

# Financial Statements 2018



# CONTENTS

REPORT ON OPERATIONS	<b>2</b>
TPER SPA FINANCIAL STATEMENTS	<b>18</b>
INFORMATION ON THE STATEMENT OF FINANCIAL POSITION	<b>47</b>
TPER GROUP CONSOLIDATED FINANCIAL STATEMENTS	<b>79</b>
INFORMATION ON THE STATEMENT OF FINANCIAL POSITION	<b>117</b>
STATUTORY AUDITORS' REPORTS	<b>152</b>
INDEPENDENT AUDITORS' REPORTS	<b>161</b>

# CORPORATE BODIES

## Board of Directors

---

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

## Director

---

Paolo Paolillo

## Managing Director

---

Fabio Teti

## Board of Auditors

---

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

## Auditing Firm

---

PricewaterhouseCoopers SpA

# REPORT ON OPERATIONS

## INTRODUCTION

Financial year 2018 closes with a profit of 8.28 million euros, in line with the results of previous years and in accordance with forecasts.

The 3% increase in Tper fare revenues for 2018 (at the same fare pricing) is even more significant if we consider the uninterrupted growth demonstrated by the company since the date it was formed.

The commitment to harnessing the benefit of increased transport demand is combined with attention to service and continued efforts to combat ticket evasion, which has led to very significant results both in terms of reducing evasion and in terms of awareness of, and respect for, travel rules.

The quantity of service provided, the number of season ticket holders and the number of passengers carried also increased in 2018, continuing the uninterrupted growth seen since the company was formed in 2012. For Tper, this not only means that it has achieved an important objective, but above all serves to further boost its mobility services offering.

The company has focused its attention on the organisation and implementation of the activities at the heart of its mission. Better corporate organisation under the banner of transparency, with a voluntary process of reporting of its work - not only in economic terms, but also as regards sustainability; the company is fully committed to the certification and legality rating initiative.

Despite renewed tensions in relation to fuel prices and other production factors in 2018, the company is fully committed to maintaining the affordability and sustainability of the service without the qualitative level being affected.

Tper continues to be heavily committed to renewing the vehicle fleet, with total use of public resources allocated to the sector and with capacity for immediate co-financing by the company for significant total investment volumes.

## VISION AND MISSION

Tper is an integrated mobility company with its core business in local automotive and railway public transport and operates with 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.

Tper is a joint-stock company operating in a market economy. Indeed, the company performs local services following the award of a European public tender, thus operating in a competitive market system.

Tper has taken up the major challenge posed by shareholders of being able to combine being an industrial company with performing essential general-interest public services, investing in the human resources that are central to the activities carried out and to the quality and expertise of how it operates vis-a-vis public users.

The various company activities are managed both directly and through subsidiaries and investee companies. Tper is structured as a group, 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. In addition to rail and road public transport, other business activities include railway maintenance, rail freight transport, management work as the leading entity in major regional mobility projects, the development of key mobility services such as parking and car/bike sharing, and parking and permit management.

The range of activities carried out, and in particular public transport, consist of general-interest services 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, Tper 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 travellers, with the aim of growing in services and in the region.

In short, Tper's mission is to offer differentiated, sustainable, reliable and accessible mobility services, with the aim of optimising the expectations of users, improving the quality of the environment and people's lives.

The corporate vision, consistent with the objectives of the mission, is focused on the value of service to people. Indeed, Tper wants to reduce distances and establish connections in the region, and be chosen for the integration of services, comfort, economy and sustainability.

## LEGAL FRAMEWORK

The various activities managed by TPER refer to a complex system of rules relating to services of general economic interest with an economic impact and based on the Union initiatives, as implemented by national and regional legislation.

The legislation takes into account both aspects related to national and international policies on competition and management methods, as well as criteria of sustainability and accessibility of services to users. In view of the considerable impact of the transport sector on the environment, the policies also concern the reduction of the environmental impact in terms of production of CO<sub>2</sub> and other greenhouse gases, through an incentive to use collective or shared transport compared to private transport, as well as the transition to cleaner energy sources.

Tper respects all the reference standards and adopts plans in line with international and local sustainable development objectives.

The main rules of reference of the local public transport (LPT) sector remain in force, in particular Legislative Decree no. 422 of 18 November 1997 and subsequent modifications (known as the Burlando Decree) and European Regulation 1370/2007, as well as the regional implementing regulations.

In railway matters, the 2017 decree brings local railways under the jurisdiction of Ansf (Italian National Railway Safety Agency), with subsequent speed-limitation measures due to significantly impact certain lines and sections not equipped with the SCMT system, as well as new procedures for level crossings and specific ways of managing the service. In full compliance with the new regulatory system and in agreement with the Agency, the infrastructure manager and the institutions, the company has reorganised its service and management methods.

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 (LPT Fund), including railway, in ordinary-statute regions.

As from 2018, the LPT 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). For the remaining portion, an annual reduction of 15% of the value of the contracts which by 31 December of the previous year have not been awarded by tender (or where the relative call for applications has not been published) is expected.

The law has also disincentivised the circulation of old polluting buses, fuelled by petrol or diesel and of the euro 0 or euro 1 type, allocates resources to the safety of rail transport, introduces systems for counting passengers and electronic ticketing.

The Italian Budget Law for 2018 (Law no. 205/2017) subsequently provided for two adjustments to the size of the Fund. Indeed, this will begin from 2019 with a reduction of the Fund by 58 million euros decided upon for the years 2019 and 2020, as well as for the year 2021 and beyond. At the same time, resources were also allocated (500,000 euros for 2018, 2 million euros for 2019 and 1 million euros 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 Budget Law for 2018 (Article 1, paragraph 71) provided for the possibility of using up to 100 million euros from the Fund for the financing of pilot and innovative sustainable mobility projects, consistent with Sustainable Urban Mobility Plans (SUMP) where provided for by the legislation in force 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.

In line with the goal of encouraging the renewal of the bus fleet, further regulations have 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).

With reference to regional regulations, Regional Law no. 30 of 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 protection of air quality from air pollution, also to protect the health of citizens.

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).

The regional regulatory framework requires that LPT 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 LPT 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 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 directives Act 2016-2018 of 3 August 2015 on the planning and administration of regional and local public transport, pursuant to Article 8 of Regional Law n. 30 of 1998. This act establishes the main sources of financing of the sector by providing:

- 1) regional resources deriving mainly from the National Fund for the State financial assistance to the costs of local public transport, including rail transport;
- 2) regional and other resources (European, state, provincial, municipal and even 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 promoting air quality.

The division between the provincial councils of services and contributions was approved by the Regional Council with the "Determination of minimum LPT services for 2016-2018" of 16 May 2016.

Tper confirmed its fullest commitment to the 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 territory, innovation for the benefit of users (integrated tariff systems and electronic ticketing), travel comfort and the overall quality of the service, and among other things 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 addition to renewing rail and road rolling stock, the pact aims to integrate rail and road fares, introduce electronic ticketing, and to implement a new project for governance reform.

The Pact provides for the renewal of 600 buses by 2020 by means of a 160 million euros investment, including 80 million euros from the regional budget. The most outdated vehicles in the fleet will thus be replaced. Moreover, the Pact provides for 1 billion euros in investments over 10 years to increase the technological efficiency and the safety of trains.

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.

## ECONOMIC FRAME OF REFERENCE

According to the economic statistics of the Bank of Italy, 2018 saw a general increase in risks for the global economy. In the main advanced economies growth in fact remains strong, but world trade slowed significantly and the risks arising from protectionist measures that affect investment increased.

The euro area saw a moderate expansion in economic activity, albeit with a slowdown compared to the previous period. Inflation has remained at around 2 per cent. The ECB's decision to reduce and then cease net asset purchases could take its toll in the future.

In Italy in the second quarter the strong expansion in investment that occurred in the early months of the year helped to support growth, while exports remained stable, affected by the weakness of world trade. In the summer months of 2018, however, growth slowed down, around 0.1 per cent on the previous period, reflecting a stagnation in industrial production.

Industrial activities, however, remained stable in the summer months. On the one hand there was an increase in energy consumption, and on the other there was a drop in freight transport flows, while car registrations remained unchanged. Manufacturing business confidence worsened during the summer: the indices for reviews on foreign orders decreased, particularly in the intermediate and capital goods sectors.

The confidence indices in the building, household and manufacturing business sectors remained favourable in the first half. There were, however, less optimistic signs for these over the course of the summer, with the exacerbation of international trade tensions.

In September, the underlying performance of economic activity was just barely stable. In the same month, household confidence increased slightly while businesses confidence continued to drop, influenced by less favourable opinions on the overall performance of the economy.

Inflation rose in the third quarter, returning to 1.7%, the highest level since the beginning of 2013. The recovery in prices contributed to the increase in energy prices.

Household consumption has been largely stable. There continue to be concerns with regard to economic performance, and in particular the labour market, in connection with weakening labour demand in the summer; the outlook on personal situations has, on the other hand, improved. According to ISTAT, following an initial growth in the first quarters, the disposable income of household consumers fell in the fourth quarter, essentially returning to the level recorded at the beginning of the year. Indeed, compared to the previous quarter the disposable income of consumer households decreased by 0.2% in nominal terms and by 0.5% in real terms. Nevertheless, household consumption has continued to grow, powered by a further decline in the propensity to save, which has fallen to a level close to the minimum recorded a year and a half ago. In the fourth quarter of 2018, household final monetary consumption expenditure rose by 0.5% in nominal terms; as a consequence of this there was a reduction of 0.6 percentage points in the propensity to save by households, which fell to 7.6% (8.2% in the third quarter).

With reference instead to the financial markets, investor uncertainty regarding the direction taken by economic and financial policies led to high tension, and the risk premium, following considerable fluctuations, returned to growth. Indeed, the differential between the yields on Italian and German government securities in the second half exceeded 300 basis points. This had an impact on private bond and equity prices, in particular those of banks.

In its 2018 update to the Economic and Financial Document (DEF), the Italian Government put forward a reduction of net debt of 1.8 per cent of GDP and set its target for 2019 net debt at 2.4 per cent of GDP, against the 1.2 trend.

According to ISTAT data ("Quarterly public administration accounts, household income and savings and corporate earnings" relating to the fourth quarter of 2018), in fourth quarter of 2018 net government borrowing in relation to GDP was equal to 2%, a slight increase compared to the same quarter of 2017 (1.9%).

As regards the tax burden, this was 48.8%, an increase of 0.2 percentage points compared to the same period of the previous year.

## MAIN EVENTS OF 2018

### P I M B O

PIMBO is the acronym of Progetto Integrato della Mobilità Bolognese (Bologna's integrated mobility project) for the completion of the Metropolitan Railway Service, and for the conversion of the main lines of urban public transport, which Tper manages and executes. The original project also envisaged the acquisition of 7 train convoys dedicated to passenger transport of the SFM service at the Bologna hub. In 2017, in agreement with the interested bodies and in particular with the Emilia-Romagna Region, it was possible to finance the supply of the seven ETR 350 trains as part of the 2014-2020 Development and Cohesion Funds. The request for funding was approved by CIPE Resolution No. 54/2016, published in the Official Gazette no. 88 of 14 April 2017.

The Project was thus revised, excluding the already financed trains. As a whole, it is now worth 254.8 million euros, net of VAT, and covers, concisely,

the stops of the Metropolitan Railway Service (SFM)

accessibility works on SFM stops

the SFM station branding project

completion of the urban section of the SFM2 Bologna-Portomaggiore line

completion of the Bologna urban railway network, with the construction of road works and electricity supply, including substations, and the supply of rolling stock.

The PIMBO Definitive Project, as indicated above, was approved with CIPE Resolution no. 92 of 22 December 2017 published in the Official Gazette of 15 June

2018. Tper is taking the steps necessary for the publication of the contract notice.

## NEW PARKING SERVICE CONTRACT IN THE MUNICIPALITY OF BOLOGNA

In May 2018, Tper was awarded the tender for activities related to the Parking Plan and additional mobility services/activities for the Municipality of Bologna, subsequently signing the service contract in July 2018.

In 2018, the services already performed by Tper in relation to the new contract involved the following areas:

- management of the regulated parking on the road;
- management of pay parking in facilities used for parking;
- management of the service of road marking;
- management of the car sharing service;
- the management of bicycle mobility services.

On 31 December, in association with the Municipality of Bologna and SRM, Tper ceased the car-sharing service due to the simultaneous launch in the Bologna area of "Corrente", the free-flow electric car sharing service, as part of the wider implementation of an advanced mobility project.

In contrast to the previous contract, the management of pay parking in facilities used for parking now includes the extraordinary maintenance of such structures.

## TPGV ASSISTED DRIVING SYSTEM PROJECT

Tper launched the construction of a mass transit system for the connection between the municipalities of Bologna and San Lazzaro, known as the TPGV project.

The project, which has a total value of over 182 million euros 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.

All the civil and plant engineering works were completed in 2018, while activities to test the entire system are ongoing and are expected to conclude in the autumn of 2019. The 49 Iveco Crealis trolley vehicles already in service on other existing trolleybus lines will come into operation on the Bologna - San Lazzaro section in the course of 2019, once the Ministry of Transport and other competent authorities have authorised its opening to the public.

## DISPUTES

As regards the tax dispute on the IRAP tax relief of the “tax wedge” originated by ATC SpA (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 the tax it considers to have overpaid, i.e. in relation to the deductions payable as part of the 2012-14 “tax wedge” and for the difference with the ordinary IRAP rate of 3.90% from 2012. In 2016, Tper, in view of the lack of response from the tax authorities, 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.

## MANAGEMENT OPERATIONS

Tper carries out its business activities under the conditions of market competition, entirely within the framework of service contracts stipulated following the awarding of the service through public tenders (local public transport by road in the Bologna and Ferrara council areas, public transport regional railway station Emilia-Romagna and, from 2014, parking services in the municipality of Bologna).

