**	**Changes in the financial year**					**31/12/2020**
	Opening balance	**Provisions**	**(Releases)/(Uses)**	**Allocations to (releases from) OCI**	**Changes in A.P. estimate**	**Other reclassifications or adjustments**	**Closing balance**
Differences between tax value and book value of FTA adjustments	(414)		0				(414)
Other temporary differences	0						0
Deferred tax liabilities	**(414)**	**0**	**0**	**0**	**0**	**0**	**(414)**
Allocations to non-deducted provisions	3,303	3,261	(1,562)	0	0	245	5,247
Other temporary differences	722	235	(325)	7	0	(371)	268
Offsettable deferred tax assets	**4,026**	**3,496**	**(1,887)**	**7**	**0**	**(127)**	**5,516**
Assets (Liabilities) for net deferred taxes	**3,612**	**3,496**	**(1,887)**	**7**	**0**	**(127)**	**5,102**

Deferred Tax Assets and Deferred Tax Liabilities	**31/12/2018**	**Changes in the financial year**					**31/12/2019**
	Opening balance	**Provisions**	**(Releases)/(Uses)**	**Allocations to (releases from) OCI**	**Changes in A.P. estimate**	**Other reclassifications or adjustments**	**Closing balance**
Differences between tax value and book value of FTA adjustments	(414)		0				(414)
Other temporary differences	0						0
Deferred tax liabilities	**(414)**	**0**	**0**	**0**	**0**	**0**	**(414)**
Allocations to non-deducted provisions	2,340	0	963	0	0	0	3,303
Other temporary differences	617	0	(101)	206	0	0	722
Offsettable deferred tax assets	**2,957**	**0**	**862**	**206**	**0**	**0**	**4,026**
Assets (Liabilities) for net deferred taxes	**2,543**	**0**	**(862)**	**(206)**	**0**	**0**	**3,612**

Table 86

The 2020 allocations to provisions not deducted refer mainly to the provision for labour disputes, the RCA exemption provision, the rolling stock maintenance provision, the Marconi Express onerous contract provision and the component approach on locomotives.

7. NON-CURRENT ASSETS/LIABILITIES AND DISPOSAL GROUPS OF ASSETS/LIABILITIES

Non-current disposal assets and disposal groups of assets - Euros 0 (7,177) thousand

Non-current liabilities and disposal groups of liabilities - Euros 0 (4,177) thousand

The following table shows the breakdown of non-current assets and liabilities and of disposal groups of assets and liabilities.

	31/12/2020	31/12/20019	Change
Non-current assets and disposal groups of assets	**0**	**7,177**	**(7,177)**
Real estate	0	506	(506)
Rolling stock	0	15	(15)
Infrastructure	0	4,556	(4,556)
Other tangible assets	0	1	(1)
Inventories	0	100	(100)
Trade receivables	0	1,999	(1,999)
Non-current liabilities and disposal groups of liabilities	**0**	**4,177**	**(4,177)**
Trade liabilities	0	296	(296)
Provisions for employee benefits	0	3,203	(3,203)
Other current liabilities	0	678	(678)

Table 87

Non-current assets and disposal groups of assets and non-current liabilities and disposal groups of liabilities include all assets and liabilities as at 31 December 2019 included all assets and liabilities elements involved in the transfer of the business unit to the investee Trenitalia TPER S.c.r.l. on 5 December 2019 belonging to regional rail transport in Emilia-Romagna, effective from 1 January 2020, date of the start of full operations of the new company.

8. TRADE ASSETS

Euro 79,050 (90,369) thousand

As at 31 December 2020, trade assets included:

- Inventories, amounting to Euro 11,887 thousand (Euro 11,685 thousand as at 31 December 2019), consisting of fuel and lubricant stocks and spare parts for the maintenance of the rolling stock.

In thousands of euros	2020	2019
Inventories		
Raw materials	15,551	15,026
Provision for inventory write-downs	-3,664	-3,341
Total	11,887	11,685

Table 88

The provision for inventory write-downs includes the value of the engines and other complex subsystems used and overhauled as well as a provision on slow-moving parts.

- Trade receivables, equal to Euro 67,163 thousand (Euro 78,684 thousand as at 31 December 2019), the breakdown of which is detailed in the table below.

In thousands of euros	2020	2019
Trade receivables from:		
Subsidiaries	37,071	30,818
Associates	14,789	23,503
Owner entities	2,458	964
Other receivables for different services	18,247	30,449
Total trade receivables (gross)	**72,566**	**85,733**
Provision for doubtful debts	-5,403	-7,049
Trade receivables (net)	**67,163**	**78,684**

Table 89

Trade receivables from subsidiaries, amounting to 37,071 thousand euros, essentially refer to invoices issued or to be issued for fees for minimum services for automotive services (to TPB and TPF consortia) and for administrative services, personnel secondments and lease of the business unit (to Mafer S.p.A. and Dinazzano Po S.p.A.).
Trade receivables due from associates, amounting to Euro 14,789 thousand, refer to the receivable from Consorzio Trasporti Integrati S.c.r.l. for railway services and from Trenitalia TPER S.p.A. and Marconi Express.

- The item “Other receivables for different services”, amounting to Euro 18,247 thousand, is attributable to receivables for the sale of travel and parking tickets (Euro 2,557), receivables from Italian customers (Euro 8,212), and for the penalties charged to the manufacturers of rolling stock, for the repair and maintenance services of third-party vehicles, for services related to mobility, for renting and the sale of advertising space.

The following table shows the changes in the provision for doubtful debts related to trade receivables.

In thousands of euros	31/12/2019	Uses/releases	Provisions	31/12/2020
On Trade receivables	7,049	(1,646)		5,403
Total provision for doubtful debts	**7,049**	**(1,646)**	**0**	**5,403**

In thousands of euros	31/12/2018	Uses/releases	Provisions	31/12/2019
On Trade receivables	6,428	(507)	1,128	7,049
Total provision for doubtful debts	**6,428**	**(507)**	**1,128**	**7,049**

Table 90

9. CASH AND CASH EQUIVALENTS

Euro 67,042 (38,231) thousand

The item includes:

- bank deposits, amounting to Euro 66,448 thousand (Euro 37,078 thousand as at 31 December 2019);
- postal current accounts, equal to Euro 85 thousand (Euro 73 thousand as at 31 December 2019);
- company funds, amounting to Euro 20 thousand (Euro 14 thousand as at 31 December 2019);
- ticketing machines and fines, amounting to Euro 489 thousand (Euro 1,066 thousand as at 31 December 2019).

For more details on the events that generated the increase in the item during the 2020 financial year, please refer to the cash flow statement.

10. CURRENT TAX ASSETS

Current tax assets Euro 3,718 (2,505) thousand

The table below shows the amount of current tax assets at the beginning and end of the year, in relation to the excess of prepayments on the payable for the year.

Migliaia di euro	**Attività per imposte sul reddito correnti**	
	31/12/2020	**31/12/2019**
IRES	3.188	2.518
IRAP	531	(14)
	3.718	**2.505**

Table 91

11. OTHER ASSETS

Non-current portion Euro 3,173 (3,927) thousand

These total Euro 3,173 thousand, the main items contributing to the balance being analysed below:

Migliaia di euro	**31/12/2020**	**31/12/2019**
Erario c/iva	0	0
Crediti verso Ferrovie Emilia Romagna	1.645	2.292
Risconti attivi	66	168
Altri crediti	6.209	6.318
Totale	7.920	8.778
Fondo svalutazione crediti	(4.747)	(4.851)
Totale altre attività	**3.173**	**3.927**

Table 92

The receivable from Ferrovie Emilia Romagna, amounting to Euro 1,645 thousand, refers to public grants to cover the increased charges of the national collective labour agreement.

The item "Other receivables" includes the receivable from ATC S.p.A., equal to Euro 3.6 million, attributable to the adjustments of the extraordinary merger operation of 2012 and the accounting recognition of the IRES credit from IRAP referable to previous years. For this receivable it was considered appropriate to attach an adequate provision for write-downs because, despite the recognition of the debt and the full availability to extinguish it, ATC has tax litigation underway that could compromise - in the event of a loss to ATC - the financial capacity of the company.

In particular, the changes of the provision for doubtful debts of other assets are as follows:

In thousands of euros	31/12/2019	uses/releases	provisions	31/12/2020
On Other assets	4,851	(103)	0	4,747
Total provision for doubtful debts	4,851	(103)	0	4,747
In thousands of euros	31/12/2018	uses/releases	provisions	31/12/2019
On Other assets	4,834	(55)	72	4,851
Total provision for doubtful debts	4,834	(55)	72	4,851

Table 93

				Summary of uses made in the period 01/01/2014 - 31/12/2018 (pursuant to Article 2427, 7 bis, of the Italian Civil Code)	
IN THOUSANDS OF EUROS	31/12/2020	Possibility of use (A,B,C,D)*	Portion available	To cover losses	For other reasons
Capital issued	68,493				
Legal reserve	5,010	B	5,010		
Extraordinary reserve	20,609	A, B, C	20,609		
Reserve from profits/(losses) from actuarial valuation of provisions for employee benefits	(919)		(919)		
Other reserves	34,504	A, B, C	34,504		
Profits carried forward	23,129	A, B, C	23,129		
Reserves and profits carried forward	150,825		82,333		
Treasury shares	- 189		- 189		
Total	150,637		82,144		
of which:					
Non-distributable portion -	73,503				
Distributable portion	77,134				

Table 94

12. SHAREHOLDERS' EQUITY

Euro 153,818 (150,660) thousand

In thousands of euros	2020	2019
Capital issued	68,493	68,493
Reserves	59,934	54,721
Profit/(loss) carried forward	23,129	23,129
Actuarial profit/loss	-919	-896
Profit/loss for the year	3,181	5,213
Total	153,818	150,660

Table 95

The fully subscribed and paid-up share capital of TPER as at 31 December 2020 consists of 68,492,702 ordinary shares with a par value of Euro 1 each, for a total of Euro 68,493 thousand, and did not change in financial year 2019.

As at 31 December 2020:

- The outstanding shares amount to 68,492,702 (68,492,702 as at 31 December 2019);
- The treasury shares amount to 111,480 (111,480 as at 31 December 2019).

Shareholders' equity increased by Euro 3,158 compared to 31 December 2019, equal to the comprehensive economic result: due to the effect of the profit for the year (of Euro 3,181 thousand) and of the positive change in the other components of comprehensive income (equal to Euro 22.8 thousand).

The following is a summary table of the shareholders' equity items as at 31 December 2020, with an indication of the relative possibility of use and the evidence of the available quota.