The total production disbursed during the year for passenger bus service was about 44.3 million kilometres, as follows:

<b>Automotive road service</b>	<b>2018</b>	<b>2017</b>
<b>Total kilometres planned</b>	<b>44,250,552</b>	<b>43,875,979</b>
<b>- Bologna (TPB)</b>	<b>35,443,680</b>	<b>35,051,259</b>
- Bologna urban service	17,893,240	17,600,410
- Various municipality services	712,831	705,712
- Suburban and extra-urban service	16,778,031	16,689,077
- Specialized lines, reserved and rentals	59,578	56,060
<b>- Ferrara (TPF)</b>	<b>8,806,872</b>	<b>8,824,720</b>
- Urban service	2,154,572	2,179,697
- Extra-urban service	5,517,047	5,507,016
- Extra-urban taxibus service	1,132,910	1,132,775
- Specialized lines, reserved and rentals	2,344	5,231

The table shows the mileage data of production (net of off-line empty journeys) relating to the complex of services managed in the Bologna and Ferrara council areas by the respective TPB and TPF companies, controlled by Tper.

As a result of the investments and the commissioning of new vehicles, the average age of the entire vehicle fleet at the end of 2018 was reduced to 12.8 years, while that of trolleybuses is 8.9 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.

The railway mileage for the year was about 5.9 million kilometres, as follows:

<b>Railway service</b>	<b>2018</b>	<b>2017</b>
<b>Total kilometres per Service Contract</b>	<b>5,899,406</b>	<b>5,921,972</b>
<b>- Railway kilometres</b>	<b>5,043,271</b>	<b>5,066,965</b>
- Service on the RFI network	2,405,363	2,412,446
- Service on the Fer network	2,637,908	2,654,519
<b>- Replacement bus kilometres</b>	<b>549,967</b>	<b>547,149</b>
- Service performed	549,967	547,149
<b>- Other / transfers</b>	<b>306,168</b>	<b>307,858</b>
- Service on the RFI network	94,188	87,360
- Service on the Fer network	211,980	220,498

(\*) THE TABLE SHOWS THE DATA OF PASSENGERS CARRIED ON THE COMPLEX OF SERVICES MANAGED IN THE BOLOGNA AND FERRARA COUNCIL AREAS BY, RESPECTIVELY, TPB AND TPF, OWNED BY TPER. FOR THE RAILWAY SERVICE THE DATA ARE ESTIMATED ACCORDING TO THE PASSENGER VISITS

The total passengers transported during the year were 160.8 million, as follows:

<b>Passengers transported</b>	<b>2017</b>	<b>2018</b>
<b>BOLOGNA AREA</b>		
<b>PASSENGERS URBAN SERVICE</b>	<b>111,292,812</b>	<b>115,320,708</b>
<b>AIRPORT CONNECTION BUS</b>	<b>1,254,587</b>	<b>1,347,334</b>
<b>PASSENGERS SUBURBAN/EXTRA-URBAN SERVICE (°)</b>	<b>18,246,382</b>	<b>18,587,857</b>
<b>PASSENGERS SPECIALISED LINES, RENTALS, RESERVED</b>	<b>249,425</b>	<b>243,177</b>
<b>TOTAL BOLOGNA</b>	<b>131,043,206</b>	<b>135,499,076</b>
<b>FERRARA AREA</b>		
<b>PASSENGERS URBAN SERVICE</b>	<b>8,443,056</b>	<b>8,929,323</b>
<b>PASSENGERS EXTRA-URBAN SERVICE</b>	<b>4,664,830</b>	<b>4,525,495</b>
<b>TOTAL FERRARA</b>	<b>13,107,886</b>	<b>13,454,818</b>
<b>RAIL PASSENGERS ON THE FER NETWORK (*)</b>	<b>6,180,314</b>	<b>6,901,498</b>
<b>RAIL PASSENGERS ON THE TRENITALIA NETWORK (*)</b>	<b>4,397,183</b>	<b>4,939,742</b>
<b>TOTAL</b>	<b>154,728,589</b>	<b>160,795,134</b>

(\*) THE TABLE SHOWS THE DATA OF PASSENGERS CARRIED ON THE COMPLEX OF SERVICES MANAGED IN THE BOLOGNA AND FERRARA COUNCIL AREAS BY , RESPECTIVELY, TPB AND TPF, OWNED BY TPER. FOR THE RAILWAY SERVICE THE DATA ARE ESTIMATED ACCORDING TO THE PASSENGER VISITS

The growth in users follows the positive trend recorded over time, including as a result of projects focusing on improving service and ticket inspection: in the last year, passengers carried - over 160 million in total - increased by 3.9% overall, a percentage that is added to the results achieved in previous years, with a steady and sustained increase in users.

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

SEASON TICKETS	2018				2017			
	Total	Area Bologna	Area Ferrara	Service Rail	Total	Area Bologna	Area Ferrara	Service Rail
<b>Annual season tickets</b>	103,267	87,206	13,650	2,411	89,063	74,685	11,981	2,397
urban	72,772	64,583	8,189		59,257	53,317	5,940	
extra-urban	23,871	16,099	5,361	2,411	23,124	14,773	5,954	2,397
Entire network	6,624	6,524	100		6,682	6,595	87	
<b>Monthly season tickets</b>	688,269	575,224	56,432	56,613	652,993	544,872	49,135	58,986

the sales of annual and monthly season tickets continue to increase, both in terms of road transport and rail transport. This is an indication of increased customer loyalty and a positive response to the service provided.

## HUMAN RESOURCES

At 31 December 2018, Tper's staff consisted of 2,514 people, broken down as follows by professional category:

- 12 executives;
- 53 middle managers;
- 290 employees;
- 2,159 workers (including 143 apprentices).

Three of the above persons work under a fixed-term contract, while the rest are employed with a permanent contract.

During 2018, the company hired 143 new employees in the reorganisation and development process: of these 39 with a permanent contract and 104 with an apprenticeship contract.

<b>Employees at 31/12</b>	<b>2018</b>	<b>2017</b>	<b>VARIATIONS</b>
Executives	12	12	0
Middle managers	53	51	2
White-collar staff	290	291	-1
Blue-collar staff	2,016	2,093	-77
Apprentices	143	44	99
Associates	0	0	0
<b>Total</b>	<b>2,514</b>	<b>2,491</b>	<b>23</b>

<b>Personnel number: equivalent units</b>	<b>2018</b>	<b>2017</b>	<b>VARIATIONS</b>
Average for the year	2,403	2,436	-33
As at 31/12	2,434	2,408	26

In 2018 the company continued to offer intensive training for over 37,000 hours, of which more than 20% concerned the health and safety training programs - always a central point of attention for Tper.

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.

## MAIN ECONOMIC, FINANCIAL AND EQUITY INDICATORS

The net profit for the 2018 financial year is 8.3 million euros, after amortization and depreciation (net of investment grants) of 14.4 million euros, and provisions and write-downs of 4.1 million euros.

The details of the write-downs and provisions are shown in the Explanatory Notes.

As better detailed in the Notes, these financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). On 15 September 2017, Tper issued a bond loan that was listed on the regulated market of the Dublin Stock Exchange (ISE - Irish Stock Exchange). Consequently, with effect from the financial year ended 31 December 2017, Tper is required to adopt IFRS international accounting standards.

### KEY BALANCE SHEET INDICATORS

<i>Millions of euros</i>	<b>2018</b>	<b>2017</b>
Tangible and intangible fixed assets	<b>200.3</b>	<b>200.5</b>
Shareholders' equity	<b>150.2</b>	<b>147.2</b>
Net financial position	<b>-61.9</b>	<b>-63.9</b>
Investments	<b>28.1</b>	<b>43.3</b>

### KEY INCOME STATEMENT INDICATORS

<i>Millions of euros</i>	<b>2018</b>	<b>2017</b>
ROI	<b>2.9%</b>	<b>4.3%</b>
Net invested capital	350.1	360.2
Operating result	10.1	15.5
ROE	<b>5.5%</b>	<b>5.6%</b>
Shareholders' equity	150.2	147.2
Net result	8.3	8.2

## IRAP TAX RATE

In consideration of some Tax Authority disputes with public transport companies, Tper has prudentially liquidated IRAP 2018 at a rate of 4.20% - even if it considers this higher rate not due - and will proceed to request reimbursement for the difference with the ordinary IRAP rate of 3.90%.

## ADDITIONAL INFORMATION

### DEVELOPMENT ACTIVITIES

#### **MUVER App for the purchase of travel tickets with Android smartphones with NFC technology**

An NFC mobile ticketing solution, in the form of the MUVER App, has been created. The app enables the purchase of travel tickets using a smartphone, and validation of the tickets using the validators already installed on buses. The NFC solution is compatible with mandatory validation, allows the opening of turnstiles on buses equipped with this technology, and is highly secure against fraud.

In 2018, over 62,000 euros in travel tickets were sold through the app.

#### **Digital platforms (MaaS): ROGER app**

In 2018, a digital platform was created for the purposes of integrated and shared mobility, with the aim of increasing the quality, simplicity and appeal of the travel experience by means of a single access point that enables:

- integrated and intermodal travel planning;
- payment;
- the issuing of travel tickets;
- any additional and innovative services.

The Roger app is a virtual assistant for mobility: the app's navigation system makes it possible to choose how to travel, integrating the various forms of public transport throughout the Emilia Romagna Region. Roger proposes possible combinations and, once the travel solution has been chosen, also allows the relevant travel tickets to be purchased using a credit card. The ticket is validated on board using any Android smartphone, both with and without NFC, and also Apple world. Roger allows you to view the closest stops and the relevant time tables, in real time.

It also has a payment feature for street parking in 17 cities across the region.

#### **On-board video surveillance system for buses**

The contract for the creation of an on-board video surveillance system for buses has been awarded, and the implementation phase has begun.

The prototypes have already been built. By 2019, urban buses will be equipped with a security system consisting of video cameras, video recorders, motion sensors and 4G/wifi routers able to communicate with 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.

#### **EMV ticketing system**

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.

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.

In 2018, plans and specifications were drawn up for the tender, which will be undertaken in the first half of 2019.

The system is expected to launch in the second half of 2020.

#### **E-procurement system**

A system for was put in place for e-procurement using the Register of Economic Operators.

The Procurement Portal was published in order to establish the register of operators for Works, Services and Supplies and the e-procurement management procedures were put in place.

The platform also provides the service for the publication of awarded contracts in compliance with Law 190/2012 on Tper Spa's internet portal and generates a file in XML format for the annual return to the ANAC (Italian National Anti-Corruption Authority).

### **Process digitalisation**

In 2018, efforts to digitise processes were ramped up, focusing on two different areas:

- automation of internal procedures
- dematerialisation of ticketing systems, both for Local Public Transport and for parking

Note that an agreement was signed with ParER (Emilia-Romagna's regional archiving centre) in relation to the electronic archiving service, which allows the company's strategic digital documentation to be archived and stored pursuant to law.

In 2018, 60,000 dematerialised travel pass top-ups were made (via web, ATM, mobility management)

## MISCELLANEOUS

### CONSOLIDATED STATEMENT OF NON-FINANCIAL CHARACTER

The Group prepares the Consolidated Statement of a Non-Financial Character pursuant to Legislative Decree 254/2016 and Consob Resolution n. 20267 of 18 January 2018, in a separate document, published on the website in the section: > The Company,> Transparent Company,> Financial Statements.

### SECONDARY LOCATIONS

The company carries out its activities in the following locations: in Bologna (BO), via Battindarno 121, via Due Madonne 10, via Ferrarese 114, via delle Biscie 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 Nassirya 8; in Imola (BO), via Marconi 4; in Casalecchio di Reno (BO), via Don Minzoni 13; at Codigoro (FE) in Viale Papa Giovanni XXIII 45; in Comacchio (FE), via Provinciale 38; in Sermide (MN) in Viale Stazione 17; in Modena (MO) in piazza A.Manzoni 21; in Reggio Emilia (RE) in via Orazio Talami 7.

## TPER GROUP

The Tper Group has drawn up its consolidated financial statements according to the applicable rules. The Group closed the year with a net profit of 13.1 million euros.

2359 of the Italian Civil Code.

Area of Consolidation	Consolidation %	% ownership	% third parties
Tper SpA (controlling company)	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%

Tper SpA is mainly engaged in intra-Group activities. For this reason, only the report on the management of the financial statements of the parent company is issued, and no consolidated financial statements are prepared.

Below is some information on subsidiaries. For the company results, please refer to the Explanatory Notes.

#### MA.FER SRL

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

Tper is the sole shareholder of MA.FER. Srl.

#### TPF SOC.CONSA 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 council 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. Soc. Cons. a rl with 3% of the share capital.

#### DINAZZANO PO SPA

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 consortium Azienda Consorziale Trasporti ACT (RE), the Port Authority of Ravenna, and intermodal port of Ravenna Porto Intermodale di Ravenna SAPIR S.p.A. with 1.55% of the share capital each.

#### TPB SOC.CONSA R.L.

The corporate purpose of TPB, established in 2011 following the tender for the public transport service in the Bologna council 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 Soc. Cons. a rl with 10% and Autoguidovie SpA with 5% of the share capital.

#### HERM HOLDING EMILIA-ROMAGNA MOBILITÀ SRL

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

The other shareholder is Nuova Mobilità Scarl with 5.05% of the share capital.

#### OMNIBUS SOC.CONSA 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 Scarl with 17% of the share capital, and Coerbus Scarl with 15% of the share capital.

#### SST SRL

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

The other shareholder is FE.M. Soc. Cons. a rl with 49% of the share capital.



## SIGNIFICANT EVENTS AFTER THE END OF THE REPORTING PERIOD

Many notable projects and new activities have been launched since the beginning of 2019, such as the introduction of a batch of 19 new, latest-generation, hybrid buses or the start of the supply of biogas to run a number of buses with methane generated from the composting of organic waste by the local waste disposal service.

There are, however, no significant implications as regards the 2018 financial statements.

## BUSINESS OUTLOOK

The programmes for the next few years envisage the continuation and extension of the processes already initiated by the company.

With the financial resources made available by the 2017 bond issue, the investment plan for the renewal of rolling stock will continue and be expanded, with a quantitative and qualitative increase in the transport service.

Tper is an active part in the development and innovation of transport systems, within an environmentally and economically sustainable mobility.

On completion of the Crealis project there will be the launch of new projects for integrated and innovative transport systems, respecting the quality of life and the environment.

Tper has the will and the determination to tackle the current mobility challenges, in order to identify all the mobility needs in urban areas.

## PRINCIPAL RISKS AND UNCERTAINTIES

In the ordinary course of its operating activities, Tper is mainly exposed:

liquidity risk, with reference to the availability of adequate financial resources to meet its operating activities and the repayment of liabilities assumed;

credit risk, connected both to normal commercial relations and to the possibility of default of a financial counterparty.

The company's strategy for managing financial risks is consistent with the corporate objectives defined by the Board of Directors.

### LIQUIDITY RISK

The liquidity risk is the unknown factor that the available financial resources may be insufficient to cover the maturing liabilities, including in relation to the possible critical issues related to the disbursement of the contributions due deriving from transfers from the Public Administration. The company is actively committed to overseeing the risk in question, both by improving its ability to generate cash flows, and by seeking a diversification of the sources of funding to cover its yearly operational and investment needs.

### CREDIT RISK

Tper operates by providing public services, through subsidiaries, with institutional entities; ticketing revenues are mostly managed by cash.

However, there are some non-performing credit positions, positions subject to individual valuation, and an overall estimate of the riskiness of outstanding credit positions, for which a write-down provision was created that takes into account the estimate of recoverable flows.

### OPERATIONAL AND MARKET RISKS

Operational risks mainly refer to malfunctioning and unexpected service interruptions caused by accidents and extraordinary events. Such events could create damage to people and cause a reduction in revenues. In general, the internal control system and the action plans put in place by the company are aimed at ensuring continuity of service and safeguarding the company's assets, in full compliance with laws and regulations.

New risk assessment methodologies are being developed that ensure efficient data management to prevent operational risks.

The company is a party in proceedings and legal actions related to the normal performance of its activities. On the basis of the information currently available, the company believes that these proceedings and actions are appropriately assessed and covered by appropriate reserves and provisions in the financial statements, and will not have any material adverse effects on the financial position and results of the company.

## PROPOSED ALLOCATION OF OPERATING PROFIT

Dear Shareholders,

at the end of this assembly, 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 2018, which show a profit for the year of 8,280,181.85 euros;
- b) allocate the profit for the year:
  - 414,009.09 euros to legal reserve,
  - 3,726,081.83 euros to extraordinary reserve,
  - 4,140,090,93 euros in distribution of dividends to shareholders.

At the date of approval of the financial statements, treasury shares amounted to 11,480.

Bologna, 20 May 2018

For the Board of Directors

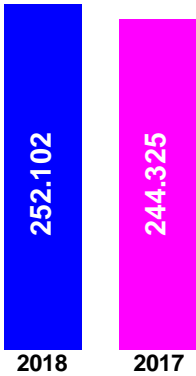
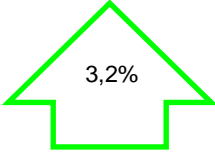
The Chairperson  
Giuseppina Gualtieri

# TPER SpA

## Highlights

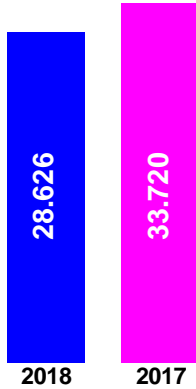
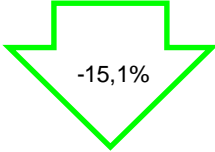
### REVENUES

thousand Euro



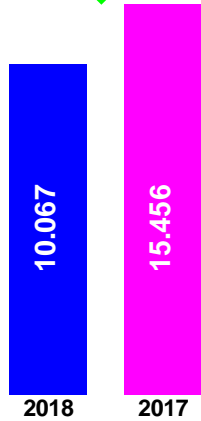
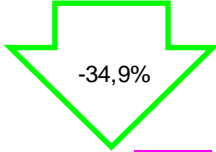
### GROSS OPERATIVE RESULT

thousand Euro

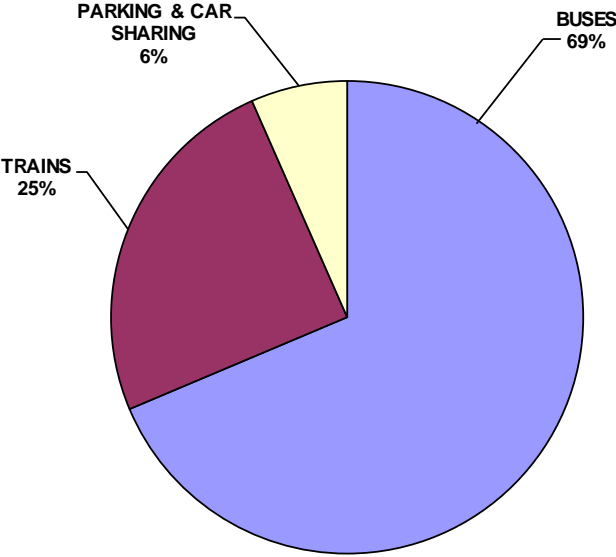


### NET OPERATIVE RESULT

thousand Euro

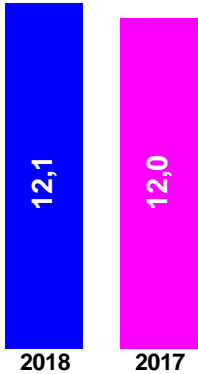


### REVENUES



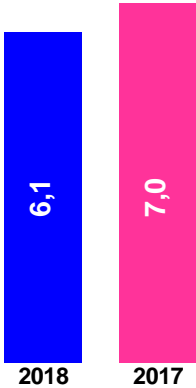
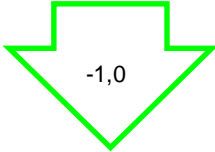
### PROFIT PER SHARE

Euro cent



### DIVIDEND PER SHARE

Euro cent



	notes	31/12/18	31/12/17
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
<b>Tangible assets</b>	<b>1</b>	<b>199.235.123</b>	<b>199.254.009</b>
Real estate		3.731.020	3.412.688
Rolling stock		156.648.138	156.903.204
Infrastructure		38.273.120	38.423.659
Other tangible assets		582.846	514.458
<b>Intangible assets</b>	<b>2</b>	<b>1.091.183</b>	<b>1.214.097</b>
Goodwill and other intangible assets with an indefinite useful life		0	0
Concession rights			
Other intangible assets		1.091.183	1.214.097
<b>Equity investments</b>	<b>3</b>	<b>54.688.706</b>	<b>54.689.056</b>
<b>Financial assets</b>	<b>4</b>	<b>14.005.156</b>	<b>12.746.058</b>
Financial assets for contributions			
Other financial assets		14.005.156	12.746.058
<b>Deferred tax assets</b>	<b>5</b>	<b>2.543.305</b>	
<b>Other assets</b>			
<b>TOTAL NON-CURRENT ASSETS</b>		<b>271.563.474</b>	<b>267.903.219</b>
<b>CURRENT ASSETS</b>			
<b>Trade assets</b>	<b>6</b>	<b>78.542.695</b>	<b>92.342.173</b>
Inventory		11.424.614	10.790.374
Trade receivables		67.118.081	81.551.799
<b>Cash and cash equivalents</b>	<b>7</b>	<b>51.721.507</b>	<b>60.273.858</b>
<b>Financial assets</b>	<b>4</b>	<b>5.249.807</b>	<b>19.369.597</b>
Financial assets for contributions		5.249.807	18.911.353
Other financial assets		0	458.245
<b>Assets for current income taxes</b>	<b>8</b>	<b>1.830.743</b>	<b>1.267.532</b>
<b>Other assets</b>	<b>9</b>	<b>5.713.637</b>	<b>17.907.792</b>
<b>Assets held for sale or related to discontinued operations</b>			
<b>TOTAL CURRENT ASSETS</b>		<b>143.058.389</b>	<b>191.160.952</b>
<b>TOTAL ASSETS</b>		<b>414.621.863</b>	<b>459.064.172</b>

	notes	31/12/18	31/12/17
<b>LIABILITIES</b>			
<b>Shareholders' equity</b>	<b>10</b>	<b>150.238.050</b>	<b>147.154.306</b>
Capital issued		68.492.702	68.492.702
Reserves		50.581.049	47.154.083
Profit/(loss) carried forward		23.128.737	24.027.782
Actuarial profit/loss		(244.619)	(747.227)
Profit/loss for the year		8.280.182	8.226.966
<b>Minority interests</b>			
Minority interests in capital and reserves			
Profit/(loss) attributable to minorities			
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>150.238.050</b>	<b>147.154.306</b>
<b>NON-CURRENT LIABILITIES</b>			
<b>Trade liabilities</b>	<b>11</b>	<b>0</b>	<b>5.493.145</b>
<b>Funds for provisions</b>	<b>12</b>	<b>51.288.830</b>	<b>59.716.256</b>
Employee benefit provisions		23.113.722	25.709.717
Provision for restoration and replacement of rolling stock		8.123.083	5.394.133
Other provisions		20.052.024	28.612.407
<b>Financial Liabilities</b>	<b>13</b>	<b>108.291.547</b>	<b>113.504.652</b>
Bond issues		94.427.907	94.212.275
Medium/long-term loans		13.297.468	18.616.455
Derivatives		202.347	335.228
Other financial liabilities		363.825	340.695
<b>Deferred tax liabilities</b>	<b>5</b>		<b>2.845.544</b>
<b>Other liabilities</b>	<b>14</b>	<b>20.887.385</b>	<b>20.907.702</b>
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>180.467.761</b>	<b>202.467.298</b>
<b>CURRENT LIABILITIES</b>			
<b>Trade liabilities</b>	<b>11</b>	<b>44.357.598</b>	<b>58.559.062</b>
<b>Funds for provisions current portion</b>	<b>12</b>	<b>5.497.806</b>	<b>3.074.090</b>
Funds for employee benefits		1.606.479	2.135.007
Provision for restoration and replacement of rolling stock			
Other current provisions		3.891.328	939.083
<b>Financial liabilities</b>	<b>13</b>	<b>5.318.987</b>	<b>10.627.049</b>
Current account overdrafts			
Short-term borrowings			
Derivatives			
Medium/long-term loans		5.318.987	8.080.428
Other financial liabilities		0	2.546.621
<b>Current income tax liabilities</b>	<b>8</b>		
<b>Other current liabilities</b>		<b>28.741.660</b>	<b>37.182.368</b>
<b>Liabilities related to discontinued operations</b>	<b>14</b>		
<b>TOTAL CURRENT LIABILITIES</b>		<b>83.916.052</b>	<b>109.442.568</b>
<b>TOTAL LIABILITIES</b>		<b>264.383.813</b>	<b>311.909.866</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>414.621.863</b>	<b>459.064.172</b>

## Income Statement

		<u>2018</u>	<u>2017</u>
<b>Revenues</b>		<b>252.102.248</b>	<b>244.325.449</b>
Services TPL line	15	170.609.697	167.735.919
Services railway line	16	65.389.278	60.436.348
Parking and car sharing	17	16.103.273	16.153.182
<b>Other income</b>	<b>18</b>	<b>8.919.294</b>	<b>10.327.279</b>
<b>Operating costs</b>		<b>232.395.955</b>	<b>220.932.432</b>
Personnel costs	19	114.715.628	115.148.600
Cost for services	20	72.490.499	65.674.255
Raw materials and materials	21	30.965.146	27.539.562
Use of third-party assets	22	10.581.290	10.452.199
Other operating costs	23	3.643.393	2.117.815
<b>Depreciation</b>	<b>24</b>	<b>14.441.294</b>	<b>11.172.383</b>
Depreciation of tangible assets		13.902.981	10.794.257
Amortisation of tangible assets		538.313	378.126
<b>Value write-downs/(reversals)</b>	<b>25</b>	<b>1.941.390</b>	<b>4.371.434</b>
Write-downs/(reversals) of the value of financial assets		97.240	3.521.434
Other value write-downs/(reversals)		1.844.150	850.000
<b>Change in funds for provisions</b>	<b>26</b>	<b>2.175.819</b>	<b>2.720.966</b>
Change in provision for restoration and replacement of rolling stock		0	0
Change in other provisions		2.175.819	2.720.966
<b>Operating result</b>		<b>10.067.084</b>	<b>15.455.513</b>
<b>Financial income</b>	<b>27</b>	<b>465.149</b>	<b>258.756</b>
Dividends		54.096	54.676
Income from assets valued at amortised cost		411.052	204.080
<b>Financial charges</b>	<b>28</b>	<b>2.343.408</b>	<b>1.305.811</b>
Charges on bonds		1.973.133	573.789
Charges on loans		229.011	462.946
Other financial charges		141.264	269.076
<b>Total financial income (charges)</b>		<b>(1.878.259)</b>	<b>(1.047.054)</b>
<b>Result before tax</b>		<b>8.188.825</b>	<b>14.408.459</b>
<b>Tax charges</b>	<b>29</b>		
Current income taxes		(968.254)	6.323.169
Prepaid and deferred taxes		876.897	(141.676)
<b>Net profit/(loss) for the year</b>		<b>8.280.182</b>	<b>8.226.966</b>