				Summary of uses made in the period 01/01/2014 - 31/12/2018 (pursuant to Article 2427, 7 bis, of the Italian Civil Code)	
IN THOUSANDS OF EUROS	31/12/2020	Possibility of use (A,B,C,D)*	Portion available	To cover losses	For other reasons
Capital issued	68,493				
Share premium reserve					
Legal reserve	5,010	B	5,010		
Extraordinary reserve	20,609	A, B, C	20,609		
Reserve from profits/(losses) from actuarial valuation of provisions for employee benefits	(919)		- 919		
Other reserves	34,504	A, B, C	34,504		
Profits carried forward	23,129	A, B, C	23,129		
Reserves and profits carried forward	150,825		82,333		
Treasury shares	- 189				
Total	150,637				
of which: Non-distributable portion -	73,314				
Distributable portion	77,323				

* Key:

A: share capital increase

B: coverage of losses

C: distribution to shareholders

D: for other statutory/shareholders' meeting restrictions

Table 96

13. FUNDS FOR PROVISIONS

Current portion Euro 4,906 (5,186) thousand

Non-current portion Euro 41,207 (51,239) thousand

In thousands of euros	2020 - Financial statement value	current portion	non-current portion	2019 - Financial statement value	current portion	non-current portion
Provisions for employee benefits	18,045	1,986	16,058	20,128	1,964	18,165
Other provisions	28,069	2,920	25,149	36,297	3,223	33,074
Total Funds for provisions	46,113	4,906	41,207	56,426	5,186	51,239

Table 97

The opening and closing balances for the funds for provision and their relative changes in 2020 are shown below.

Migliaia di euro	31/12/2019	variazioni dell'esercizio						31/12/2020
	saldo iniziale	Accantonamenti	Oneri finanziari	Decrementi per utilizzi	Decrementi per rilasci	Accantonamenti (rilasci) in OCI	altre riclassifiche o rettifiche	saldo finale
Fondi per benefici ai dipendenti	20.128	70	0	(2.184)	0	30	0	18.045
Fondo per ripristino e sostituzione materiale rotabile	8.123	0	0	0	(5.407)	0	(2.716)	(0)
Fondo franchigie assicurative	2.789	312	0	(1.653)	0	0	0	1.449
Fondo contratto oneroso magazzino MAFER	7.465	0	0	0	(7.465)	0	0	0
Fondo cause di lavoro in corso	11.427	2.877	1	(243)	(233)	0	110	13.938
Fondo contenzioso Agenzia delle Entrate Cuneo fiscale	6.312	0	0	(692)	0	0	0	5.620
Fondo rischi contratto oneroso Marconi Express	0	6.880	0	0	0	0	0	6.880
Altri fondi	182	0	0	0	0	0	0	182
			0					
Totale Movimentazione Fondi per accantonamenti	**56.426**	**10.140**	**1**	**(4.772)**	**(13.105)**	**30**	**(2.607)**	**46.113**

Table 98

PROVISION FOR EMPLOYEE BENEFITS

As at 31 December 2020, the provision for employee benefits, amounting to Euro 18,045 thousand, refers entirely to employee severance indemnity (TFR) for employees subject to Italian legislation, to be paid upon termination of employment.

The main assumptions made for the actuarial estimate process of the employee severance indemnity provision as at 31 December 2020 referred to the amount accrued before 2007.

	31/12/2020	31/12/2019
Annual discounting rate	-0.02%	0.37%
Annual inflation rate	0.80%	1.20%
Annual rate of increase of severance indemnity	**2.10%**	**2.40%**
Frequency of advances	**2%**	**2%**
Annual turnover rate	**1.50%**	**1.50%**

Table 99

In particular, it should be noted that:

- the annual discounting rate used for the determination of the present value of the liability was derived, in accordance with paragraph 83 of IAS 19, from the Iboxx Corporate AA index with a duration of 7-10 observed at the date of valuation. For this purpose, the performance with durability has been chosen comparable to the duration of the total workers evaluated.
- The annual rate of increase in employee severance indemnity pursuant to Article 2120 of the Civil Code is equal to 75% of inflation plus 1.5 percentage points.

The list of statistical sources used is shown below.

Mortality	RG48 mortality tables published by the State General Accounting Office
Disability	INPS tables distinguished by age and sex

Retirement age	100% upon reaching the AGO requirements in accordance with Decree Law no. 4/2019

Table 100

FUTURE ESTIMATED BENEFITS	
Years	**In thousands of euros**
1	1,986
2	601
3	1,037
4	1,111
5	1,246

Table 101

The “Provision for restoration and replacement of rolling stock”, net of the release of Euro 5.4 million, amounted to Euro 2,716 thousand and was reclassified, as at 31 December 2020, as the depreciation fund for railway rolling stock.

The “Insurance deductibles provision”, equal to Euro 1,449 thousand, represents the probable liability for the deductibles charged to TPER still to be paid on motor vehicle accidents occurring before 2020. The reduction reflects the adjustment to the contingent liability as at 31 December 2020 for insurance charges on claims being settled.

The “Mafer warehouse provision” was reduced to zero as a result of the agreements entered into between TPER and Mafer, which envisage Mafer retaining the ownership of the railway spare parts warehouse, even after the end of the Mafer maintenance contract for TPER trains from 1 January 2020. It should be noted that TPER paid Mafer an indemnity of Euro 7.4 million, as part of these agreements, against the elimination of the risk borne by TPER.

The provision for labour disputes, amounting to Euro 13,128 thousand, was increased by Euro 2.9 million during the year following the update of the risk situations as at 31 December 2020.

The “Provision for MARCONI EXPRESS onerous contract", amounting to Euro 6,880 thousand, was established to cover future charges deriving from the management of the People Mover service. This provision became necessary as a result of the impact of the pandemic on the cash flows of the contract, particularly in the first years of the contract.

The "Provision for tax disputes", amounting to Euro 5,620 thousand, consists of the involvement of TPER - as a legally supportive subject - in relation to tax disputes on matters prior to its constitution.

14. FINANCIAL LIABILITIES

Non-current portion Euro 95,291 (103,135) thousand

Non-current portion Euro 0 (5,319) thousand

The detailed schedules of medium/long-term financial liabilities are shown below, highlighting:

a) the composition of the financial statement balance, the corresponding nominal value of the liability and the related collectability (current and non-current portion).

In thousands of euros	Nominal value	2020 - Financial statement value	Current portion	Non-current portion	Nominal value	2019 - Financial statement value	Current portion	Non-current portion
Bonds	95,000	94,878	0	94,878	95,000	94,648	0	94,648
Medium/long-term loans	0	0	0	0	13,297	13,297	5,319	7,978
Derivatives	31	31	0	31		100	0	100

Other financial liabilities	382	382	0	382	409	409	0	409
Total Other liabilities	95,413	95,291	0	95,291	108,706	108,454	5,319	103,135

Table 102

On 15 September 2017, TPER completed the issue of an unsecured debenture bond loan for an amount of Euro 95 million, listed on the Dublin Stock Exchange (Irish Stock Exchange), the world's leading marketplace for regulated government and corporate bonds.

Non-convertible TPER bonds, with a maturity of 7 years and amortising repayments starting from the fifth year, present a fixed annual coupon of 1.85% and were entirely placed with institutional investors.

The bond issue envisages financial covenants, whose compliance is monitored by the Company. It is specified that in 2020 the covenants were respected and, on the basis of the 2021 budget, they are expected to be respected also for 2021.

The item "long-term loans" refers to a bridging loan for the purchase of a batch of 7 electric trains, contracted in 2016 and with expiry expected in 2022.

15. OTHER LIABILITIES

Non-current portion Euro 21,712 (21,335) thousand

Current portion Euro 26,915 (30,812) thousand

The following table provides a detailed breakdown of the item.

In thousands of euros	2020 - Financial statement value	Current portion	Non-current portion	2019 - Financial statement value	Current portion	Non-current portion
Payables to shareholders	515	0	515	575	61	514
Payables to subsidiaries	190	190	0	95	95	0
Payables to associates companies	25	25	0	0	0	0
Payables due to pension and social security institutions	1,755	1,755	0	2,283	2,283	0
Tax payables	337	337	0	592	592	0
Payables to employees	12,533	12,533	0	13,389	13,389	0
Payables to SRM mobility agency	20,345	0	20,345	19,871	0	19,871
Other payables	12,927	12,074	853	15,342	14,392	949
Total Other liabilities	48,627	26,915	21,712	52,147	30,812	21,335

Table 103

Payables to shareholders, equal to Euro 515 thousand, show the amount of contributions resolved upon and not yet paid.

The item "payables to employees", amounting to Euro 12.533 thousand, refers to wages accrued still to be paid and holidays accrued and not yet taken.

The amounts due to SRM Società Reti e Mobilità S.p.A., equal to Euro 20,345 thousand, essentially refers to the balance due on the reference date in relation to the rental agreement of the business unit underwritten on 4 March 2011 between the mobility agency SRM Società Reti e Mobilità S.p.A. and the company Trasporto Pubblico Bolognese S.c.r.l. at the same time as signing the service agreement for the management of public transport on the local road in the Bologna area.

The most significant items of "Other payables", amounting to Euro 12.9 million, include an amount of Euro 11.2 million for deferrals on ticketing revenues pertaining to future years.

1.6 TRADE LIABILITIES

Non-current portion Euro 0 (0) thousand

Current portion Euro 61,409 (48,578) thousand

The breakdown of trade liabilities is shown in the following table.

In thousands of euros	2020 - Financial statement value	Current portion	Non-current portion	2019 - Financial statement value	Current portion	Non-current portion
Trade payables	42,656	42,656	0	39,079	39,079	0
Trade payables to subsidiaries	12,752	12,752	0	7,430	7,430	0
Trade payables to associate companies	3,240	3,240	0	1,149	1,149	0
Trade payables due to shareholders	399	399	0	631	631	0
Other payables	2,362	2,362	0	290	290	0
Total other liabilities	61,409	61,409	0	48,578	48,578	0

Table 104

Trade payables recorded an increase of Euro 3,577 thousand due to contingent changes.

INFORMATION ON THE INCOME STATEMENT ITEMS

The analysis of the main balances of the income statement is shown below.

For details on the balances of the income statement items deriving from transactions with related parties, please refer to the section "Transactions with related parties".

17. REVENUES FOR TPL LINE SERVICES

Euro 155,985 (173,744) thousand

The revenues for TPL line services amounted to Euro 155,985 thousand and showed a decrease of Euro 17,759 thousand (-10.22%) compared to 2019 (Euro 173,744 thousand).

In thousands of euros	2020	2019	Changes
Travel tickets	46,505	80,482	-33,978
Remuneration supplements	95,849	78,012	17,837
CLA contributions	10,509	10,509	0
Sanctions	3,096	3,799	-703
Other revenues	26	942	-916
Total	155,985	173,744	-17,759

Table 105

The item Wage Supplements for 2020 includes Euro 13.8 million as a result of the various decree laws to compensate for the loss of revenues due to the health emergency. The amount thus determined is currently the best estimate that can be made on the basis of the rules defined at national and regional level, applied on the basis of a prudential approach. In fact, it was calculated by initially identifying the total funds allocated to compensate for the lost tariff revenues relating to passengers from 23 February 2020 to 31 January 2021, equal to approximately Euro 1 billion, and broken down according to the percentage of traffic revenues for each Autonomous Region and Province provided by the database of the Observatory on local public transport policies in the period from 23 February to 3 May 2018 (6.91% for Emilia-Romagna). Once the value allocated to the Emilia-Romagna Region was obtained, this was in turn divided according to the percentage of revenues from traffic for each provincial public transport basin, as part of public transport by road in the provinces of Bologna and Ferrara was considered. the specific portion TPER.

18. REVENUES FROM RAILWAY LINE SERVICES

Euro 6,418 (70,100) thousand

Revenues for railway line services amounted to Euro 6,418 thousand, down by Euro 63.7 million (-90.85%) compared to 2019 (Euro 70,100 thousand), following the sale of the railway business unit effective from 1 January 2020.