**Comprehensive income statement**

		2018	2017
<b>Profit for the year</b>	<b>(a)</b>	<b>8,280,182</b>	<b>8,226,966</b>
<b>Other components of the comprehensive income statement for the year that can be reclassified to the income statement</b>	<b>(b)</b>	<b>0</b>	<b>0</b>
Profit/(loss) from actuarial valuation of funds for employee benefits		661,326	192,966
Tax effect on profit/(loss) from actuarial valuation of funds for employee benefits		(158,718)	(46,312)
<b>Other components of the comprehensive income statement for the year that cannot be reclassified to the income statement</b>	<b>(c)</b>	<b>502,608</b>	<b>146,654</b>
<b>Total other components of the income statement for the year</b>	<b>(d= b+c)</b>	<b>502,608</b>	<b>146,654</b>
<b>Comprehensive economic result for the year</b>	<b>a+d</b>	<b>8,782,790</b>	<b>8,373,620</b>



# TPER SpA

## Cash flow statement

	NOTES	2018	2017
<b>Profit/(loss) for the year</b>		<b>8.280.182</b>	<b>8.226.966</b>
Depreciation		14.441.294	11.172.383
Operating change of funds		2.175.819	3.570.966
Write-downs/(revaluations) of the value of financial assets		97.240	3.521.434
Write-downs/(revaluations) of the value of non-financial assets		1.844.150	850.000
Losses/(gains) from disposal of non-current assets		1.420.469	201.176
Financial income/(charges)		1.878.259	1.047.054
Net change in deferred taxation		(5.388.849)	(141.677)
Change in working capital and other changes		(11.398.418)	(20.215.425)
<b>Net cash flow provided by/(used in) operating activities</b>		<b>13.350.147</b>	<b>8.232.877</b>
Investments in tangible assets		(29.060.498)	(52.029.211)
Investments in intangible assets		(415.400)	(726.491)
Equity investments		0	0
<b>Investments gross of contributions</b>		<b>(29.475.898)</b>	<b>(52.755.702)</b>
Contributions to tangible assets		24.066.946	14.376.432
Contributions to intangible assets		0	0
<b>Contributions</b>		<b>24.066.946</b>	<b>14.376.432</b>
Disposals of tangible assets		1.506.383	241.645
Disposals of intangible assets		0	0
Disposals of equity investments		350	0
<b>Disposals</b>		<b>1.506.733</b>	<b>241.645</b>
<b>Net cash flow provided by/(used in) investment activities</b>		<b>(3.902.219)</b>	<b>(38.137.625)</b>
Issue/(repayment) of bonds		0	94.212.275
Disbursement/(Repayment) of medium/long-term loans		(8.080.428)	(2.557.546)
Disbursement/(Repayment) of short-term loans		0	0
Change in financial assets		(800.853)	(17.379.494)
Change in financial liabilities		(2.656.371)	(3.824.885)
Financial income		411.052	204.080
Interest expense		(1.986.511)	(1.036.735)
Other financial charges		(141.264)	(269.076)
Purchase of treasury shares		0	(188.536)
Dividends paid		(4.800.000)	(4.657.756)
Dividends received		54.096	54.676
<b>Net cash flow provided by/(used in) financial assets</b>		<b>(18.000.279)</b>	<b>64.557.003</b>
<b>Net cash flow for the period</b>		<b>(8.552.351)</b>	<b>34.652.256</b>
Cash and cash equivalents at the start of the year		60.273.859	25.621.603
Cash and cash equivalents at the end of the year		51.721.508	60.273.859



Statement of changes in shareholders' equity

	Share capital	Reserves											Shareholders' equity	
		Valuation reserves				Other reserves								
		Valuation reserve for CFH financial instruments	Reserve for actuarial valuations for employee benefits	Reserve for changes in fair value AFS	Other	Treasury shares	Legal reserve	Share premium reserve	Capital contributions reserve	Merger surplus reserve	Other reserves	Profit/(loss) carried forward		Result for the year
<b>Balance as at 1 January 2017</b>	68,492,702	0	(893,881)	0	0	0	3,535,667	272,058	32,716,499	1,515,984	6,197,240	25,515,639	6,275,063	143,626,970
<b>Transactions with shareholders and other changes</b>														
Distribution of dividends													(4,657,756)	(4,657,756)
Allocation of the previous-year result							388,146				2,717,024	(1,487,864)	(1,617,307)	(0)
Purchase of treasury shares						(188,536)								(188,536)
Other minor changes and reclassifications												8		8
<b>Comprehensive economic result for the year</b>			146,654										8,226,966	8,373,620
<b>Balance as at 31 December 2017</b>	68,492,702	0	(747,227)	0	0	(188,536)	3,923,814	272,058	32,716,499	1,515,984	8,914,264	24,027,782	8,226,966	147,154,306
<b>First-time application of IFRS 9</b>												(899,045)		(899,045)
<b>Balance as at 1 January 2018 - Restated</b>	68,492,702	0	(747,227)	0	0	(188,536)	3,923,814	272,058	32,716,499	1,515,984	8,914,264	23,128,737	8,226,966	146,255,261
<b>Transactions with shareholders and other changes</b>														
Distribution of dividends													(4,800,000)	(4,800,000)
Allocation of the previous-year result							411,348				3,015,617		(3,426,966)	(0)
Purchase of treasury shares														0
Other minor changes and reclassifications														0
<b>Comprehensive economic result for the year</b>			502,608										8,280,182	8,782,790
<b>Balance as at 31 December 2018</b>	68,492,702	0	(244,619)	0	0	(188,536)	4,335,162	272,058	32,716,499	1,515,984	11,929,881	23,128,737	8,280,182	150,238,050

## **Explanatory notes**

### **General information**

Tper S.p.A. (hereinafter Tper or Company) is a joint-stock company established in 2012 with registered office in Bologna, Via di Saliceto, 3. The duration of the Company is fixed until 31 December 2050.

At the date of preparation of these financial statements, the Emilia-Romagna Region is the relative majority shareholder of Tper.

The present financial statements as at 31 December 2018 were approved by the Board of Directors of Tper at the meeting of 20 May 2019, considering that the Board of Directors of Tper dated 28 March 2019, using the conditions set forth in Article 2364, paragraph 2 of the Italian Civil Code, 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 in other companies, also provides for the preparation of the Group's consolidated financial statements, published together with these financial statements.

### **Compliance with IFRS**

The Company's financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) in force at the date of preparation of the financial statements, approved by the International Accounting Standards Board (IASB) and endorsed by the European Union, including International Financial Reporting Standards (IFRS), International Accounting Standards (IAS) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and the Standard Interpretations Committee (SIC), collectively referred to as "IFRS", and within the meaning of Article 9 of Italian Legislative Decree no. 38/05.

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.

### **Structure and content of the interim financial statements**

The consolidated financial statements consist of the financial statements (statement of financial position, income statement, statement of comprehensive income, statement of changes in shareholders' equity and cash flow statement) and of these explanatory notes and are prepared by applying the general criteria of historical cost, with the exception of the items balance sheet that according to IFRS are recognised at fair value, as indicated in the evaluation criteria of the individual items described in the paragraph "Accounting standards and valuation criteria applied". The statement of financial position is presented on the basis of the scheme that provides for the distinction between current and non-current assets and liabilities. Costs are classified according to their nature in the income statement. The cash flow statement is prepared by applying the indirect method.

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. Euro is the functional currency of the Company, and therefore the currency used to present the 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 consolidated financial statements as at 31 December 2017, for the purposes of better accounting recognition, certain reclassifications were made.

### **Estimates and evaluations**

The preparation of the consolidated financial statements, 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 are also considered that could have an impact on the evaluation processes. The final results may differ from these estimates.

The estimates were used in the evaluation of the Impairment Test, to determine any sales revenues, for provisions for risks and charges, the allowance for doubtful accounts and other unrealised valuation, amortisation and depreciation, valuations of derivative instruments, benefits to employees and deferred tax assets.

In particular, with regard to the amortisation 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 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 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 assumptions regarding future developments and events, however, may change due to changes in market developments or applicable regulations that are beyond the control of Tper. These changes in assumptions are also reflected in the financial statements when they occur.

## **Accounting policies and valuation criteria**

The most relevant accounting principles and valuation criteria applied in the preparation of the financial statements for the year ending 31 December 2018 are described below. As regards the stages of classification, recognition, measurement and derecognition of financial assets and liabilities, and the recognition of revenue and costs, these have been modified with respect to those used in the preparation of the financial statements for the year ended 31 December 2017. These changes arise essentially from the mandatory application, with effect from 1 January 2018, of the following international accounting standards:

- IFRS 9 “Financial Instruments”, issued by the IASB in July 2014 and approved by the European Commission through Regulation no. 2067/2016, which superseded IAS 39 as regards the guidelines for the classification and measurement of financial instruments, as well as the corresponding impairment process;
- IFRS 15 “Revenue from contracts with customers”, approved by the European Commission through Regulation no. 1905/2016, which has cancelled and replaced IAS 18 “Revenue” and IAS 11 “Construction contracts”.

### **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 were 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 is in this way depreciated on the basis of the residual maturity of the service agreement taking into account possible extensions.

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 2018 presented for similar categories are shown in the following table:

<b>Attività materiale</b>	<b>aliquota d'ammortamento</b>
Fabbricati strumentali	2,57%
Treni e locomotori	3,50%
Carrozze	3,50%
Fabbricati	4%
Fabbricati leggeri	10%
Impianti	10%
Automotrici	10%
Mobili e attrezzature ufficio	12%
Spese ad utilità pluriennale su beni di terzi	20%
Macchine e attrezzi officina	20%
Strumenti tecnici	20%
Emettitrici e validatrici	20%
Macchine elettroniche	20%
Paline luminose	20%
Autoveicoli	25%
Veicoli diversi	25%

The tangible assets acquired under a finance lease are initially recorded as tangible assets, as an offset to the related debt, at a value equal to the relative amount fair value or, if lower, to the present value of the minimum contractual payments. The fee paid is made up of its components of financial charge, recorded in the income statement, and of repayment of capital, entered as a reduction of the financial debt.

In the presence of specific indicators regarding the risk of non-recovery of the carrying value 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. As a rule, this requirement is met 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 2018, presented by similar categories with evidence of the relative application interval, are shown in the following table:

<b>Attività immateriale</b>	<b>aliquota d'ammortamento</b>
Software personalizzato	33,33%
Software standard	33,33%

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.

## 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)”.

IFRS 3 has not been applied retroactively to the acquisitions made prior to 1 January 2016, the date of transition to the IFRS; consequently, for these acquisitions the value of the goodwill determined on the basis of the previous accounting principles was maintained, equal to the net book value at that date, subject to verification and recognition of any loss in value.

### **Equity investments**

Investments in subsidiaries, associate companies and joint ventures are valued at cost, including directly attributable additional charges. The cost is adjusted for any loss in value according to the criteria established by IAS 36, for which reference should be made to the section on “Impairment and reversal of impairment of assets (impairment test)”. The value is subsequently reinstated if the conditions that determined the adjustments cease to exist; the reinstatement of value cannot exceed the original cost of the investment. In the event of any losses exceeding the carrying amount of the 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.

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 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.

### **Inventory**

Inventory, mainly consisting of supplies and spare parts for the maintenance of rolling stock, is 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 purchase cost is determined by applying the weighted average cost method.

### **Financial instruments**

Financial assets and liabilities are recognised when Tper 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 write-back 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 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 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.



## **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 and is included between 80% and 125%.

For the cash flow hedge instruments which cover the risk of changes in the cash flows of assets and liabilities (including prospective and highly probable) subject to hedging, changes in the fair value are recognised in the statement of comprehensive income and any non-effective part of the reporting is recorded in the income statement.

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.

For transactions in derivative instruments that can be defined as a net investment hedge pursuant to IFRS 9, as a hedge against the risk of an unfavourable change in exchange rates to which net investments in foreign operations are converted, since they are cash flow hedge instruments, the effective hedging component of the changes in fair value of the underwritten derivatives is recognised in other comprehensive income, thus offsetting the changes in the translation reserve relating to net investments in foreign operations. The cumulative changes in fair value set aside in the net investment hedge reserve are reclassified from the statement of comprehensive income to the income statement at the time of the total or partial disposal of the investment in the foreign operation.

The changes of fair value derivatives that do not meet the conditions for qualifying for IAS 39 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 is no longer involved in their management, nor does it hold the risks and benefits relating to these instruments sold/extinguished.

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 comprehensive income statement and, therefore, in a specific equity reserve. No reclassification of financial instruments has ever been made between the categories described above.

### **Valuation of the fair value and hierarchy of fair value**

For all transactions or balances (financial or non-financial) for which an accounting standard requires or permits measurement at fair value and which falls within the scope of application of IFRS 13, Tper applies the following criteria:

- a) identification of the “unit of account”, that is, the level at which an asset or a liability is aggregated or disaggregated to be recognised for IFRS purposes;
- b) identification of the main market (or, in its absence, of the most advantageous market) in which transactions could take place for the asset or liability subject to valuation; in the absence of any evidence to the contrary, it is assumed that the currently used market coincides with the main market or, in its absence, with the most advantageous market;
- c) definition, for non-financial activities, of the highest and best use (maximum and best use): in the absence of contrary evidence, the highest and best use coincides with the current use of the asset;
- d) definition of the most appropriate evaluation techniques for estimating the fair value: these techniques maximise the use of observable data, which market participants use to determine the price of the asset or liability;
- e) determination of fair value of the assets, as the price that would be received for sale, and of the liabilities and capital instruments, as the price to be paid for the relative transfer in a regular transaction between market operators at the date of the valuation;
- f) inclusion of the “non-performance risk” in the valuation of assets and liabilities and, in particular for financial instruments, determination of an adjustment factor in the measurement of the fair value to include, in addition to counterparty risk (CVA - credit valuation adjustment), own credit risk (DVA - debit valuation adjustment).