In thousands of euros	2020	2019	Changes
Travel tickets	0	17,092	-17,092
Remuneration supplements	1,098	50,176	-49,078
CLA contributions	0	951	-951
Sanctions	0	270	-270
Other revenues	5,319	1,611	3,708
Total	6,418	70,100	-63,683

Table 106

19. REVENUES FROM PARKING AND CAR-SHARING

Euro 12,427 (17,205) thousand

Revenues for parking and car sharing amounted to Euro 12,427 thousand and decreased by Euro 4.8 million (-27.77%) compared to 2019 (Euro 17,205 thousand).

In thousands of euros	2020	2019	Changes
Car parks	10,805	15,058	-4,253
Access to the historic centre	1,332	1,797	-465
Car sharing	290	350	-60
Total	12,427	17,205	-4,778

Table 107

The reduction in revenues in question is due to the COVID-19 emergency. It should be noted that corresponding lower costs were incurred for the fee to the grantor against lower revenues for parking management.

20. OTHER INCOME

Euro 27,551 (Euro 9,820) thousand

The details of other income are shown in the following table.

In thousands of euros	2020	2019	Changes
Vehicle maintenance and other services rendered to third parties	7,100	2,690	4,409

Insurance and other reimbursements	5,101	2,291	2,810
Fines	806	754	52
Other	14,544	4,084	10,460
Total	27,551	9,820	17,731

Table 108

The increase in other income is mostly attributable to the new service activity for Trenitalia TPER (TT) for Euro 8.7 million and, for Euro 4.2 million, for capital gains for public grants on capital goods.

21. PERSONNEL COSTS

Euro 93,720 (117,917) thousand

The breakdown of personnel costs is shown in the following table.

In thousands of euros	2020	2019	Changes
Salaries and wages	68,646	87,344	-18,699
Social security contributions	19,950	24,235	-4,285
Pension provisions	4,466	5,522	-1,057
Other personnel costs	659	816	-157
Total	93,720	117,917	-24,198

Table 109

Personnel costs amounted to Euro 93,720 thousand (Euro 117,917 thousand in 2019).

The following table shows the average headcount (divided by level of job classification and including temporary staff):

Employees at 31/12	2020	2019	CHANGE
Executives	12	12	0
Middle managers	48	53	-5
White-collar workers	261	292	-31
Blue-collar workers	1,590	2,000	-410
Apprentices	268	226	42
Associates	0	0	0
Total	2,179	2,583	-404

Table 110

The reduction in the workforce and the consequent reduction in costs is attributable to the sale of the railway business unit to Trenitalia TPER with effect from 1 January 2020.

22. COSTS FOR SERVICES

Euro 49,761 (74,531) thousand

The financial statement balance is detailed in the following table.

In thousands of euros	2020	2019	Changes
Transport services	7,823	3,973	3,849
Rail tolls	0	10,718	-10,718
Maintenance	13,056	27,036	-13,979
Cleaning	6,894	5,132	1,762
Insurance	4,431	6,555	-2,124
Electric power	1,524	1,708	-184
Canteen service	1,475	2,124	-648
Other utilities	1,630	1,519	110
Consultancy	1,460	1,226	234
Other costs for services	11,467	14,539	-3,072
Total	49,761	74,531	-24,770

Table 111

The net decrease in costs is essentially attributable to the sale of the railway business unit on 1 January 2020 (Euro -10.7 million relating to railway tracks and Euro -12.7 million relating to the maintenance of railway rolling stock).

23. RAW MATERIALS AND MATERIALS

Euro 26,122 (35,098) thousand

This item includes the costs for the purchases of materials:

In thousands of euros	2020	2019	Changes
Fuels	12,534	20,103	-7,570
Lubricants	369	437	-68
Tyres	937	832	105
Spare parts	10,156	11,616	-1,460
Various materials	1,556	1,584	-27
Other	570	527	44
Total	26,122	35,098	-8,975

Table 112

The decrease in expenses for raw materials is attributable to the decrease in the cost of fuels in addition to the reduction in consumption due to the sale of the railway business unit and partly due to some reduction in service during the COVID-19 lockdown period.

24. COSTS FOR USE OF THIRD-PARTY ASSETS

Euro 5,850 (9,706) thousand

The item includes:

In thousands of euros	2020	2019	Changes
Parking and permit management fee	4,930	7,835	-2,904
Other rentals and leasing	920	1,871	-951
Total	5,850	9,706	-3,855

Table 113

The parking and permit management fee relates to the amount due to the Municipality of Bologna on the basis of the contract awarding the related tender.

25. OTHER OPERATING COSTS

Euro 3,506 (3,749) thousand

The item includes:

In thousands of euros	2020	2019	Changes
Taxes and fees	1,040	1,173	-133
Audits and inspections	134	131	3
Membership fees	258	243	14
Other	2,074	2,201	-127
Total	3,506	3,749	-243

Table 114

26. DEPRECIATION AND AMORTISATION

Euro 15,839 (17,235) thousand

The item consists of the depreciation/amortisation charge for 2020, which amounts to Euro 15,839 thousand and refers to the following fixed assets (of which Euro 1,509 thousand due to the application of IFRS 16):

In thousands of euros	2020	2019	Changes
Depreciation of tangible assets	13,667	15,100	-1,433
Of which:			
Real estate	75	74	0
Rolling stock buses/trolley buses	9,901	9,127	774
Railway rolling stock	2,681	3,519	-838
Motor vehicles	130	159	-29
Infrastructure	589	2,038	-1,449
Other tangible assets	291	182	108

Amortisation of intangible assets	663	634	29
Amortisation of assets for rights of use	1,509	1,501	8
Total depreciation/amortisation	15,839	17,235	-1,395

Table 115

27. WRITE-DOWNS AND WRITE-BACKS

Euro 249 (1,244) thousand

The item consists of provisions for write-downs of receivables for Euro 90.5 thousand, net of releases of Euro 1.5 million, as well as write-downs of investments for Euro 860 thousand and the release of write-downs of fixed assets for Euro 701 thousand.

28. CHANGE IN FUNDS FOR PROVISIONS

Euro 4,485 (5,675) thousand

The item consists of the operating changes (provisions and releases) of funds for provisions, excluding those for employee benefits (classified in personnel costs), allocated by the Company to fulfil the legal and contractual obligations that are presumed to require the use of economic resources in subsequent years.

The balance of the item, equal to Euro 4,485 thousand, is related to the increase, net of releases for the year, of the employment disputes provision for Euro 2,754 thousand, to allocations to the provision for inventory write-downs of Euro 323 thousand and the provision for risks on the Marconi Express onerous contract for Euro 6,880 thousand, as well as to the releases of the rolling stock maintenance provision and the railway warehouse provision for Euro 5,407 and Euro 65 thousand, respectively.

29. FINANCIAL INCOME

Euro 1,108 (550) thousand

The balance of financial income and charges is detailed in the tables below.

In thousands of euros	2020	2019	Changes
Dividends	61	59	2
Other financial income			
Of which interest income on receivables	971	468	503
Of which interest income on bank accounts	1	1	0
Of which other interest income	76	23	53
Financial income	1,108	550	558

Table 116

The increase in interest income on receivables refers to interest income on the Crealis financial receivable.

30. FINANCIAL CHARGES

Euro 2,473 (2,230) thousand

In thousands of euros	2020	2019	Changes
Charges on bonds	1,988	1,978	10
Other financial charges	486	253	233
Financial charges	2,473	2,230	243

Table 117

31. TAX CHARGES

Euro -1,699 (-1,179) thousand

The table below shows the details of the tax charges in the two financial years compared.

In thousands of euros	*2020*	*2019*	*CHANGE*
IRES	0	29	(29)
IRAP	45	585	(540)
Current income taxes	**45**	**614**	**(569)**
Income taxes for previous years	(261)	(930)	
Differences on income taxes for previous years	**(261)**	**(930)**	**669**
Current taxes	**(216)**	**(317)**	**101**
Provisions			0
Releases	(1,483)	(862)	(620)
Prepaid taxes	**(1,483)**	**(862)**	**(620)**
Provisions			
Releases			
Deferred taxes	**0**	**0**	**0**
Deferred tax assets and liabilities	**(1,483)**	**(862)**	**(620)**
Tax charges (income)	**(1,699)**	**(1,179)**	**(520)**

Table 118

The following table shows the reconciliation between the theoretical tax burden and what was effectively incurred.

Reconciliation of the theoretical IRES charge In thousands of euros	Value	Tax
Result before tax	1,601	
Theoretical tax charge (rate 24%)		384
Taxable temporary differences in subsequent years		
Total		
Deductible temporary differences in subsequent years		
Non-deductible provision for labour disputes	2,988	
Non-deductible provision for onerous contracts	6,880	
Provision for the write-down of financial assets pursuant to IFRS 9	1,727	
Other deductible temporary differences in subsequent years	2,269	
Total	13,865	
Reversal of temporary differences from previous years		
Use of provisions	-16,064	
Other reversal of temporary differences from previous years	-525	
Total	-16,589	
Differences that will not be reversed in subsequent years		
Contingencies	630	
Other non-deductible costs	732	
Super amortisation/depreciation	-9,714	
Other differences that will not be reversed in subsequent years	-356	
Total	-8,709	
Tax base	-11,432	
Tax deductions	-	
Current income taxes		-

Table 119

Reconciliation of the theoretical IRAP charge In thousands of euros	Value	Tax
Difference between value and costs of production	3,825	
Non relevant income statement items	97,594	
Total	101,419	
Theoretical tax charge (rate 3.90%)		4,260
Differences that will not be reversed in subsequent years		
Increases	1,672	
Decreases	-1,106	
Personnel deductions	-91,785	
Total	-91,219	
Deductible temporary differences in subsequent years		
Reversal of temporary differences from previous years		
Use of provisions for risks and deductible charges	-9,053	
Amortisation of the cost of trademarks and goodwill	-125	
Total	-9,178	
Tax base	1,022	
Current income taxes		43

Table 120

EARNINGS PER SHARE

The table below shows the statement of the basic and diluted earnings per share for the last two financial years compared.

	31/12/2020	31/12/2019
Weighted average number of shares issued	68,492,702	68,492,702
Weighted average number of treasury shares in portfolio	111,480	111,480
Weighted average number of shares outstanding for the purpose of calculating basic earnings	68,381,222	68,381,222
Profit for the year (thousands of euros)	3,181	5,213
Basic earnings per share (euros)	0.05	0.08
Diluted earnings per share (euros)	0.05	0.08

Table 121

INFORMATION ON THE CASH FLOW STATEMENT

The financial trend for 2020 shows an increase in net cash and cash equivalents of Euro 28,812 thousand.

The net cash flow from operating activities, equal to Euro 28,099 thousand, increased by Euro 7,932 thousand euro compared to 2019 (Euro 20,167 thousand) mainly due to:

- change in profit (Euro -2 million);
- change in working capital (Euro +15,932 thousand);
- capital gains/losses (Euro - 4.4 million).

The change in working capital is essentially due to the combined effect of:

- an increase in trade receivables, equal to Euro 11,521 thousand;
- an increase in other current income tax assets, equal to Euro 1,213 thousand;
- an increase in trade liabilities, equal to Euro 12,830 thousand;
- an increase in equity investments, equal to Euro 2,140 thousand;
- a decrease in current liabilities, equal to Euro 3,897 thousand.