Based on the data used for evaluations at fair value, a hierarchy of fair value is identified based on which to classify the assets and liabilities valued at fair value or in which fair value is indicated in the financial statement disclosure:

- a) level 1: includes quoted prices in active markets for assets or liabilities identical to those valued;
- b) level 2: includes observable data, different from those included in level 1, such as for example: i) prices quoted on active markets for similar assets or liabilities; ii) prices quoted on markets that are not active for similar or identical assets or liabilities; iii) other observable data (interest rate curves, implied volatilities, credit spreads);

c) level 3: uses unobservable data, which can be used if no observable input data are available. The unobservable data used for valuation of fair value reflect the assumptions that market participants would assume in setting the price for the assets and liabilities being valued.

Please refer to the explanatory notes on the individual balance sheet items for the definition of the hierarchy level of fair value on the basis of which to classify the individual instruments assessed at fair value or for which fair value is indicated in the financial statement disclosure.

There are no assets or liabilities classifiable in level 3 of the fair value hierarchy.

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

The fair value of derivative instruments is determined by discounting expected cash flows, using the market interest rate curve at the reference date and the credit default swap curve of the counterparty and the companies of the Group, to include the risk of non-performance explicitly envisaged by IFRS 13.

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.

### **Funds for provisions**

“Funds for provisions” are recognised when: (i) there is a current obligation (legal or implicit) with respect to third parties resulting from a past event, (ii) an outflow of resources is likely to satisfy the obligation and (iii) 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 “Provisions for the restoration and replacement of rolling stock” include the charges to be incurred in connection with the contractual obligations to restore and replace the ....i, reflected in the agreements signed .... The provisions for these funds are determined on the basis of the wear and age of the rolling stock outstanding at year-end, taking into account, where significant, the financial component linked to the passage of time.

### **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 comprehensive income statement, in the reference year.

### **Revenue and cost recognition**

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 good 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 good or service to the customer, or
- over time, as the entity fulfils the obligation to transfer the promised good 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.

The costs are recognised in the Income Statement on an accrual basis; the costs relating to the obtaining and fulfilment of contracts with customers are recognised in the Income Statement in the periods in which the related revenues are recorded.

### **Government grants**

Government grants are recorded at fair value when: (i) their amount can be reliably determined and there is reasonable certainty that (ii) they will be received and (iii) the conditions for obtaining them will be respected.

The grants for operating expenses are recorded in the income statement in the year they accrue, consistently with the costs to which they are commensurate.

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 provisions in force applicable to the Company.

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

The prepaid and deferred taxes are calculated on the basis of the temporary differences between the book value of the assets and liabilities (resulting from the application of the evaluation criteria described in this note 3) and their tax value (deriving from the application of the tax legislation in the country of reference of subsidiaries) and are recognised:

- a) firstly, only if it is probable that there will be sufficient taxable income to enable it to be recovered;
- b) secondly, if they exist, in any case.

### **Impairment and reversal of impairment of tangible and intangible assets and equity investments (impairment test)**

On the balance sheet date, the book value of tangible and intangible 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 event 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 amount is included within the cash-generating unit (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 sales 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 based on 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, the 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 losses in value 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 impairment to be reversed is determined; this reversal cannot in any case exceed the amount of the write-down previously carried out. The losses of relative value 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, the financial assets in question - together with, where existing, all those remaining belonging to the same counterparty - are considered impaired and moved to stage 3. Value adjustments equal to the expected losses relating to their entire residual life shall be recognised against these exposures.

For financial assets for which there is no evidence of impairment (non-impaired financial instruments), an assessment must be made as to whether there are indicators that the credit risk of each transaction has significantly increased with respect to initial registration. The consequences of such assessment, from the point of view of classification (or, more specifically, staging) and measurement are as follows:

- where such indicators exist, the financial asset moves to stage 2. In such case, measurement in accordance with the provisions of international accounting standards, in the absence of an evident impairment loss, provides for the recognition of impairment equal to the expected losses along the entire residual life of the financial instrument. These adjustments are reviewed at each subsequent reporting 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;
- where such indicators do not exist, the financial asset moves to stage 1. In such case, measurement in accordance with the provisions of international accounting standards, in the absence of an evident impairment loss, provides for the recognition of expected losses for the specific financial instrument, over the course of the twelve months. 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 (a necessary and sufficient condition for classification of the asset subject to assessment into stage 2), the main factors - within the meaning of the standard and its operational interpretation by Tper - to be taken into consideration are the following:

- a change (beyond determined thresholds) in the lifetime probability of default 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 that is more than 30 days past due, without prejudice to the significance thresholds established by law. In other words, in such cases the credit risk of the exposure is considered to have “significantly increased”, resulting in it being transferred to stage 2 (where the exposure was previously stage 1).

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 must be 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 (stage 1) and over a lifetime time horizon (stage 2). 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 not to be recovered at the time of default (such as, for example, collateral, guarantees, insurance policies, countervailable 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:

- i. Trade receivables;
- ii. Leasing receivables;
- iii. 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.

A further expedient provided for by IFRS 9 within the simplified approach is the use of the so-called “Provision Matrix”. This model foresees the use of impairment percentages determined by maturity date on the basis of the historical losses recorded by the Company. These percentages must subsequently be 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 in circulation during the year.

The diluted earnings per share are calculated by dividing the result for the year by the aforementioned weighted average.

### **Accounting principles, interpretations and improvements applied from 1 January 2018**

From 1 January 2018, the following documents, previously issued by the IASB and endorsed by the European Union, which bring amendments to the international accounting standards, have entered into force:

#### **IFRS 9 Financial Instruments**

In July 2014, the IASB published IFRS 9 - Financial Instruments (IFRS 9) which covers the new International accounting rules for the Classification & Measurement of Financial Instruments, Impairment of Assets and Hedge Accounting.

#### **Classification and measurement of financial assets and liabilities**

The new standard provides for the classification of financial assets on the basis of the Business Model with which the company manages financial assets and the contractual characteristics of the cash flows of such instruments (Solely payments of principal and interest on the principal amount outstanding Test):

- i. The Business Model is assessed so as to determine the classification of the instrument on the basis of the objective with which this instrument is held within the company's portfolio. Financial assets are measured at amortised cost if they are held with the aim of collecting contractual cash flows (Held to Collect). Financial assets are measured at fair value with changes in value charged to Other Comprehensive Income if these are held with the aim of both collecting contractual cash flows and being sold (Held to Collect and Sell). Finally, they are measured at fair value with changes in value charged to the Income Statement if they are not held with the objectives typical of the other Business Models.
- ii. The assessment of the characteristics of the contractual cash flows requires that the financial assets be valued at amortised cost if the characteristics of the contractual cash flows represent only expected future cash flows that provide for the repayment of the principal and the interest accrued on that capital. In the event that this condition is not met, an assessment will be carried out by determining the Fair Value.

#### **Impairment of Financial Assets**

IFRS 9 introduces a new framework relating to the calculation of the Impairment of financial assets and of some types of off-balance sheet financial instruments (loan commitments and financial guarantees). The new calculation method provides for the estimation of the impairment of certain financial instruments on the



basis of Expected Loss, which differs from the method laid down in IAS 39 which provides for the determination of losses on the basis of Incurred Loss.

The adoption of the Expected Credit Loss model for the impairment of financial assets involves the recognition of the impairment of financial assets on the basis of a predictive approach, based on the forecast of counterparty default (Probability of Default) and the ability to recover in the event that the default event occurs (Loss Given Default). IFRS 9 requires the Company to record expected credit losses on all portfolio bonds, loans and trade receivables, with reference to either a 12-month period or the entire contractual term of the instrument (e.g. lifetime expected loss) adopting either the General or the Simplified Model. Given the characteristics and the duration of the exposures, Tper will apply the simplified approach for trade receivables and therefore record the expected losses on the basis of their residual contract duration.

### Hedge Accounting

IFRS 9 introduces a new hedge management model that identifies a broader spectrum of hedged instruments and hedged risks in order to create an accounting impact of risk management practices. The new rules also eliminate the need to carry out quantitative efficacy tests and the simultaneous elimination of efficacy thresholds.

IFRS 9 grants those applying International Accounting Standards the possibility of continuing to apply the Hedge Accounting rules established by IAS 39. This option is granted until IFRS 9 is updated with the rules relating to Macro Hedging. The decision to apply Hedge Accounting according to IFRS 9 is irrevocable, while the decision to continue applying IAS 39 will be carried out each year until the accounting rules for hedging transactions are finally issued.

### Effects of the first-time application (FTA) of IFRS 9

In the course of 2018, Tper carried out a special project for the implementation of IFRS 9 Financial Instruments, in order to examine and define the qualitative and quantitative impacts, and to identify and implement the practical and organisational arrangements necessary for consistent, coherent and effective adoption.

The Tper Group has chosen to carry out the First-Time Application (FTA) using the modified retrospective approach, which allows the option, foreseen by IFRS 9, of accounting for the cumulative effect of the application of the standard on the date of initial application and not restating the comparative data for the financial statements for the first-time application of IFRS 9. The figures relating to financial year 2018 are therefore not comparable.

### Reconciliation between the Balance Sheet at 31 December 2017 and the Balance Sheet as at 1 January 2018 (which incorporates the new IFRS 9 measurement and impairment rules)

Below are the reconciliation statements between the Balance Sheet as at 31 December 2017 (pursuant to IAS 39) and the Balance Sheet as at 1 January 2018 (IFRS 9). In these statements, the accounting balances as at 31 December 2017 (values determined pursuant to IAS 39) have been modified as a result of the application of the new measurement and impairment methods, in order to determine the IFRS 9-compliant opening balances.

	31/12/17	Adj FTA IFRS 9	Restated 01/01/2018
<b>ATTIVITA'</b>			
<b>ATTIVITA' NON CORRENTI</b>			
<b>Attività materiali</b>	<b>199.254.009</b>	<b>0</b>	<b>199.254.009</b>
Immobili	3.412.688	0	3.412.688
Materiale rotabile	156.903.204	0	156.903.204
Infrastrutture	38.423.659	0	38.423.659
Altre attività materiali	514.458	0	514.458
<b>Attività immateriali</b>	<b>1.214.097</b>	<b>0</b>	<b>1.214.097</b>
<b>Partecipazioni</b>	<b>54.689.056</b>	<b>0</b>	<b>54.689.056</b>
<b>Attività finanziarie</b>	<b>12.746.058</b>	<b>(820.467)</b>	<b>11.925.591</b>
<b>TOTALE ATTIVITA' NON CORRENTI</b>	<b>267.903.219</b>	<b>(820.467)</b>	<b>267.082.752</b>
<b>ATTIVITA' CORRENTI</b>			
<b>Attività commerciali</b>	<b>92.342.173</b>	<b>993.546</b>	<b>93.335.719</b>
Rimanenze	10.790.374	0	10.790.374
Crediti commerciali	81.551.799	993.546	82.545.345
<b>Disponibilità liquide e mezzi equivalenti</b>	<b>60.273.858</b>	<b>0</b>	<b>60.273.858</b>
<b>Attività finanziarie</b>	<b>19.369.597</b>	<b>0</b>	<b>19.369.597</b>
Attività finanziarie per contributi	18.911.353	0	18.911.353
Altre attività finanziarie	458.245	0	458.245
<b>Attività per imposte sul reddito correnti</b>	<b>1.770.262</b>	<b>0</b>	<b>1.770.262</b>
<b>Altre attività</b>	<b>17.907.792</b>	<b>(1.072.124)</b>	<b>16.835.668</b>
<b>TOTALE ATTIVITA' CORRENTI</b>	<b>191.663.683</b>	<b>(78.578)</b>	<b>191.585.105</b>
<b>TOTALE ATTIVITA'</b>	<b>459.566.902</b>	<b>(899.045)</b>	<b>458.667.857</b>

	31/12/17	Adj FTA IFRS 9	Restated 01/01/2018
<b>PASSIVITA'</b>			
<b>Patrimonio netto</b>	<b>147.154.306</b>	<b>(899.045)</b>	<b>146.255.261</b>
Capitale emesso	68.492.702	0	68.492.702
Riserve	47.154.083	0	47.154.083
Utili / (perdite) portate a nuovo	24.027.782	(899.045)	23.128.737
Utile /perdita attuariale	(747.227)	0	(747.227)
Utile / perdita dell'esercizio	8.226.966	0	8.226.966
<b>PASSIVITA' NON CORRENTI</b>			
<b>Passività commerciali</b>	<b>5.493.145</b>	<b>0</b>	<b>5.493.145</b>
<b>Fondi per accantonamenti</b>	<b>59.716.256</b>	<b>0</b>	<b>59.716.256</b>
Fondi per benefici ai dipendenti	25.709.717	0	25.709.717
Fondo per ripristino e sostituzione materiale rotabile	5.394.133	0	5.394.133
Altri fondi	28.612.407	0	28.612.407
<b>Passività finanziarie</b>	<b>113.504.652</b>	<b>0</b>	<b>113.504.652</b>
Prestiti obbligazionari	94.212.275	0	94.212.275
Finanziamenti a medio/lungo termine	18.616.455	0	18.616.455
Derivati	335.228	0	335.228
Altre passività finanziarie	340.695	0	340.695
<b>Passività per imposte differite</b>	<b>2.845.544</b>	<b>0</b>	<b>2.845.544</b>
<b>Altre passività</b>	<b>20.907.702</b>	<b>0</b>	<b>20.907.702</b>
<b>TOTALE PASSIVITA' NON CORRENTI</b>	<b>202.467.298</b>	<b>0</b>	<b>202.467.298</b>
<b>PASSIVITA' CORRENTI</b>			
<b>Passività commerciali</b>	<b>58.559.062</b>	<b>0</b>	<b>58.559.062</b>
<b>Fondi per accantonamenti quota corrente</b>	<b>3.074.090</b>	<b>0</b>	<b>3.074.090</b>
Fondi per benefici ai dipendenti	2.135.007	0	2.135.007
Altri fondi Correnti	939.083	0	939.083
<b>Passività finanziarie</b>	<b>10.627.049</b>	<b>0</b>	<b>10.627.049</b>
Finanziamenti a medio/lungo termine	8.080.428	0	8.080.428
Altre passività finanziarie	2.546.621	0	2.546.621
<b>Passività per imposte sul reddito correnti</b>	<b>502.730</b>	<b>0</b>	<b>502.730</b>
<b>Altre passività correnti</b>	<b>37.182.368</b>	<b>0</b>	<b>37.182.368</b>
<b>Passività connesse ad attività operative cessate</b>			
<b>TOTALE PASSIVITA' CORRENTI</b>	<b>109.945.298</b>	<b>0</b>	<b>109.945.298</b>
<b>TOTALE PASSIVITA'</b>	<b>312.412.597</b>	<b>0</b>	<b>312.412.597</b>
<b>TOTALE PASSIVITA' E PATRIMONIO NETTO</b>	<b>459.566.902</b>	<b>(899.045)</b>	<b>458.667.857</b>

## IFRS 15 Revenue from contracts with customers

IFRS 15 was issued in May 2014 and amended in April 2016 and introduces a five-phase model that applies to revenues from contracts with customers. The objective is to create a complete and uniform framework of reference for revenue recognition, applicable to all commercial contracts (with the exception of lease contracts, insurance contracts and financial instruments). The new standard replaces the following standards:

- IAS 18 - Revenues from sales and services;
- IAS 11 - Multi-year contracts and interpretations;
- IFRIC 13 - Customer loyalty programmes;
- IFRIC 15 - Agreements for the construction of real estate;
- IFRIC 18 - Transfer of assets from customers;
- SIC 31 - Exchange transactions and advertising services.

IFRS 15 provides for the recognition of revenues for an amount that reflects the consideration that the entity deems to be entitled to in exchange for the transfer of goods or services to the customer. The fundamental parts for accounting purposes are:

- identify the commercial contract, defined as a (written or verbal) agreement between two or more parties which results in rights and obligations with the customer having the right to legal protection;
- identify the separately identifiable performance obligations contained in the contract;
- determine the price of the transaction, as the fee the enterprise expects to receive for the transfer of goods or the performance of services to the customer, in accordance with the techniques in the Standard and depending on the possible presence of financial and variable components;
- allocate a price to each performance obligation;
- recognise the revenue when the relative performance obligation is fulfilled by the entity, allowing for the fact that the services may not be provided at a specific time, but over a period of time.

Tper conducted an analysis of all the possible qualitative and quantitative impacts arising from the application of the new provisions, which revealed no significant differences with respect to what has previously been recognised.

#### **Amendments to IAS 40 - Transfers of investment property**

Issued in December 2016, the document clarifies that transfers to or from real estate investments must be justified by a change in use supported by evidence; the simple change of intention is not sufficient to support this transfer. The changes have expanded the examples of change of use to include the activities under construction and development and not just the transfer of completed properties.

Tper has not been affected by the application of the new provisions.

#### **“Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions”**

The document issued in June 2016:

- clarifies that the fair value of a share-based payment transaction settled in cash on the valuation date (i.e. the assignment date, the closing of each accounting period and the settlement date) must be calculated taking into account market conditions (e.g.: a share price target) and conditions other than vesting conditions, ignoring conditions for remaining in service and conditions for achieving results other than market conditions;
- clarifies that share-based payments settled net of tax withholdings should be classified entirely as equity-settled transactions (provided that they would have been classified as such even without the feature of payment net of tax withholdings);
- provides provisions on the accounting treatment of changes to the terms and conditions which result in a change of classification from cash-settled share-based payments to share-based payments settled through the issue of shares.

Tper has not been affected by the application of the new provisions.

#### **Improvements to international financial reporting standards (2014-2016 cycle)**

On 8 December 2016, the IASB published the document “Annual Improvements to IFRSs: 2014-2016 Cycle”.

The document introduces changes to the following standards:

- IFRS 1 First-time Adoption of International Financial Reporting Standards: the amendment eliminates the limited exemption provided for the transition of new users to the standards IFRS 7, IAS 19 and IAS 10. These transition provisions were available for past reporting periods and therefore no longer apply.
- IAS 28 Investments in Associates and Joint Ventures: the amendment allows capital companies, mutual funds, trust units and similar entities to choose to record their investments in associates or joint ventures, classifying them as fair value through profit or loss (FVTPL). The Board clarified that such valuations should be made separately for each shareholder or joint venture at the time of initial recording.

### **IFRIC 22 - Foreign currency transactions and advance consideration**

The interpretation issued by the IASB in December 2016 provides clarifications for the purpose of determining the exchange rate to be used at the time of initial recognition of an asset, costs or revenues (or part of them). The date of the transaction is when the company records any non-monetary assets (liabilities) due to advances paid (received).

### **IAS 7: CASH FLOW STATEMENT**

Document issued by the IASB on 29 January 2016. The amendments to IAS 7 Cash Flow Statement require entities to provide information on changes in their financial liabilities, in order to allow users to better assess the reasons underlying the changes in the entity's indebtedness including changes related to cash flows as well as non-monetary changes. At the time of the initial application of this modification, the entity does not have to present the comparative information relating to previous periods. The application of the changes will require the provision of additional information.

### **IAS 12: INCOME TAXES**

On 19 January 2016 the IASB published the aforementioned Amendments which have the purpose of providing clarifications on the methods for recognising the default payments relating to debt instruments valued at fair value.

These amendments clarify the requirements for the recognition of deferred tax assets with reference to unrealised losses, in order to eliminate differences in accounting practice.

### **New accounting standards and interpretations, revisions and amendments to existing standards not yet in force and not adopted early**

As required by IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors - below are the new accounting standards and interpretations, as well as changes to the existing standards and interpretations already applicable, not yet effective at the balance sheet date, that could be applied in the future in the Company's financial statements.

## International accounting standards approved as at 31/12/2018 and applied after 31/12/2018

---

Titolo	Data di entrata in vigore
IFRS 16 Leasing	01/01/2019 Primo esercizio con inizio in data 01/01/2019 o successiva
Modifiche all'IFRS 9 Strumenti finanziari	01/01/2019 Primo esercizio con inizio in data 01/01/2019 o successiva
IFRIC 23 Incertezza sui trattamenti ai fini dell'imposta sul reddito	01/01/2019 Primo esercizio con inizio in data 01/01/2019 o successiva

---

### IFRS 16 - Leases

The new accounting standard IFRS 16, issued by the IASB in January 2016 and approved by the European Commission through Regulation no. 1986/2017, has replaced, as from 1 January 2019, IAS 17 "Leases", IFRIC 4 "Determining Whether an Arrangement Contains a Lease", SIC 15 "Operating Leases - Incentives" and SIC 27 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease", and covers the requirements for accounting for lease agreements.

The new principle requires an entity to identify whether a contract is (or contains) a lease on the basis of the concept of control of the use of a given asset for a period of time; it follows, therefore, that rental, hire, lease or gratuitous lease agreements, previously not treated as leasing, could now also fall within the scope of application of the rules on leasing.

In view of the above, significant changes have been introduced to the accounting of leases in the financial statements of lessees/users, providing for the introduction of a single model of accounting for lease contracts by the lessee, on the basis of the right of use model. More specifically, the main change consists in eliminating the distinction, provided for in IAS 17, between financial and operating leases: all leases must therefore be accounted for in the same way with the recognition of an asset and a liability. The accounting model provides for the recognition under assets in the balance sheet of the right of use of the asset subject to leasing; payables for lease payments still to be paid to the lessor are shown under liabilities in the balance sheet, in contrast to the provisions of current standards. The recognition of income statement components has also changed: whereas for IAS 17 lease payments are shown under the item relating to Administrative Expenses, in accordance with IFRS 16 charges related to the depreciation of the "right of use", and interest expense on the payable will instead be recognised.

In terms of disclosure, the minimum information required of lessee companies includes, inter alia:

- a breakdown of the leased asset by class;
- an analysis of the lease liabilities by due date;
- other information that is potentially helpful for a better understanding of the entity's business with regard to leases (e.g., options to terminate or extend the lease).

Beyond some additional requests for information, there are no substantive changes, on the other hand, in the accounting of leases by lessors, for which the distinction between operating leases and financial leases is maintained.

From 1 January 2019, the effects on the financial statements resulting from the application of IFRS 16 will for the lessee - on a constant profit and cash flows basis - be an increase in the assets recognised in the financial statements (leased assets), an increase in liabilities (the payable in respect of the leased asset), a reduction in administrative expenses (lease payments) and an accompanying increase in financial costs (remuneration of the recognised liability) and depreciation (relating to the right of use asset). With reference to the income statement, when the entire term of the agreements is considered, the impact on profit or loss does not change over the term of a lease, whether applying the previous IAS 17 or applying the new IFRS 16, but its distribution over time is different.

Tper is carrying out an analysis of all the possible qualitative and quantitative impacts resulting from the application of IFRS 16 and does not expect any significant impact on the financial position and on shareholders' equity.

#### Other regulatory changes

In addition to what has been described above in relation to IFRS 16, which introduces important changes, the regulations approved and mandatorily applicable as from 1 January 2019 also include amendments to IFRS 9 introduced by Regulation 498/2018 and the new Interpretation IFRIC 23, adopted by Regulation 1595/2018.

Regulation 498/2018, approved on 22 March 2018, transposed some amendments to IFRS 9 "Prepayment features with negative compensation" in relation to the classification of financial instruments that have particular prepayment clauses. In this regard, the version of IFRS 9 currently in force provides that a contractual clause that allows a debt instrument to be paid in advance (exercisable by the debtor or by the creditor) can pass the SPPI test if the amount paid in advance is substantially equal to what is still due in terms of capital and interest. This may also include "reasonable additional compensation" for the early termination of the contract. With this change, the term "additional" is eliminated and - in general terms - it is stipulated that the prepayment clauses may provide that a reasonable compensation for early termination can be both paid and received by both parties to the contract.

This does not affect Tper since there are currently no cases of financial assets classified at fair value through profit and loss that, in application of this amendment, would have instead passed the SPPI test, with subsequent measurement at amortised cost or FVOCI.

The Interpretation 'IFRIC 23 Uncertainty over income tax treatments', which clarifies application of recognition and measurement requirements in 'IAS 12 Income taxes' when there is uncertainty over income tax treatments, was adopted with the approval of Regulation 1595/2018 on 23 October 2018.

As stated previously, Tper adopted this interpretation in advance, with effect from the financial statements for the financial year ended 31 December 2017.

**International accounting standards not yet approved as at 31/12/2018**

Principio/Interpretazione	Titolo	Data di pubblicazione
IFRS 17	Insurance Contracts	18/05/2017
IAS 28	Long Term interest in associates and joint ventures	12/10/2017
IFRS 3	Business Combination	12/12/2017
IFRS 11	Joint arrangement	12/12/2017
IAS 12	Income taxes	12/12/2017
IAS 23	Borrowing costs	12/12/2017
IAS 19	Plan amendment curtailment or settlement	07/02/2018
(*)	Amendments to References to the Conceptual framework in IFRS Standards	29/03/2018
IFRS 3	IFRIC 23 Incertezza sui trattamenti ai fini dell'imposta sul reddito	22/10/2018
IAS 1	Definition of material	31/10/2018
IAS 8	Definition of material	31/10/2018

(\*) Il documento aggiorna i riferimenti al Conceptual Framework presenti in IFRS2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, SIC 32

## Annual Improvements to IFRSs: 2015 - 2017

On 12 December 2017, the IASB published the document “Annual Improvements to IFRSs: 2015- 2017 Cycle”.

The document introduces changes to the following standards:

- IFRS 3 - Business Combinations: The IASB added paragraph 42A to IFRS 3 to clarify that when an entity obtains control of an asset that is a joint operation, it must recalculate the value of that asset, since such transaction would be considered as a business combination carried out in stages and therefore to be accounted for on this basis;
- IFRS 11 - Joint Arrangements: In addition, paragraph B33CA has been added to IFRS 11 to clarify that if a party that participates in a joint operation, but does not have joint control, and subsequently obtains joint control over the joint operation (which constitutes an asset as defined in IFRS 3), it is not required to restate the value of this asset;
- IAS 12 - Income Taxes: This amendment clarifies that the tax effects of income taxes arising from the distribution of profits (i.e. dividends), including payments on financial instruments classified as equity, must be recognised when a liability is recognised for payment of a dividend. The consequences of income taxes must be recognised in the income statement, in the comprehensive income statement or in the shareholders' equity in consideration of the nature of the transactions or the past events that generated the distributable profits or how they were initially recognised;
- IAS 23 - Borrowing Costs: The amendment clarifies that in calculating the capitalisation rate for loans, an entity should exclude the financial charges applicable to loans made specifically to obtain an asset, only up to when the activity is not ready and available for the intended use or sale. The financial charges related to specific loans that remain after the asset is ready for intended use or for sale must subsequently be considered as part of the entity's overheads of borrowing.

These changes must be applied retrospectively for annual periods beginning on or after 1 January 2019. Earlier application is permitted.

For all the new issue principles, as well as for revisions and amendments to the existing standards, TPER is evaluating any impacts currently not reasonably estimated, deriving from their future application.