The net cash flow generated by investing activities, equal to Euro 16.408 thousand, mainly resulted from the grants received for these investments, equal to 40.495 thousand, net of investments in tangible and intangible assets for Euro 27,566 and Euro 1,045 thousand respectively.

Cash flow generated by financing activities, amounting to a negative Euro 15.696 thousand, essentially derives from the combined effect of:

- the repayment of medium and long-term loans, amounting to Euro 13,297 thousand;
- the reimbursement of financial liabilities for leased assets amounting to Euro 2,169 thousand;
- the payment of interest expense for Euro 1,859 thousand;
- financial income of Euro 1,047 thousand
- increase in financial assets for Euro 1,002.

MANAGEMENT OF THE FINANCIAL RISK

The Company's objective is to maintain over time a balanced management of its financial exposure, designed to ensure a liability structure that is balanced with the composition of assets and able to ensure the necessary operational flexibility by using liquidity generated from current operating activities and bank loans.

The ability to generate liquidity from ordinary operations, combined with the debt capacity, enable the Company to adequately satisfy its operating needs, financing of operating working capital and investment requirements, as well as respect for its financial commitments.

The strategies employed by TPER to manage and control financial risks are illustrated below.

The Company, in the ordinary performance of its operating and financial activities, is exposed to:

- liquidity risk, with reference to the availability of adequate financial resources to meet its short-term commitments;
- the risk of non-compliance with bond covenants;
- the risk of fluctuation of interest rate risks deriving from the exposure to variable interest rates;
- the risk deriving from fluctuations in commodity prices;
- the credit risk, connected both to normal commercial relations and to the possibility of default of a financial counterparty.

The Company is not exposed to exchange rate risk.

LIQUIDITY RISK

Liquidity risk is the possibility that the available financial resources may be insufficient to cover maturing bonds. The Company believes that it has access to sufficient sources of funding to meet the planned financial needs, also in relation to the possible criticalities concerning the disbursement of the contributions due from transfers of the Public

Administration, taking into account its capacity to generate cash flows, the wide diversification of the sources of financing and the liquidity generated by the issue of the bond loan.

The strategy adopted by the Company for the management of liquidity risk focuses on optimising its ability to generate cash flows, and on diversifying sources of funding to cover its requirements for the management of the year and for investments and on the continuous monitoring of expected cash flows to respect the expiry of the commitments assumed.

The following table provides details on the remaining expiries of liabilities based on the non-discounted cash flows. For the bond issue and the bank loans the amounts include both the flows relating to the reimbursement of the capital portion, and the flows relating to interest. In the event in which the flows relating to interest are at a variable rate, their non-discounted value is estimated by applying, for subsequent expiries, the latest variable rate applied in 2020.

For financial liabilities for leased assets, the flows are determined on the basis of contractual fees and, in the event in which these are subject to indexing, their non-discounted value is estimated by applying, for subsequent expiries, the latest variable rate applied in 2020.

In thousands of euros	Financial statement value	Contractual flows				Total
		Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	After 5 years	
As at 31 December 2020:						
Bonds	94,878	1,757	66,262	32,253		100,272
Loans	-					
Derivatives	31	31				31
Liabilities for leased assets	7,306	3,090	3,256	4,255		10,601
Trade liabilities	61,409	61,409				61,409
As at 31 December 2019						
Bonds	94,648	1,757	1,757	98,514		102,028
Loans	13,706	5,398	5,364	2,668		13,430
Derivatives	100	80	29			109
Liabilities for leased assets	9,475	3,011	2,896	3,865		9,772
Trade liabilities	48,578	48,578				48,578

Table 122

TPER believes it has the ability to fulfil its payment obligations through the generation of cash flows from operating activities and, subordinately, through the use of stocks of cash and/or financial instruments in the portfolio that can be converted to cash.

RISK OF DEFAULT AND NON-COMPLIANCE WITH COVENANTS

The risk of default refers to the bond issue. The regulation of the same, in line with international practice for similar transactions, generally gives the bond-holder the right to request the reimbursement of its receivable by arranging for the early termination of the relationship with the debtor in all cases where the latter is declared insolvent and/or subject to bankruptcy proceedings, or has initiated a liquidation procedure or another procedure with similar effects. In particular, the bond envisages the obligation of compliance, for the entire duration of the debt:

- the ratio between the consolidated net financial position and consolidated shareholders' equity must not exceed 1;
- the ratio between consolidated net financial position and consolidated EBITDA must not exceed 3.5.

Non-compliance with the clauses described above constitutes a breach of the contractual obligations and the Company may be required to pay the residual debt.

Respect for these covenants is monitored by the Group and, at the current state of play, all covenants have been observed and compliance also for 2021 is anticipated on the basis of budgets.

INTEREST RATE RISK

The interest rate risk is linked to the uncertainty caused by the trend in interest rates and can generally present a double manifestation:

- Cash flow risk: this is connected to financial assets or liabilities with flows indexed to a market interest rate;
- Fair value risk: it represents the risk of loss deriving from an unexpected change in the value of a financial asset or liability following an unfavourable change in the market rate curve.

The Company's approach to managing interest rate risk, which takes account of the structure of assets and the stability of the cash flows, aims to preserve funding costs and stabilise cash flows, in such a way as to safeguard margins and ensure the certainty of cash flows deriving from ordinary activities. The Company's approach to managing interest rate risk is, therefore, prudent and provides for the analysis and control of the position, carried out periodically based on specific requirements.

The following table shows loans payable at variable and fixed rates.

In thousands of euros	31.12.20	Contractual cash flows	Current portion	Between 1 and 2 years	Between 2 and 5 years	After 5 years
Variable rate	-	-	-	-	-	-
Fixed rate	94,878	100,272	1,757	66,262	32,253	-
Total	94,878	100,272	1,757	66,262	32,253	-
In thousands of euros	31.12.19	Contractual cash flows	Current portion	Between 1 and 2 years	Between 2 and 5 years	After 5 years
Variable rate	13,706	13,430	5,398	5,364	2,668	-
Fixed rate	94,648	102,028	1,757	1,757	98,514	-
Total	108,354	115,458	7,155	7,121	101,182	-

Table 123

COMMODITY PRICE RISK

TPER is exposed to the price risk of energy commodities, i.e. electricity and oil products, since procurement is impacted by fluctuations in the prices of these commodities.

TPER procures commodities through tender procedures and does not make recourse to financial markets for hedges.

CREDIT RISK

Credit risk represents the exposure to potential losses resulting from the failure of commercial counterparties to meet their obligations.

TPER's counterparties are primarily composed of:

- Group companies;
- The Municipality of Bologna, the Municipality of Ferrara, the Emilia-Romagna Region and their investees;
- Financial counterparties in relation to deposits at banks and capital contributions, also in the form of loans granted to investees.

As regards users of TPL services, TPER operates by providing public services and the revenues deriving from the tariffs applied are essentially collected with the provision of the service. However, there are some non-performing credit positions, positions subject to analytical valuation, and an overall estimate of the riskiness of outstanding credit positions, for which a provision for write-downs has been created that takes into account the estimate of recoverable flows and the related collection date, future recovery charges and expenses, as well as the value of guarantees and deposits received from customers.

The credit risk on liquidity and on financial instruments in the portfolio is limited given that TPER only operates with counterparties with a high credit rating.

The low exposure to credit and counterparty risk is confirmed by the results of the impairment analysis, as detailed in the dedicated section.

To measure expected losses, receivables were grouped on the basis of the characteristics of the counterparty risk and by maturity date. In order to apply the selected models, impairment percentages were established determined by maturity date and on the basis of the historical losses recorded by the Company. These percentages were subsequently supplemented with forward-looking information in order to incorporate market information, in addition to historical information.

The table below shows the Company's exposure to credit risk as at 31 December 2020, gross of the write-downs made, compared with the corresponding figures as at 31 December 2019.

IN THOUSANDS OF EUROS				past due			
	Loans 31/12/2020	not past due	0-30	31-60	61-90	91-180	over 180
Trade assets	70,940	59,404	331	453	240	648	9,864
Financial assets	52,318	52,318	-	-	-	-	-
Other assets	9,865	5,151		-	-	-	4,714
Provision for doubtful debts	(12,567)	(5,286)	(22)	(39)	(18)	(30)	(7,172)
Total	120,556	111,587	308	414	222	617	7,406

Table 124

IN THOUSANDS OF EUROS				past due			
	Loans 31/12/2019	**not past due**	**0-30**	**31-60**	**61-90**	**91-180**	**over 180**
Trade assets	85,733	79,377	1,878	359	646	343	3,130
Financial assets	24,472	24,472					
Other assets	8,778	4,028					4,750
Provision for doubtful debts	(12,590)	(5,314)	(216)	(342)	(58)	(637)	(6,023)
Total	**106,393**	**102,563**	**1,662**	**17**	**588**	**(294)**	**1,857**

Table 125

ADDITIONAL DISCLOSURES ON FINANCIAL INSTRUMENTS

The details of financial assets and liabilities required by IFRS 7, subdivided into the categories defined by IFRS 9, are shown below.

In thousands of euros	Notes	Fair value level	Amortised Cost		Fair value recognised in the income statement		Total	
			31/12/2020	31/12/2019	31/12/2020	31/12/2019	31/12/2020	31/12/2019
NON-CURRENT ASSETS								
Equity investments	4	3	53,492	51,353	3,336	3,336	56,828	54,689
Financial assets	5		42,256	19,679			42,256	19,679
CURRENT ASSETS								
Trade receivables	8		67,163	78,684			67,163	78,684
Financial assets	5		7,645	4,103			8,788	4,103
Assets for current income taxes	10		3,718	2,505			3,718	2,505
Other assets	11		3,172	3,927			3,172	3,927
NON-CURRENT LIABILITIES								
Bonds	14		94,878	94,648			94,878	94,648

Medium/long-term loans	14		-	7,978			-	7,978
Derivatives	14	2			31	100	31	100
Long-term liabilities for leased assets	3		4,161	6,531			4,161	6,531
Other liabilities	15		21,712	21,335			21,712	21,335
CURRENT LIABILITIES								
Trade liabilities	16		61,409	48,578			61,409	48,578
Financial liabilities	14		-	5,319			-	5,319
Liabilities for leased assets - short-term portion	3		3,144	2,944			3,144	2,944
Other liabilities	15		26,915	30,812			26,915	30,812

Table 126

DETERMINATION OF THE FAIR VALUE

The fair value of the financial assets and liabilities is determined in line with IFRS 13, which requires these values to be classified based on a hierarchy of levels, which reflects the characteristics of the inputs used to determine the fair value:

- Level 1: valuations performed on the basis of quoted prices in active markets for financial assets and liabilities identical to those subject to valuation.
- Level 2: valuations performed on the basis of inputs other than quoted prices pursuant to level 1, which for the financial asset or liability are directly (prices) or indirectly (price derivatives) observable.
- Level 3: valuations that take as a reference parameters not observable on the market.

Taking the aforementioned classification as a reference, procedures were implemented to measure the fair value of the assets and liabilities as at 31 December 2020 and 31 December 2019, with reference to the observable market parameters:

- The fair value of the financial assets and liabilities with standard conditions and terms, quoted on an active market is measured with reference to prices published in said market by leading market contributors.
- The fair value of other financial assets and liabilities is measured, where the conditions are met, by applying the discounted cash flow method, using the prices recorded for recent market transactions by leading market contributors for similar instruments as the reference balances.

The table below shows the financial assets and liabilities measured at fair value:

In thousands of euros	31/12/2020	fair value at the reporting date		
		level 1	level 2	level 3
Equity investments	3,336			3,336
Financial liabilities				
Derivatives	31		31	

Table 127

In accordance with the provisions of IFRS 13, the fair value of the financial liabilities as at 31 December 2020 is reported, which includes the bond issue which is measured at amortised cost.

In thousands of euros	31/12/2020	31/12/2020
	Financial statement value	Fair Value
Loans	-	-
Bonds	94,878	97,128
Derivatives	31	31
Liabilities for leased assets	7,306	9,806
Other financial liabilities	382	382

Table 128

During the year, there were no transfers between the different levels of the fair value hierarchy.

For medium/long-term financial instruments, other than derivatives, where no market shares are available, the fair value is determined by discounting the expected cash flows, using the market interest rate curve at the reference date and considering counterparty risk in the case of financial assets and its own credit risk in the case of financial liabilities.

ADDITIONAL INFORMATION

GUARANTEES AND THIRD-PARTY ASSETS AT THE COMPANY

As at 31 December 2020, there were collateral guarantees issued by the Company and risks assumed in relation to third-party assets at the company, including the following by relevance:

Description	31/12/2020	31/12/2019	Change
Guarantees given to third parties			
Sureties granted	20,295,882	19,882,401	413,481
Risks			
Third-party assets at the company			0
SRM rented assets at the company	28,037,480	27,990,298	47,182
SRM assets at the company	19,102	19,102	0
Total	48,352,464	47,891,801	460,663

Table 129

The sureties granted to third parties refer - for the most part - to the guarantees provided by TPER, on behalf of TPB S.c.r.l. and TFP S.c.r.l., to the respective mobility agencies for service contracts for local public transport in the Bologna and Ferrara areas.

The item “SRM rented assets at the company” corresponds to the net book value of the company rented by SRM for public transport in the Bologna basin.

In addition to the guarantees summarised above, it should be noted that TPER had received, at the closing date of the financial year, Euro 43 million of guarantees from third parties to cover the purchases of goods (mainly rolling stock) and services. The most significant items of guarantees from third parties consisted of sureties on the construction of the Bologna-San Lazzaro guided public transport system (TPGV) (Euro 10 million), for the purchase of new buses (Euro 11.8 million), for maintenance services (Euro 9.2 million) and for company canteens (Euro 3.5 million).

MANAGEMENT AND COORDINATION ACTIVITIES PURSUANT TO ARTICLE 2497 ET SEQ.

Article 2497 et seq. of the Italian Civil Code is not applicable because TPER autonomously defines its strategic guidelines and is fully autonomous in terms of organisation, management and negotiation, as it is not subject to any management and coordination activity.

RELATIONS WITH RELATED PARTIES

The main relationships maintained by the Company with its related parties, identified according to the criteria defined by IAS 24, are described below.

The following tables show the economic and financial balances of a commercial and financial nature, deriving from transactions with related parties, including those relating to directors, statutory auditors and other executives with strategic responsibilities in the Company.

In thousands of euros		Sales to related parties	Purchases from related parties	Receivables from related parties	Payables to related parties
Subsidiaries					
Omnibus S.c.r.l.	2019	283	1,858	6,564	2,850
	2020	2,709	7,415	5,086	4,386
TPF S.c.r.l.	2019	17,445	548	2,942	159

	2020	19,032	544	2,404	153
TPB S.c.r.l.	2019	69,760	70	21,226	18
	2020	80,571	60	23,201	5
MA.FER S.r.l.	2019	691	14,472	11,799	3,804
	2020	2,788	75	14,453	7,446
DINAZZANO PO S.p.A.	2019	701	559	848	138
	2020	1,356	78	1,206	1
HERM S.r.l.	2019	3	0	0	0
	2020	3	11	0	11
SST S.r.l.	2019	356	2,317	285	555
	2020	431	2,408	315	940
Total	2019	89,239	19,824	43,664	7,524
	2020	106,889	10,591	46,666	12,942
Associates					
SETA S.P.A.	2019	1,300	258	635	125
	2020	176	8	176	56
CONSORZIO TRASPORTI INTEGRATI	2019	18,366	341	3,319	312
	2020	1,107	40	1,800	163
TRENITALIATPER S.c.r.l.	2019	31,880	0	18,541	0
	2020	17,270	0	11,502	2,810
MARCONI EXPRESS S.p.A.	2019	826	80	9,568	80
	2020	821	142	10,472	237
Total	2019	52,372	679	32,063	517
	2020	19,374	190	23,950	3,265
TOTAL	2019	141,611	20,503	75,727	8,041
	2020	126,263	10,780	70,616	16,207

Table 130

The sales and purchases with related parties are made with the terms and conditions equivalent to those prevailing in free transactions. No guarantees have been provided for receivables and payables with related parties. In the financial year ended as at 31 December 2020, the Company did not record any impairment loss of receivables contracted with related parties. This assessment is carried out annually, at each balance sheet date, taking into consideration the financial position of the related party and the market in which the related party operates.

COMPENSATION TO DIRECTORS AND STATUTORY AUDITORS AND AUDITING COMPANIES

The information concerning the remuneration of the directors, statutory auditors and the independent auditors of TPER S.p.A. is presented below.

In thousands of euros	31/12/2020	31/12/2019	Change
Directors' fees	128	128	0
Statutory auditors' fees	92	92	0
Independent auditors' fees	45	45	0
Total	265	265	0

Table 131

GRANTS, CONTRIBUTIONS, PAID OFFICES AND ECONOMIC BENEFITS L. 124/2017

Pursuant to Article 1, paragraph 125, of Law no. 124 of 4 August 2017, in accordance with the obligation of transparency, it should be noted that in 2020 the following grants/contributions were received from public administrations, including through consortia:

AMOUNT RECEIVED Euro	ISSUING ENTITY	DESCRIPTION
260,417	Emilia-Romagna Region	Contribution for the purchase of Intelligent Transport Systems - POR-FESR 2014/2020 funds
1,232,959	Emilia-Romagna Region	20% balance of the Bologna and Ferrara STIMER project and fitting on sub-concessionaires' buses
35,275,000	Emilia-Romagna Region	85% advance for 7 Stadler trains (first contract) - FSC provisions

		2014/2020
57,082	Emilia-Romagna Region	Grant for the purchase of new funds POR vehicles, RESOLUTION RER 1239 of 2 February 2017
1,594,590	Ministry of Infrastructure and Transport	Grant for the realisation of the Guided Public Transport System Bologna City Centre - San Lazzaro (BO) (TPGV) - Law 211/92
378,092	Municipality of Bologna	Grant for the implementation of the Guided Public Transport System Bologna City Centre - San Lazzaro (BO) (TPGV)
3,817,036	SRM Bologna	balance for 27 buses - MIT 2017/2019 Consip tender funds
1,103,362	AMI Ferrara	balance for 10 buses - MIT 2017/2019 Consip tender funds
200,000	SRM Bologna	advance grant to improve TPL quality and safety for prevention and containment of COVID-19 contagion
100,000	AMI Ferrara	advance grant to improve TPL quality and safety for prevention and containment of COVID-19 contagion
1,646,711	Customs Agency	Excise duties on transport diesel
8,136,279	Mobility agencies	COVID-19 public relief for loss of revenues
28,297	Revenue Agency	Tax credit for COVID-19-related sanitisations and PPE
53,829,825	TOTAL RECEIVED IN 2020	

Table 132

PROPOSALS TO THE SHAREHOLDERS' MEETING OF TPER S.P.A.

Dear Shareholders,

At the end of this presentation, we invite you to:

a) discuss and approve the Board of Directors' Report on Operations and the financial statements for the year ended 31 December 2020, which show a profit for the year of Euro 3,180,941.52;

b) allocate the profit for the year:

- Euro 159,047.08 to the legal reserve;
- Euro 3,021,894.44 to extraordinary reserve.

At the date of approval of the financial statements, treasury shares amounted to 111,480.

Bologna, 27 May 2021

For the Board of Directors

The Chairperson

Giuseppina Gualtieri

TPER S.p.A.
Registered office in Bologna - via di Saliceto n. 3
Share capital € 68,492,702.00 fully paid-up
Registered in the Register of Companies and Tax Code 031821612202
*** * * * ***

Report of the Board of Statutory Auditors on the Financial Statements as at 31 December 2020 prepared pursuant to art. 2429, paragraph 2, of the Italian Civil Code
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Dear Shareholders,

the Board of Statutory Auditors, pursuant to art. 2429, paragraph 2 of the Italian Civil Code, is called upon to report to the Shareholders 'Meeting, called to approve the financial statements, on the results of the financial year and on the activities carried out during the year in the fulfilment of its duties, as well as on the omissions and on any questionable facts identified. The Board of Statutory Auditors also has the right to make observations and proposals regarding the financial statements and their approval as well as matters within its competence.

During the year ended 31 December 2020, the Board of Statutory Auditors supervised compliance with the law and the articles of association and adherence to the principles of proper administration, inspiring its activities, as well as for the purposes of preparing this report on the activities carried out and on the financial statements, to the provisions of the law and the Rules of Conduct of the Board of Statutory Auditors of listed companies, if and as far as compatible, as issued by the National Council of Chartered Accountants and Accounting Experts, reporting in particular the following.

This report was approved collectively and in time for its filing at the registered office of the Company, 15 days prior to the date of the Shareholders' Meeting for the approval of the financial statements, together with the other mandatory attachments that accompany them and the Report on Operations, in addition to the non-financial information pursuant to Italian Legislative Decree 254/2016. The management body made available the related documents approved on 27 May 2021 and relating to the financial statements (and the consolidated financial statements) as at 31 December 2020, in compliance with the terms set out in Art. 2429 of the Italian Civil Code.

This report does not concern the statutory audit of the accounts, given these functions are carried out by the Independent Auditors PricewaterhouseCoopers S.p.A., appointed for this purpose.

The functions of the Supervisory Board pursuant to Legislative Decree 231/2001 are assigned to another collegiate body within the Company TPER.

General introduction

The financial statements were prepared in compliance with the provisions of the applicable law and the IAS/IFRS international accounting standards issued by the IASB and adopted by the EU, as well as according to the relevant interpretations of the IFRIC, integrated with the approved amendments and currently applicable, in addition to the verified compliance with the provisions of Italian Legislative Decree 38/2005, due to the obligation imposed by current legislation and consequent to having assumed, from 2017, with the issue of the Bond, the qualification of Public Interest Entity (PIE) as defined by art. 16 of Italian Legislative Decree 39/2010. 2

It should also be noted that the current Board of Statutory Auditors - formed by Mr. Sergio Graziosi, Chairperson, Fabio Ceroni, Standing Member and Ms Patrizia Preti, Standing Member - was appointed pursuant to art. 25 of the Articles of Association at the Shareholders' Meeting held on 29 May 2018 for a three-year period and, therefore, expiring with the approval of these financial statements.