## INFORMATION ON THE STATEMENT OF FINANCIAL POSITION

The items in the statement of financial position at 31 December 2018 are commented on below. The values in brackets in the headings of the notes refer to the balances at 31 December 2017. For the details of the balances of the statement of financial position items deriving from transactions with related parties, please refer to the paragraph "Other information" in these explanatory notes.

### 1. Tangible assets

Thousands of euros 199,235 (199,254)

Tangible assets at 31 December 2018 show a net value of 199,235 thousand euros compared to the net value at 31 December 2017, equal to 199,254 thousand euros. The table below shows the initial and final amounts of the items of tangible assets, with evidence of the original cost and cumulative depreciation at the end of the year.

<i>In thousands of euros</i>	31/12/2018			31/12/2017		
	cost	cumulative depreciation	net value	cost	cumulative depreciation	net value
Real estate	4,374	(1,224)	3,150	4,374	(1,149)	3,225
real estate under construction	581	0	581	188	0	188
<b>REAL ESTATE</b>			<b>3,731</b>			<b>3,413</b>
Rolling stock buses/trolley buses	293,418	(229,857)	63,561	289,890	(230,721)	59,170
Rolling stock buses/trolley buses in progress	2,094	0	2,094	6,164	0	6,164
Rolling stock railway	98,347	(9,195)	89,152	95,787	(5,738)	90,049
Rolling stock railway in progress	1,493	0	1,493	1,090	0	1,090
Rolling stock vehicles	2,942	(2,593)	348	3,036	(2,606)	430
<b>ROLLING STOCK</b>			<b>156,648</b>			<b>156,903</b>
Infrastructure	27,747	(20,602)	7,145	24,853	(20,166)	4,688
Infrastructure in progress	31,128	0	31,128	33,736	0	33,736
<b>INFRASTRUCTURE</b>			<b>38,273</b>			<b>38,424</b>
Other tangible assets	9,520	(8,937)	583	9,329	(8,814)	514
<b>OTHER TANGIBLE ASSETS</b>			<b>583</b>			<b>514</b>
<b>Total Tangible assets</b>	<b>471,643</b>	<b>(272,408)</b>	<b>199,235</b>	<b>468,448</b>	<b>(269,194)</b>	<b>199,254</b>

The decrease in the net value of tangible assets compared to the balance at 31 December 2017, equal to 19 thousand euros, is analysed in the following movements.

In thousands of euros	31/12/2017	other						31/12/2018
	net value	investments	depreciation	write-downs	disposals	reclassifications or adjustments	grants on investments	net value
Real estate	3,225	0	(75)	0	0	0	0	3,150
real estate under construction	188	393	0	0	0	0	0	581
Rolling stock buses/trolley buses	59,170	291	(8,855)	(1,844)	(1,506)	23,359	(7,054)	63,561
Rolling stock buses/trolley buses in progress	6,164	19,289	0	0	0	(23,359)	0	2,094
Rolling stock railway	90,049	1,470	(3,456)	0	0	1,090	0	89,152
Rolling stock railway in progress	1,090	1,493	0	0	0	(1,090)	0	1,493
Rolling stock vehicles	430	99	(180)	0	0	0	0	348
Infrastructure	4,688	3,694	(1,193)	0	0	(32)	(12)	7,145
Infrastructure in progress	33,736	746	0	0	0	(41)	(3,313)	31,128
Other tangible assets	514	179	(143)	0	(1)	34	0	583
						0	0	0
<b>Total</b>	<b>199,254</b>	<b>27,652</b>	<b>(13,903)</b>	<b>(1,844)</b>	<b>(1,506)</b>	<b>(39)</b>	<b>(10,378)</b>	<b>199,235</b>

In thousands of euros	31/12/2016	other						31/12/2017
	net value	investments	depreciation	write-downs	disposals	reclassifications or adjustments	net value	
Real estate	3,301	0	(76)	0	0	0	0	3,225
real estate under construction	1,038	0	0	(850)	0	0	0	188
Rolling stock buses/trolley buses	49,010	17,056	(6,655)	0	(242)	0	0	59,170
Rolling stock buses/trolley buses in progress	5,112	6,090	0	0	0	(5,038)	0	6,164
Rolling stock railway	50,827	23,518	(2,944)	0	0	18,647	0	90,049
Rolling stock railway in progress	23,052	0	0	0	0	(21,962)	0	1,090
Rolling stock vehicles	268	302	(140)	0	0	0	0	430
Infrastructure	1,573	514	(854)	0	0	3,455	0	4,688
Infrastructure in progress	37,191	0	0	0	0	(3,455)	0	33,736
Other tangible assets	174	465	(125)	0	0	0	0	514
<b>Total</b>	<b>171,546</b>	<b>47,947</b>	<b>(10,794)</b>	<b>(850)</b>	<b>(242)</b>	<b>(8,353)</b>	<b>0</b>	<b>199,254</b>

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, via Magenta and the land at the Roveri railway station.

“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 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. The increases for the year refer to 124 buses, 80 of which new and 44 used, that entered service in 2018.

Note that as regards “Rolling stock railway in progress”, the amount relates to the purchase of three power units for the movement of goods.

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.

Finally, it should be noted that at 31 December 2018, the tangible assets are not encumbered by mortgages, liens or other real guarantees that limit their availability.

## 2. Intangible assets

Thousands of euros 1,091 (1,214)

<i>In thousands of euros</i>	31/12/2018			31/12/2017		
	cost	cumulative depreciation	net value	cost	cumulative depreciation	net value
Intangible assets	6,279	(5,188)	1,091	5,864	(4,650)	1,214
<b>Total Intangible assets</b>	<b>6,279</b>	<b>(5,188)</b>	<b>1,091</b>	<b>5,864</b>	<b>(4,650)</b>	<b>1,214</b>

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

The goodwill paid for the purchase of the Modena-Sassuolo and Bologna-Casalecchio-Vignola railway management for a residual value of 1.2 million euros was entirely written down in 2013 in view of the re-assignment of the public auction of the public passenger transport service by rail within the competence of the Emilia-Romagna Region.

The table below shows the amounts at the beginning and at the end of the year as well as the relative changes occurred in 2018.

<i>In thousands of euros</i>	31/12/2017						31/12/2018
	net value	investments	depreciation	write-downs	disposals	net value	
Intangible assets	1,214	415	-	538	-	-	1,091
<b>Total Thousands of euros</b>	<b>1,214</b>	<b>415</b>	<b>-</b>	<b>538</b>	<b>-</b>	<b>-</b>	<b>1,091</b>

<i>In thousands of euros</i>	31/12/2016						31/12/2017
	net value	investments	depreciation	write-downs	disposals	net value	
Intangible assets	866	726	(378)	0	0	1,214	
<b>Total Thousands of euros</b>	<b>866</b>	<b>726</b>	<b>(378)</b>	<b>0</b>	<b>0</b>	<b>1,214</b>	

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

### 3. Equity investments

Thousands of euros 54,689 (54,689)

<i>In thousands of euros</i>	31/12/2017	Changes in the financial year					31/12/2018
		acquisitions and capital contributions	Revaluations (write-downs)	Capital repayments	measurement using the equity method	other reclassifications or adjustments	
Equity investments	54,689	-	-	-	-	-	54,689
<b>Total change equity investments</b>	54,689						54,689

<i>In thousands of euros</i>	31/12/2016	Changes in the financial year					31/12/2017
		acquisitions and capital contributions	Revaluations (write-downs)	Capital repayments	measurement using the equity method	other reclassifications or adjustments	
Equity investments	54,689	-	-	-	-	-	54,689
<b>Total change equity investments</b>	54,689						54,689

As at 31 December 2018, Tper holds direct holdings in 12 companies, of which 7 are subsidiaries, 4 are associates and 1 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 revaluations and accumulated write-downs at the end of the year.

<i>In thousands of euros</i>	31/12/2018				31/12/2017			
	% ownership	cost	Revaluations (write-downs)	final value	% ownership	cost	Revaluations (write-downs)	final value
<u>Subsidiaries</u>								
TPF S.c.a.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.a.r.l.	85%	9	0	9	85%	9	0	9
OMNIBUS S.c.a.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
<u>Associated companies</u>								
CONSORZIO TRASPORTI INTEGRATI S.c.a.r.l.	26%	3	0	3	26%	3	0	3
Marconi Express S.p.A.	25%	2,000	0	2,000	25%	2,000	0	2,000

SOCIETA' FERROVIARIA PROVVISORIA S.c.a.r.l.	30%	300	0	300	30%	300	0	300
SETA S.p.A.	7%	673	0	673	7%	673	0	673
<i>Equity investments in other companies</i>								
Consorzio Esperienza Energia S.c.a.r.l. in liquidation	-	-	0	0	1%	0	0	0
START ROMAGNA S.p.A.	14%	4,036	-700	3,336	14%	4,036	-700	3,336
<b>Total Equity investments</b>		<b>57,789</b>	<b>-3,100</b>	<b>54,689</b>		<b>57,789</b>	<b>-3,100</b>	<b>54,689</b>

In 2018, Tper settled its position in the Consortium Esperienza Energia S.c.a.r.l. for 350 euros.

#### 4. Financial assets

Non-current portion Thousands of euros 14,005 (12,746)

Current portion Thousands of euros 5,250 (19,370)

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.

<i>In thousands of euros</i>	31/12/2018			31/12/2017		
	financial statement value	current portion	non-current portion	financial statement value	current portion	non-current portion
<b>Financial assets for contributions</b>	<b>5,250</b>	<b>5,250</b>		<b>18,911</b>	<b>18,911</b>	
Emilia Romagna Region	5,023	5,023		15,150	15,150	
Municipality of Bologna	-	-		1,003	1,003	
Ministry of Transport	-	-		2,569	2,569	
Municipality of San Lazzaro	227	227		188	188	
Other	-	-		-	-	
<b>Other financial assets</b>	<b>14,005</b>	-	<b>14,005</b>	<b>13,204</b>	<b>458</b>	<b>12,746</b>
Loan to subsidiary Mafer S.p.A.	7,000		7,000	7,000		7,000
Loan to investee Marconi Express S.p.A.	7,651		7,651	5,746		5,746
Other	-	-		458		-
Provision for the write-down of financial assets	-	646	-	-	-	646
<b>Total Thousands of euros</b>	<b>19,255</b>	<b>5,250</b>	<b>14,005</b>	<b>32,116</b>	<b>19,370</b>	<b>12,746</b>

The receivables from the Emilia-Romagna Region, equal to 5,023 thousand euros, refer to 1,389 thousand euros for contributions to be collected on the Stimer regional electronic ticketing system, to 3,166 thousand euros for bus purchase, to 205 thousand euros for trolleyway extension 14 and to 263 thousand euros 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 227 thousand euros, refers to the contributions for the construction of the TPGV Crealis transport system.

The loan to the subsidiary Ma.Fer S.p.A., amounting to 7,000 thousand euros, 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 7,651 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.

Note that the "Provision for the write-down of financial assets" was recognised for 820 thousand euros following the first-time application of the impairment criteria provided for by IFRS 9. This provision was then adjusted in 2018 to 175 thousand euros.

## 5. Pre-paid Tax Assets and Deferred Tax Liabilities

Deferred tax assets 2,543 (0)

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

<i>In thousands of euros</i>	<b>31/12/2018</b>	<b>31/12/2017</b>
Deferred tax liabilities IRES	(356)	(5,883)
Deferred tax liabilities IRAP	(58)	(956)
<b>Deferred tax liabilities</b>	<b>(414)</b>	<b>(6,838)</b>
Deferred tax assets IRES	2,693	3,540
Deferred tax assets IRAP	264	453
<b>Offsettable deferred tax assets</b>	<b>2,957</b>	<b>3,993</b>
<b>Assets (Liabilities) for net deferred taxes</b>	<b>2,543</b>	<b>(2,846)</b>

The movements in prepaid and deferred taxes based on the nature of the temporary differences that gave rise to them are summarised in the following table.

<i>In thousands of euros</i>	31/12/2017	Changes in the financial year					31/12/2018
		Opening balance	(releases) / Provisions	(releases) / (uses)	Allocations to (releases from) OCI	Changes in A.P. estimate	
Differences between tax value and book value of FTA adjustments	(6,838)		6,424				(414)
Other temporary differences	0						0
<b>Deferred tax liabilities</b>	<b>(6,838)</b>	<b>0</b>	<b>6,424</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(414)</b>
Allocations to non-deducted provisions	3,082	0	(742)	0	0	0	2,340
Other temporary differences	911	0	(135)	(159)	0	0	617
<b>Offsettable deferred tax assets</b>	<b>3,993</b>	<b>0</b>	<b>(877)</b>	<b>(159)</b>	<b>0</b>	<b>0</b>	<b>2,957</b>
<b>Assets (Liabilities) for net deferred taxes</b>	<b>(2,846)</b>	<b>0</b>	<b>7,301</b>	<b>159</b>	<b>0</b>	<b>0</b>	<b>2,543</b>

<i>In thousands of euros</i>	31/12/2016	Changes in the financial year					31/12/2017
		Opening balance	Provisions	(Releases)/(Uses)	Allocations to (releases from) OCI	Changes in A.P. estimate	
Differences between tax value and book value of FTA adjustments	(6,838)						(6,838)
Other temporary differences							
<b>Deferred tax liabilities</b>	<b>(6,838)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(6,838)</b>
Allocations to non-deducted provisions	3,082	0		0	0	0	3,082
Other temporary differences	816	142	0	(46)	0	0	911
<b>Offsettable deferred tax assets</b>	<b>3,898</b>	<b>142</b>	<b>0</b>	<b>(46)</b>	<b>0</b>	<b>0</b>	<b>3,993</b>
<b>Assets (Liabilities) for net deferred taxes</b>	<b>(2,941)</b>	<b>142</b>	<b>0</b>	<b>(46)</b>	<b>0</b>	<b>0</b>	<b>(2,846)</b>

## 6. Trade assets

Thousands of euros 78,543 (92,342)

At 31 December 2018, the trade assets included:

- inventories, amounting to 11,425 thousand euros (10,790 thousand euros at 31 December 2017), consisting of fuel and lubricant stocks and spare parts for the maintenance of the

<i>In thousands of euros</i>	31/12/2018	31/12/2017
Inventory:		
Raw materials	14,423	13,788
Provision for obsolete goods	- 2,998	- 2,998
<b>Total</b>	<b>11,425</b>	<b>10,790</b>

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

- b) trade receivables, equal to 67,118 thousand euros (81,552 thousand euros at 31 December 2017), the breakdown in which is detailed in the table below.