Meetings of the Board of Statutory Auditors

In the period between the start of the 2020 financial year and 31 December 2020, the Board of Statutory Auditors participated in Shareholders' Meetings and the meetings of the Board of Directors; the Board also met periodically to carry out its own pertinent activities, acquiring the necessary information, including through the collection of documents, data and information during periodic meetings scheduled with the Company's *management*, whose attendance and relevance is certified by the related duly signed minutes.

In this context, this Board acknowledges that during the period of its mandate, there were no violations of the law or of the Articles of Association, nor any transactions that were manifestly imprudent, risky, and in potential conflict of interest or such as to compromise the integrity of the corporate assets.

This Board also held periodic meetings with the independent auditor PricewaterhouseCoopers S.p.A., from which no significant data or information emerged that needs to be highlighted in this report, as well as with the Supervisory Body and with the Internal Audit Department. The Board of Statutory Auditors also acquired information from the control bodies of the subsidiaries.

Knowledge of the company, risk assessment and report on assigned tasks

Given the knowledge that the Board of Statutory Auditors declares to have with regard to the Company and with regard to:

i) the type of activity carried out;

ii) its organisational and accounting structure;

also having regard to the fact that, with effect from 1 January 2020, the business unit relating to rail passenger transport was transferred to Trenitalia TPER S.c.a.r.l., based in Bologna, in which the Company holds an equity investment; also taking into account the size and problems of the company, it is reiterated that the "planning" phase of the supervisory activity, in which it is necessary to assess the intrinsic risks and critical issues with respect to the two parameters mentioned above, was carried out by means of positive feedback with regard to what is already known on the basis of information acquired over time.

It was therefore possible to confirm that:

- the typical activities carried out by the Company, without prejudice of course to the effects deriving from the above-mentioned extraordinary transaction, did not change during the year in question and are consistent with the provisions of the corporate purpose;

- the organisational structure, albeit modified as a result of the above, is suitable to allow the preparation of the financial statements on the basis of the IAS/IFRS international accounting standards and in the logic of business development, for an appropriate and effective functional reorganisation, therefore, not only from an accounting and administrative point of view;

- human resources dedicated to business activities decreased as a result (if the average figure is considered), from 2,583 units in 2019 to 2,179 units in 2020. However, on a like-for-like basis, they are substantially unchanged;

- is also possible to note that the Company operated in 2020, taking into account the above, in terms substantially comparable with the previous year and, consequently, our checks were carried out on these assumptions, having the elements to be able to verify the substantial comparability of values and results with those of the previous year.

This report therefore summarises the activity concerning the disclosure required by article 2429, paragraph 2, of the Italian Civil Code and more precisely:

- on the activity carried out in fulfilling the duties envisaged by the law;

- on the results of the financial year;

- on the observations and proposals regarding the financial statements, with particular reference to the possible use by the Board of Directors of the exemption pursuant to article 2423, paragraph 4, of the Italian Civil Code and pursuant to art. 5 of Italian Legislative Decree 38/2005;

- on the possible receipt of complaints from shareholders pursuant to art. 2408 of the Italian Civil Code.

Significant events during the year

With regard to the significant events that occurred in the year ended 31 December 2020, in addition to the above, please refer to the Report of the Board of Directors on Operations accompanying the Financial Statements which, to the best of the knowledge of the Board of Statutory Auditors, fully summarises the most significant events that concerned the TPER Company and the Group as a whole.

Intercompany transactions or transactions with related parties

Pursuant to art. 2427, first paragraph, item 22 bis) of the Italian Civil Code, the Company has fully disclosed in the explanatory notes the transactions carried out with related parties, specifying the amount, the nature of the relationship and any other information necessary for the purposes of understanding the financial statements. These transactions were carried out at conditions equivalent to those prevailing in the free market.

Atypical or unusual transactions

As part of the control activities carried out by this Board of Statutory Auditors, no atypical or unusual or non-recurring transactions emerged.

Supervisory activities

During the financial year ended 31 December 2020, the Board of Statutory Auditors, to the possible extent, was able to ascertain that:

- the decisions made by the Shareholders and the Board of Directors were compliant with the law and the Articles of Association and were not clearly imprudent or such as to compromise the integrity of the company assets;

- sufficient information was acquired on the general operating performance and on its outlook, as well as on the most significant transactions, in terms of size or characteristics, carried out by the company and its subsidiaries; in accordance with the management organisational chart, the information required by art. 2381, paragraph 5, of the Italian Civil Code, were provided and acquired by the Administrative Body and by the General Manager, both during scheduled meetings and at the time of any individual meeting with the members of the Board of Statutory Auditors at the Company's registered office; and

also through telephone and IT contacts/information flows with the members of the Board of Directors: all of the above showed that the directors did, in substance and form, comply with the requirements of the aforementioned regulation;

- the transactions carried out were also compliant with the law and the articles of association and not in potential conflict with the resolutions adopted by the Shareholders' Meeting or such as to compromise the integrity of the company assets, and were adequately assessed;

- no specific observations are made regarding the adequacy of the company's organisational structure during the year, nor regarding the adequacy of the administrative, accounting and control systems, as well as the reliability of the latter in correctly representing the operating events, also for the purposes and effects of the disclosure due pursuant to Italian Legislative Decree 254/2016, with regard to matters of a non-financial nature, as indicated below;

- knowledge of the adequacy and functioning of the administrative-accounting system, as well as the reliability of the latter in correctly representing the operating events, was acquired and monitored, by obtaining, in this regard, specific information from the heads of the functions, from the company PricewaterhouseCoopers S.p.A., tasked with the statutory audit of the accounts, and by examining the Company's documents, and in this regard there are no particular observations to report;

- during the periodic checks pursuant to art. 2403, first paragraph, of the Italian Civil Code, the Board has taken note of the development of the business carried out by the Company. There were also recurring discussions with the independent auditors, with the Internal Audit function and with the Supervisory Body, as well as with the professionals assisting the Company: the results provided positive results, with a fruitful exchange of information. The relations with the people working in the aforementioned structure were inspired by reciprocal collaboration in respect of the roles assigned to each one, having clarified those of the Board of Statutory Auditors;

- the consultants and external professionals appointed to provide accounting, tax, corporate and employment law assistance have not substantially changed, except for those relating to any extraordinary or non-recurring transactions, and therefore they have historical knowledge of the activities carried out and of any management issues, including extraordinary ones, that have impacted on the results of the financial statements;

- no interventions were necessary due to omissions of the management body pursuant to Art. 2406 of the Italian Civil Code;

- no complaints were received pursuant to Art. 2408 of the Italian Civil Code;

- no complaints were made pursuant to Art. 2409, paragraph 7, of the Italian Civil Code;

- during the year, the Board of Statutory Auditors, also in its capacity as Internal Control and Audit Committee, was not requested to issue opinions pursuant to art. 19, letter e), of Italian Legislative Decree no. 39 of 27 January 2010.

In this regard, in its capacity as the Internal Control and Audit Committee, the Board of Statutory Auditors carried out the activities envisaged by Art. 19 of Italian Legislative Decree 39/2010, due to its qualification as a Public Interest Entity (PIE), being required to:

i) inform the Management Body of the Company of the outcome of the statutory audit, sending the same the additional Report addressed to this Board in its capacity of Committee for Internal Control and Audit, pursuant to art. 11 of European Regulation No. 537/2014 prepared by the independent auditors, accompanied by any observations;

ii) monitor the financial reporting process and submit recommendations or proposals aimed at ensuring its integrity;

iii) monitor the effectiveness of the Company's internal quality control and risk management systems and, if applicable, of the internal audit, with regard to financial reporting of the audited entity, without violating its independence;

iv) monitor the statutory audit of the financial statements and of the consolidated financial statements, also taking into account any results and conclusions of the quality controls carried out pursuant to Art. 26, paragraph 6, of the European Regulation, where available;

v) verify and monitor the independence of the statutory auditors or independent auditors pursuant to articles 10, 10-bis, 10-ter, 10-quater and 17 of Italian Legislative Decree 39/2010 and art. 6 of the European Regulation, in particular with regard to the adequacy of the provision of services other than auditing to the audited entity, in accordance with Article 5 of said Regulation;

vi) respond to the procedure for the selection of statutory auditors or independent auditors and recommend the statutory auditors or audit firms to be appointed pursuant to Art. 16 of the European Regulation.

The following findings emerge from the supervisory activities carried out by the Board of Statutory Auditors for this purpose:

(i) Comments on the Additional Report pursuant to art. 11 of the European Regulation

The Board of Statutory Auditors has read the report by the independent auditors PricewaterhouseCoopers S.p.A. on 14 June 2021, issued pursuant to Art. 11 of European Regulation (EU) 537/2014.

The document adequately illustrates the results of the statutory audit as well as the mandatory information pursuant to the second paragraph of the aforementioned Art. 11 of Regulation (EU) 537/2014.

ii) Monitoring of the financial reporting process

As part of the audits carried out during the year, the Board of Statutory Auditors obtained feedback on the existence of adequate rules and processes to oversee the process of formulation and disclosure of financial information, obtaining evidence of the financial disclosure process and of the administrative and accounting procedures, which are adequate with respect to the activities currently carried out by TPER;

iii) Supervision of the effectiveness of the internal control, internal audit and risk management systems

The Board of Statutory Auditors periodically met with the Heads of the control functions and in particular with the Internal Audit function of TPER to exchange information on the activities carried out, obtaining updates on the execution of the audit plan and, in this context, on the audit interventions carried out and the related results, also on a programmatic and prospective basis.

In light of the results of the activities carried out, the information learned from the control functions, also taking into account the contents of the aforementioned additional report pursuant to Art. 11 of Regulation (EU) 537/2014 prepared by the Independent Auditors, which contains the reassurance on the non-existence of shortcomings in the Internal Control System (ICS) and reassured by the interviews with the same, the Board of Statutory Auditors, in relation to the operating situation of the Company as at 31 December 2020, expresses an assessment of adequacy on the control system.

iv) Supervision of the statutory audit of the annual and consolidated financial statements

The Board of Statutory Auditors met with the representatives of the Independent Auditors (PricewaterhouseCoopers S.p.A.) with whom the planned exchange of information was established.

In the report pursuant to art. 11 of the European Regulation (EU) 537/2014, and in the report pursuant to art. 14 of Italian Legislative Decree 39/2010, issued by the independent auditors on 14 June 2021, the same certified that, on the basis of the checks carried out, as mentioned above, no significant shortcomings emerged in the internal control system in relation to the process of financial reporting, “key aspects” of the statutory audit were highlighted, with the relative description of the separate and consolidated financial statements.

v) Supervision of the independence of the independent auditors, in particular with regard to the provision of non-audit services

The Board of Statutory Auditors supervised the independence of the Independent Auditors and obtained the annual confirmation of independence pursuant to Art. 6, paragraph 2) letter a) of European Regulation 537/2014.

In particular, on 14 June 2021, the auditing firm PricewaterhouseCoopers S.p.A. confirmed, with specific certification, that it had complied with the ethical principles set out in Arts. 9 and 9-bis of Italian Legislative Decree 39/2010 and that no situations were found that compromised their independence pursuant to Arts. 10 and 17 of Italian Legislative Decree 39/2010 and Articles 4 and 5 of European Regulation 537/2014, also confirming the fulfilment of the requirements of Art. 6, paragraph 2, letter b) of Regulation (EU) 537/2014.

Lastly, we attest that TPER, having the qualification of PIE pursuant to the law, is obliged, also by virtue of its size requirements, to provide the necessary communications of non-financial information (known as "Non-Financial Statement - NFS") in compliance with the provisions of Italian Legislative Decree 254/2016 at both separate and consolidated level. In this regard, this Board reports that it has verified: a) the fulfilment of the obligations imposed by the regulations regarding the preparation and publication of the non-financial statement; b) the adequacy of the methodologies/systems and processes used for this purpose; c) on the presentation of the attestation of compliance issued by the Independent Auditors PricewaterhouseCoopers S.p.A., on 14 June 2021, pursuant to the provisions of Art. 3, paragraph 10, of Italian Legislative Decree 254/216.

The Board of Statutory Auditors acknowledges that, as indicated in the financial statements, the Group has taken all steps necessary in order to deal with the resurgence of the pandemic in the year under review and in the months just passed in 2021, to guarantee health and safety in the locations where its personnel operates. In addition, again as a result of the prolonged state of health emergency, as indicated in notes to the consolidated financial statements and the report on operations, the Board of Statutory Auditors acknowledges that the TPER Group has carried out an analysis of the effectiveness and efficiency of the remodulation of passenger transport in accordance with the restrictive measures adopted by regulatory bodies.

In conclusion, we can therefore state that in the course of the supervisory activity carried out by this Board, no significant facts and/or elements emerged, such as to require notification in this report.

Separate financial statements and consolidated financial statements

First of all, it is important to point out to the Shareholders that the Board of Statutory Auditors acknowledged that the Board of Directors did not take into account the obligation to prepare the financial statements or the explanatory notes through the use of the so-called "XBRL taxonomy" as it was exempted from doing so as the financial statements were prepared in compliance with international accounting standards.

With regard to the separate financial statements and the consolidated financial statements as at 31 December 2020, notwithstanding the fact that the tasks relating to the statutory audit and, therefore, the opinion on the respective financial statements are the exclusive responsibility of the independent auditors PricewaterhouseCoopers S.p.A., it should be noted that the draft financial statements for the year and the consolidated financial statements as at 31 December 2020 were approved by the Board of Directors and consist of the Balance Sheet, the Income Statement, the Statement of Comprehensive Income, the Statement of Changes in Equity, the Cash Flow Statement for the financial year ended 31 December 2020 and the Explanatory Notes (to the separate and consolidated financial statements) which include, in summary, the accounting standards adopted for the individual financial statement items.

Furthermore:

- the management body also prepared the report on operations pursuant to art. 2428 of the Italian Civil Code;

- the statutory audit is entrusted to PricewaterhouseCoopers S.p.A., which prepared its own report pursuant to art. 14 of Italian Legislative Decree no. 39 and pursuant to art. 10 of European Regulation no. 537/2014 to both the separate and consolidated financial statements of the Group. These reports do not highlight findings of significant deviations, or negative opinion or the impossibility to express an opinion or requests for disclosure and, therefore, the opinion issued is positive for both;

 the independent auditors also prepared the Additional Report for the Internal Control and Audit Committee pursuant to Art. 11 of European Regulation No. 537/2014 for the exclusive use of this Board and for the purposes of Art. 19 of Italian Legislative Decree 39/2010;

 the valuation criteria adopted, which are the same for both the separate financial statements and the consolidated financial statements, are reported in the Notes to the consolidated financial statements only.

The Board of Statutory Auditors also supervised the compliance by the Board of Directors with the procedural rules pertaining to the preparation of the separate financial statements and of the consolidated financial statements as well as their general layout, their general compliance with the law as regards their format and structure, and has no observations in this regard;

 the separate financial statements and the consolidated financial statements as at 31 December 2020 were prepared on the basis of the provisions of the applicable law and the IAS/IFRS international accounting standards issued by the International Accounting Standards Board (IASB) and approved by the European Commission as required by Community Regulation No. 1606/2002 currently in force, as well as the provisions of Italian Legislative Decree 38/2005;

 we also ascertained that the separate and consolidated financial statements correspond to the facts and information that we are aware of as a result of the performance of our duties, and we have no observations in this regard.

The draft financial statements were also examined, and in relation to these the following additional information is provided:

- attention was paid to the layout of the draft financial statements, and the accompanying documents, to their general compliance with the law as regards their format and structure, and in this regard there are no observations that need to be highlighted in this report;

- compliance with the law pertaining to the preparation of the Report on Operations was verified, and in this regard there are no observations that need to be highlighted in this report;

- the Board of Directors, in preparing the financial statements, did not depart from the legal provisions pursuant to art. 2423, par. 4, of the Italian Civil Code and pursuant to art. 5 of Italian Legislative Decree 38/05;

- the compliance of the financial statements with the facts and information of which it became aware following the performance of the typical duties of the Board of Statutory Auditors was verified, and in this regard no further observations are highlighted;

- pursuant to Art. 2426, paragraph 5, of the Italian Civil Code, the Board of Statutory Auditors attests that, for mere reporting purposes, “other intangible assets” do not refer to “start-up and expansion costs” nor to “development costs” with long-term useful lives yet to be amortised;

- the correctness of the information contained in the Explanatory Notes was verified with regard to the absence of any financial and monetary asset or liability positions originally arising in currencies other than the Euro;

- the information required by Art. 2427-bis of the Italian Civil Code, in relation to any financial instruments, was provided, where recognised at a value higher than their fair value;

- with regard to the proposal of the Board of Directors regarding the allocation of the net profit for the year and which will be discussed below, the Board of Statutory Auditors has nothing to observe, nevertheless recalling that the decision on the matter rests with the Shareholders' Meeting.

The net result ascertained by the Board of Directors relating to the financial statements for the year ended 31 December 2020, as also evident from the reading of the financial statements, was positive for Euro 3,180,942 (against Euro 5,213,314 in the previous year).

On 14 June 2021, the Board received the reports prepared by the Independent Auditors on the separate financial statements and on the consolidated financial statements as at 31 December 2020 and acknowledged:

- the opinions on the financial statements and on the consolidated financial statements reported therein, which show that they provide a true and fair view of the equity and financial position, the economic result and the cash flows for the year ended 31 December 2020 prepared in compliance with the IFRS adopted by the EU, both of the separate and consolidated financial statements;

- the absence of requests for disclosure;

- the key aspects of the audit;

- the opinion of consistency and compliance with the law of the Report on Operations of the Board of Directors included in the financial statements;

- other opinions required by the current legislation and other information to be communicated on the basis of regulations (Italian Legislative Decree 39/2010 and EU Regulation 537/2014), as required.

Report on Operations

The Board of Statutory Auditors examined the contents of the Report on Operations prepared by the Board of Directors in relation to both the separate and consolidated financial statements, and verified that the independent auditors PricewaterhouseCoopers S.p.A. had carried out the procedures aimed at expressing their opinion, with positive results, on the consistency of the above-mentioned report with the financial statements and their compliance with the law.

Furthermore, to the best of our knowledge, in preparing the financial statements in question, the Directors did not need to avail themselves of the possibility of derogation provided for by Art. 2423, paragraph 4, of the Italian Civil Code and Art. 5, first paragraph, of Italian Legislative Decree no. 38/2005.

Observations and proposals regarding the approval of the financial statements

On the basis of the above and to the extent to which the Board of Statutory Auditors is aware and was confirmed by the periodic checks carried out, it is unanimously believed that there are no impediments, also in light of the report prepared by the Independent Auditors and of the related opinion on the financial statements, the approval on your part of the separate financial statements for the year ended 31 December 2020 as prepared and presented by the Board of Directors, as well as the proposal made by your Board of Directors for the allocation of profit for the year to the legal reserve (as required by law) and to the extraordinary reserve, for the excess part.

Finally, at the end of the work carried out and also of the three-year mandate received, which has come to an end and which you will have to resolve upon, we would like to thank the Board of Directors, the Employees and all the staff, as well as Collaborators for their active participation. and the effective support received, wishing the Company a successful future.

Bologna, 14 June 2021

The Board of Statutory Auditors

Sergio Graziosi, Chairperson

Patrizia Preti, Statutory Auditor

Fabio Ceroni, Statutory Auditor

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Independent auditor's report

in accordance with article 14 of Legislative Decree 39 of 27 January 2010 and article 10 of Regulation (EU) 537/2014

To the shareholders of
Tper SpA

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Tper SpA (the "Company") and its subsidiaries (hereinafter, the "Tper Group" or the "Group"), which comprise the consolidated statement of financial position as of 31 December 2020, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in shareholders' equity and the consolidated cash flow statement for the year then ended and the explanatory notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as of 31 December 2020 and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree 38/05.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of this report. We are independent of the Company pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were

PricewaterhouseCoopers SpA

Sede legale: **Milano** 20145 Piazza Tre Torri 2 Tel. 02 77851 Fax 02 7785240 Capitale Sociale Euro 6.890.000,00 i.v. C.F. e P.IVA e Reg. Imprese Milano Monza Brianza Lodi 12979880155 Iscritta al n° 119644 del Registro dei Revisori Legali - Altri Uffici: **Ancona** 60131 Via Sandro Totti 1 Tel. 071 2132311 - **Bari** 70122 Via Abate Gimma 72 Tel. 080 5640211 - **Bergamo** 24121 Largo Belotti 5 Tel. 035 229691 - **Bologna** 40126 Via Angelo Finelli 8 Tel. 051 6186211 - **Brescia** 25121 Viale Duca d'Aosta 28 Tel. 030 3697501 - **Catania** 95129 Corso Italia 302 Tel. 095 7532311 - **Firenze** 50121 Viale Gramsci 15 Tel. 055 2482811 - **Genova** 16121 Piazza Piccapietra 9 Tel. 010 29041 - **Napoli** 80121 Via dei Mille 16 Tel. 081 36181 - **Padova** 35138 Via Vicenza 4 Tel. 049 873481 - **Palermo** 90141 Via Marchese Ugo 60 Tel. 091 349737 - **Parma** 43121 Viale Tanara 20/A Tel. 0521 275911 - **Pescara** 65127 Piazza Ettore Troilo 8 Tel. 085 4545711 - **Roma** 00154 Largo Fochetti 29 Tel. 06 570251 - **Torino** 10122 Corso Palestro 10 Tel. 011 556771 - **Trento** 38122 Viale della Costituzione 33 Tel. 0461 237004 - **Treviso** 31100 Viale Felissent 90 Tel. 0422 696911 - **Trieste** 34125 Via Cesare Battisti 18 Tel. 040 3480781 - **Udine** 33100 Via Poscolle 43 Tel. 0432 25789 - **Varese** 21100 Via Albuzzi 43 Tel. 0332 285039 - **Verona** 37135 Via Francia 21/C Tel. 045 8263001 - **Vicenza** 36100 Piazza Pontelandolfo 9 Tel. 0444 393311

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addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters	*Auditing procedures performed in response to key audit matters*
Going Concern	
The assessments made on the ability of the company to continue as a going concern are illustrated in the paragraph 'Going Concern' of the Notes to the consolidated financial statements.	
The measures issued by the competent authorities to contain the epidemic spread of Covid-19 and to ensure the protection of national health have resulted in a reduction in citizens' mobility affecting the operation of local public transport and the Group's turnover which, starting from second half of February 2020, suffered a significant contraction. This critical element has required detailed assessments by the Directors regarding the Company's ability to continue as a going concern with a prospective of at least 12 months. Management has carried out an assessment of the risk factors relating to going concern, considering the risk mitigation factors identified and illustrating the considerations regarding the Group's ability to fulfill its obligations with a prospective of at least 12 months. We have identified an area of attention in this context in consideration of the exceptional nature of the impact of the health emergency on the Group and the fact that the management evaluation process entails a high level of professional judgment in the formulation of prospective assessments on financial sustainability in a particularly dynamic and uncertain scenario.	We carried out an understanding of the approach adopted by the management in identifying the main risks and critical issues inherent in the Company's ability to continue as a going concern and the assumptions defined in the assessment process. We discussed the cash flow projections used in order to evaluate the Group's ability to fulfill its obligations over a period of at least 12 months and we carried out testing on the reasonableness of the estimates made. We conducted a detailed analysis of the loan agreements in place to understand the main conditions and we verified that these conditions were respected and sustainable in accordance with the assumptions defined by the management. We have carried out review procedures on subsequent events to identify those intended to mitigate or influence the Company's ability to continue as a going concern. Eventually, we verified the accuracy and completeness of the information presented in the note "Going Concern" included in the Notes to the consolidated financial statements at 31 December 2020.

Responsibilities of the Directors and the Board of Statutory Auditors for the Consolidated Financial Statements

The Directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree 38/05 and, in the terms prescribed by law, for such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

The Directors are responsible for assessing the Group's ability to continue as a going concern and, in preparing the consolidated financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the consolidated financial statements, the Directors use the going concern basis of accounting unless they either intend to liquidate Tper SpA or to cease operations, or have no realistic alternative but to do so.

The Board of Statutory Auditors is responsible for overseeing, in the terms prescribed by law, the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 International Standards on Auditing (ISA Italia) 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 the consolidated financial statements.

As part of our audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- we identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained 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;
- we obtained 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 Group's internal control;
- we evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- we concluded on the appropriateness of the Directors' 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 Group'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 consolidated 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 Group to cease to continue as a going concern;

- we evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- we obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion on the consolidated financial statements.

We communicated with those charged with governance, identified at an appropriate level as required by ISA Italia 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 identified during our audit.

We also provided those charged with governance with a statement that we complied with the regulations and standards on ethics and independence applicable under Italian law and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We described these matters in our auditor's report.

Additional Disclosures required by Article 10 of Regulation (EU) 537/2014

We were appointed by the shareholders of Tper SpA at the general meeting held on 29 May 2018 to perform the statutory audit of the Company's and the consolidated financial statements for the years ending 31 December 2018 through 31 December 2026.

We declare that we did not provide any prohibited non-audit services referred to in article 5, paragraph 1, of Regulation (EU) 537/2014 and that we remained independent of the Company in conducting the statutory audit.

We confirm that the opinion on the consolidated financial statements expressed in this report is consistent with the additional report to the Board of Statutory Auditors, in its capacity as audit committee, prepared pursuant to article 11 of the aforementioned Regulation.

Report on Compliance with other Laws and Regulations

Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree 39/10

The Directors of Tper SpA are responsible for preparing a report on operations a of the Tper Group as of 31 December 2020, including its consistency with the relevant consolidated financial statements and its compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) 720B in order to express an opinion on the consistency of the report on operations, with the consolidated financial statements of the Tper Group as of 31 December 2020 and on their compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations mentioned above is consistent with the consolidated financial statements of Tper Group as of 31 December 2020 and is prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree 39/10, issued on the basis of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

Statement in accordance with article 4 of Consob's Regulation implementing Legislative Decree 254 of 30 December 2016

The Directors of Tper SpA are responsible for the preparation of the non-financial statement pursuant to Legislative Decree 254 of 30 December 2016.

We have verified that the Directors approved the non-financial statement.

Pursuant to article 3, paragraph 10, of Legislative Decree 254 of 30 December 2016, the non-financial statement is the subject of a separate statement of compliance issued by ourselves.

Bologna, 14 June 2021

PricewaterhouseCoopers SpA

Signed by
Roberto Sollevanti
(Partner)

This report has been translated into English from the Italian original solely for the convenience of international readers

Independent auditor's report

in accordance with article 14 of Legislative Decree 39 of 27 January 2010 and article 10 of Regulation (EU) 537/2014

To the shareholders of
Tper SpA

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Tper SpA (the "Company"), which comprise the statement of financial position as of 31 December 2020, the income statement, the statement of comprehensive income, the statement of changes in shareholders' equity and the cash flow statement for the year then ended and the explanatory notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as of 31 December 2020 and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree 38/05.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of this report. We are independent of the Company pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the

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Sede legale: **Milano** 20145 Piazza Tre Torri 2 Tel. 02 77851 Fax 02 7785240 Capitale Sociale Euro 6.890.000,00 i.v. C.F. e P.IVA e Reg. Imprese Milano Monza Brianza Lodi 12979880155 Iscritta al n° 119644 del Registro dei Revisori Legali - Altri Uffici: **Ancona** 60131 Via Sandro Totti 1 Tel. 071 2132311 - **Bari** 70122 Via Abate Gimma 72 Tel. 080 5640211 - **Bergamo** 24121 Largo Belotti 5 Tel. 035 229691 - **Bologna** 40126 Via Angelo Finelli 8 Tel. 051 6186211 - **Brescia** 25121 Viale Duca d'Aosta 28 Tel. 030 3697501 - **Catania** 95129 Corso Italia 302 Tel. 095 7532311 - **Firenze** 50121 Viale Gramsci 15 Tel. 055 2482811 - **Genova** 16121 Piazza Piccapietra 9 Tel. 010 29041 - **Napoli** 80121 Via dei Mille 16 Tel. 081 36181 - **Padova** 35138 Via Vicenza 4 Tel. 049 873481 - **Palermo** 90141 Via Marchese Ugo 60 Tel. 091 349737 - **Parma** 43121 Viale Tanara 20/A Tel. 0521 275911 - **Pescara** 65127 Piazza Ettore Troilo 8 Tel. 085 4545711 - **Roma** 00154 Largo Fochetti 29 Tel. 06 570251 - **Torino** 10122 Corso Palestro 10 Tel. 011 556771 - **Trento** 38122 Viale della Costituzione 33 Tel. 0461 237004 - **Treviso** 31100 Viale Felissent 90 Tel. 0422 696911 - **Trieste** 34125 Via Cesare Battisti 18 Tel. 040 3480781 - **Udine** 33100 Via Poscolle 43 Tel. 0432 25789 - **Varese** 21100 Via Albuzzi 43 Tel. 0332 285039 - **Verona** 37135 Via Francia 21/C Tel. 045 8263001 - **Vicenza** 36100 Piazza Pontelandolfo 9 Tel. 0444 393311

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context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters	*Auditing procedures performed in response to key audit matters*
Going Concern	
The assessments made on the ability of the company to continue as a going concern are illustrated in the paragraph 'Going Concern' of the Notes to the financial statements.	
The measures issued by the competent authorities to contain the epidemic spread of Covid-19 and to ensure the protection of national health have resulted in a reduction in citizens' mobility affecting the operation of local public transport and the Company's turnover which, starting from second half of February 2020, suffered a significant contraction. This critical element has required detailed assessments by the Directors regarding the Company's ability to continue as a going concern with a prospective of at least 12 months. Management has carried out an assessment of the risk factors relating to going concern, considering the risk mitigation factors identified and illustrating the considerations regarding the Company's ability to fulfill its obligations with a prospective of at least 12 months. We have identified an area of attention in this context in consideration of the exceptional nature of the impact of the health emergency on the Company and the fact that the management evaluation process entails a high level of professional judgment in the formulation of prospective assessments on financial sustainability in a particularly dynamic and uncertain scenario.	We carried out an understanding of the approach adopted by management in identifying the main risks and critical issues inherent in the Company's ability to continue as a going concern and the assumptions defined in the assessment process. We discussed the cash flow projections used in order to evaluate the Company's ability to fulfill its obligations over a period of at least 12 months and we carried out testing on the reasonableness of the estimates made. We conducted a detailed analysis of the loan agreements in place to understand the main conditions and we verified that these conditions were respected and sustainable in accordance with the assumptions defined by the management. We have carried out review procedures on subsequent events to identify those intended to mitigate or influence the Company's ability to continue as a going concern. Eventually, we verified the accuracy and completeness of the information presented in the note "Going Concern" included in the Notes to the financial statements at 31 December 2020.

Responsibilities of the Directors and the Board of Statutory Auditors for the Financial Statements

The Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union,

as well as with the regulations issued to implement article 9 of Legislative Decree 38/05 and, in the terms prescribed by law, 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.
The Directors are responsible for assessing the Company's ability to continue as a going concern and, in preparing the financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the financial statements, the Directors use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The Board of Statutory Auditors is responsible for overseeing, in the terms prescribed by law, the Company's financial reporting process.

Auditor's Responsibilities 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 International Standards on Auditing (ISA Italia) 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 the financial statements.

As part of our audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised our professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- we identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained 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;
- we obtained 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;
- we evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- we concluded on the appropriateness of the Directors' 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;

as well as with the regulations issued to implement article 9 of Legislative Decree 38/05 and, in the terms prescribed by law, 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.
The Directors are responsible for assessing the Company's ability to continue as a going concern and, in preparing the financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the financial statements, the Directors use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The Board of Statutory Auditors is responsible for overseeing, in the terms prescribed by law, the Company's financial reporting process.

Auditor's Responsibilities 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 International Standards on Auditing (ISA Italia) 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 the financial statements.

As part of our audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised our professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- we identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained 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;
- we obtained 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;
- we evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- we concluded on the appropriateness of the Directors' 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;

- we evaluated 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 communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, 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 identified during our audit.

We also provided those charged with governance with a statement that we complied with the regulations and standards on ethics and independence applicable under Italian law and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We described these matters in our auditor's report.

Additional Disclosures required by Article 10 of Regulation (EU) 537/2014

We were appointed by the shareholders of Tper SpA at the general meeting held on 29 May 2018 to perform the statutory audit of the Company's and consolidated financial statements for the years ending 31 December 2018 through 31 December 2026.

We declare that we did not provide any prohibited non-audit services referred to in article 5, paragraph 1, of Regulation (EU) 537/2014 and that we remained independent of the Company in conducting the statutory audit.

We confirm that the opinion on the financial statements expressed in this report is consistent with the additional report to the Board of Statutory Auditors, in its capacity as audit committee, prepared pursuant to article 11 of the aforementioned Regulation.

Report on Compliance with other Laws and Regulations

Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree 39/10

The Directors of Tper SpA are responsible for preparing a report on operations of the Company's as of 31 December 2020, including its consistency with the relevant financial statements and its compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) 720B in order to express an opinion on the consistency of the report on operations, with the financial statements of Tper SpA as of 31 December 2020 and on their compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations is consistent with the financial statements of Tper SpA as of 31 December 2020 and is prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree 39/10, issued on the basis of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

Bologna, 14 June 2021

PricewaterhouseCoopers SpA

Signed by
Roberto Sollevanti
(Partner)

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