<i>In thousands of euros</i>	31/12/2018	31/12/2017
Trade receivables from:		

Subsidiaries	33,441	40,798
Associated companies	13,809	12,352
Owner entities	980	2,165
Other for different services	25,316	33,614
Total trade receivables (gross)	73,546	88,928
Provision for doubtful debts	(6,428)	(7,376)
<b>Trade receivables (net)</b>	<b>67,118</b>	<b>81,552</b>

Trade receivables from subsidiaries, amounting to 33,441 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, personal posting and lease of the company branch (to Ma.fer SpA and Dinazzano Po SpA).

Trade receivables due from associated companies, amounting to 13,809 thousand euros, mainly refer to the receivable from Consorzio Trasporti Integrati S.c.a.r.l. for railway services.

The item "Other receivables for other services", amounting to 25,316 thousand euros, is attributable to receivables for the sale of travel and parking tickets (5,973), receivables from Italian customers (16,805), 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 bad debts related to trade receivables.

<i>In thousands of euros</i>	01/01/2017	Restated 01/01/2018 IFRS 9	uses	provisions	31/12/2018
on Trade receivables	7,376	(994)	(391)	436	6,428
<b>Total provision for doubtful debts</b>	<b>7,376</b>	<b>(994)</b>	<b>(391)</b>	<b>436</b>	<b>6,428</b>

<i>In thousands of euros</i>	31/12/2016	uses	provisions	31/12/2017
on Trade receivables	4,137	(405)	3,645	7,376
<b>Total provision for doubtful debts</b>	<b>4,137</b>	<b>(405)</b>	<b>3,645</b>	<b>7,376</b>

## 7. Cash and cash equivalents

Thousands of euros 51,722 (60,274)

The item includes:

- bank deposits, amounting to 50,877 thousand euros (58,875 thousand euros at 31 December 2017);
- postal current accounts, equal to 97 thousand euros (144 thousand euros at 31 December 2017);



c) the company funds, amounting to 15 thousand euros (15 thousand euros at 31 December 2017);

d) ticketing machines and fines, amounting to 732 thousand euros (1,239 thousand euros at 31 December 2017);

For more details on the events that generated the increase in the item during the 2018 financial year, please refer to the cash flow statement.

### 8. Assets and liabilities for current taxes

Current tax assets Thousands of euros 2,952 (1,770)

Liabilities for current taxes Thousands of euros 1,121 (503)

The table below shows the amount of assets and liabilities for current taxes at the beginning and end of the year.

<i>In thousands of euros</i>	Assets for current income taxes		Current tax liabilities	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
IRES	2,501	1,679	1,072	428
IRAP	451	92	49	75
	<b>2,952</b>	<b>1,770</b>	<b>1,121</b>	<b>503</b>

### 9. Other assets

Current portion Thousands of euros 5,714 (17,908)

These total 5,714 thousand euros, the main items contributing to the balance being analysed below:

<i>In thousands of euros</i>	31/12/2018	31/12/2017
Tax: VAT	0	8,552
Receivables from Ferrovie Emilia Romagna	2,865	5,527
Prepaid expenses	1,813	1,814
Other receivables	5,869	5,855
<i>Total</i>	10,548	21,747
Provision for doubtful debts	(4,834)	(3,839)
<b>Total Other assets</b>	<b>5,714</b>	<b>17,908</b>

The receivable from Ferrovie Emilia Romagna, amounting to 2,865 thousand euros, 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 3.6 million euros, 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 accounts of other assets are as follows:

<i>In thousands of euros</i>	01/01/2017	Restated 01/01/2018 IFRS 9	uses/releases	provisions	31/12/2018
on Other assets	3,839	1,072	(78)		4,834
<b>Total provision for doubtful debts</b>	<b>3,839</b>	<b>1,072</b>	<b>(78)</b>	<b>0</b>	<b>4,834</b>

<i>In thousands of euros</i>	31/12/2016	uses	provisions	31/12/2017
on Other assets	3,592		248	3,839
<b>Total provision for doubtful debts</b>	<b>3,592</b>	<b>0</b>	<b>248</b>	<b>3,839</b>

## 10. Shareholders' equity

Thousands of euros 150,238 (147,154)

The fully subscribed and paid-up share capital of TPER at 31 December 2018 consists of 68,492,702 ordinary shares with a par value of 1 euro each, for a total of 68,493 thousand euros, and did not change in financial year 2018.

At 31 December 2018:

- a) the shares in circulation are equal to 68,492,702 (68,492,702 at 31 December 2017);
- b) the treasury shares amount to 111,480 (111,480 at 31 December 2017).

Shareholders' equity increased by 3,084 thousand euros compared to 31 December 2017, mainly due to the combined effect of:

- a) the overall economic result, positive for an amount of 7,884 thousand euros, due to the profit for the year (equal to 8,280 thousand euros) and the negative change in the other components of the comprehensive income statement (equal to 503 thousand euros).
- b) the distribution of the dividend balance for 2017 (4,800 thousand euros);

The following is a summary table of the shareholders' equity items as at 31 December 2018 with an indication of the relative possibility of use and the evidence of the available quota.

<i>In thousands of euros</i>	31/12/2018	Possibility of use (A,B,C,D)*	Portion available	Summary of uses made in the period 01/01/2014 - 31/12/2018 (pursuant to art. 2427, 7 bis, of the Italian Civil Code)	
				To cover losses	For other reasons
Description					
Capital issued	68,493				
Share premium reserve					
Legal reserve	4,335	B	4,335		
Extraordinary reserve	11,930	A , B , C	11,930		
Reserve from profits/(losses) from actuarial valuation of funds for employee benefits	(245)		(245)		
Other reserves	34,505	A , B , C	34,505		
Profits carried forward	23,129	A , B , C	23,129		
<b>Reserves and profits carried forward</b>	<b>142,146</b>		<b>73,654</b>		
Treasury shares	(189)				
<b>Total</b>	<b>141,958</b>				
of which:					
Non-distributable portion -	72,639				
Distributable portion	69,319				

\* Legenda:

A: per aumento di capitale

B: per copertura perdite

C: per distribuzione ai soci

D: per altri vincoli statutari/assembleari

## 11. Trade liabilities

Non-current portion thousands of euros 0 (5,493).

Current portion thousands of euros 44,358 (58,559).

The breakdown of trade liabilities is shown in the following table.

<i>In thousands of euros</i>	31/12/2018			31/12/2017		
	financial statement value	current portion	non-current portion	financial statement value	current portion	non-current portion
Trade payables	33,189	33,189	-	58,147	52,653	5,493
Payables to Subsidiaries	8,638	8,638		4,151	4,151	
Payables to Associated companies	60	60		281	281	
Payables to Shareholders	588	588		761	761	
Other payables	1,882	1,882		713	713	
<b>Total Other liabilities</b>	<b>44,358</b>	<b>44,358</b>	<b>-</b>	<b>64,052</b>	<b>58,559</b>	<b>5,493</b>

Trade payables recorded a decrease of 24,958 thousand euros.

## 12. Funds for provisions

Current portion Thousands of euros 5,498 (3,074)

Non-current portion Thousands of euros 51,289 (59,716)

<i>In thousands of euros</i>	31/12/2018			31/12/2017		
	financial statement value	current portion	non-current portion	financial statement value	current portion	non-current portion
Funds for employee benefits	24,720	1,606	23,114	27,845	2,135	25,710
Provision for restoration and replacement of rolling stock	8,123		8,123	5,394		5,394
Other provisions	23,943	3,891	20,052	29,551	939	28,612
<b>Total Funds for provisions</b>	<b>56,787</b>	<b>5,498</b>	<b>51,289</b>	<b>62,790</b>	<b>3,074</b>	<b>59,716</b>

The table of the amounts at the beginning and end of the year for provisions and related changes for 2018 is shown below.

<i>In thousands of euros</i>	31/12/2017	Changes in the financial year						31/12/2018
	Opening balance	Provisions	Financial charges	Decreases for uses	Decreases for releases	Allocations to (releases from) OCI	other reclassifications or adjustments	Closing balance
Employee benefit provisions	27,845	233	-	(2,696)	-	(661)	-	24,720
Provision for restoration and replacement of rolling stock	5,394	2,729	-	-	-	-	-	8,123
Insurance deductibles provision	5,368	-	-	(1,561)	(616)	-	-	3,192
MAFER warehouse onerous contract provision	7,465	-	-	-	-	-	-	7,465
Provision for work disputes in progress	6,762	1,145	24	(237)	(1,090)	-	8	6,612
Provision for Revenue Agency disputes Tax wedge	9,593	-	-	(3,281)	-	-	-	6,312
Other provisions	364	-	-	-	-	-	-	364
<b>Total Changes in Provisions</b>	<b>62,790</b>	<b>4,107</b>	<b>24</b>	<b>(7,776)</b>	<b>(1,706)</b>	<b>(661)</b>	<b>8</b>	<b>56,787</b>

<i>In thousands of euros</i>	31/12/2016	Changes in the financial year						31/12/2017
	Opening balance	Provisions	0	Decreases for uses	Decreases for releases	Allocations to (releases from) OCI	other reclassifications or adjustments	Closing balance
Funds for employee benefits	30,566	250	0	(2,778)	0	(193)	0	27,845
Provision for restoration and replacement of rolling stock	5,394	0	0	0	0	0	0	5,394
Insurance deductibles provision	5,847	0	35	(495)	0	0	(18)	5,368
MAFER warehouse onerous contract provision	5,352	2,113	0	0	0	0	0	7,465
Provision for work disputes in progress	6,413	3,759	13	(113)	(3,256)	0	(53)	6,762
Provision for Revenue Agency disputes Tax wedge	9,593	0	0	0	0	0	0	9,593
Other provisions	182	182	0	0	0	0	0	364
<b>Total Changes in Provisions</b>	<b>63,347</b>	<b>6,303</b>	<b>48</b>	<b>(3,386)</b>	<b>(3,256)</b>	<b>(193)</b>	<b>(72)</b>	<b>62,790</b>

Funds for employee benefits

At 31 December 2018, the employee benefits provision, amounting to 24,720 thousand euros, refers entirely to employee severance indemnity (TFR) for employees subject to Italian legislation, to be liquidated upon termination of employment.

The main assumptions made for the actuarial estimate process of the employee severance indemnity provision at 31 December 2018 are summarised below.

	31/12/2018	31/12/2017
Annual discounting rate	1.13%	0.88%
Annual inflation rate	1.50%	1.50%
<b>Annual rate of increase of severance indemnity</b>	<b>2.625%</b>	<b>2.625%</b>
<b>Frequency of advances</b>	<b>2%</b>	<b>2%</b>
<b>Annual turnover rate</b>	<b>1.50%</b>	<b>1.50%</b>

In particular, it should be noted that:

- the annual discounting rate used for the determination of the present value was derived, in accordance with para. 83 of IAS 19, from the Iboxx Corporate AA index with a duration of 7-10 recognised at the valuation date. For this purpose, the performance with durability has been chosen comparable to the duration of the collective of workers evaluated;
- the annual rate of increase in 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 0.88%
Incapacity	INPS tables distinguished by age and sex
Retirement age	100% upon reaching the AGO requirements

Also shown below are:

- the sensitivity analysis of the main valuation principles;
- indication of the contribution for the following year;
- indication of the average duration of financial obligation for defined benefit plans;
- disbursements provided for by the plan

	In thousands of euros
<b>DBO as at 31/12/2018</b>	
Turnover rate +1%	24,594
Turnover rate -1%	24,860
Inflation rate +0.25%	25,043
Inflation rate -0.25%	24,403
Discounting rate +0.25%	24,211
Discounting rate -0.25%	25,247

Service Cost	-
Duration of the plan	9.0

<i>years</i>	<i>planned disbursements</i>	<i>In thousands of euros</i>
1		1,606
2		1,541
3		1,473
4		1,989
5		1,716

The "Provision for the restoration and replacement of rolling stock", amounting to 8,123 thousand euros, refers to amounts set aside to meet the commitments made under the existing service agreements for passenger rail transport managed through the Consorzio Trasporti Integrati Soc. Consortile a r.l. for the restoration and replacement of railway rolling stock.

The "Insurance deductibles fund", equal to 3,192 thousand euros, represents the probable liability for the excesses paid by Tper still to be paid on motor vehicle accidents occurring before 2018.

The "Contract fund for charges of MAFER warehouse", amounting to 7,465 thousand euros, is intended to cover the obligation to repurchase the MAFER SpA spare parts warehouse

The "Provision for work disputes in progress", amounting to 6,612 thousand euros, has been created to cover the foreseeable liabilities, expressed at current values, relating to disputes with employees. The fund also includes an estimate of legal fees and other potential ancillary costs.

The "Provision for tax disputes", amounting to 6,312 thousand euros, consists of the involvement of Tper - as a legally supportive subject - in relation to tax disputes on matters prior to its constitution.

### 13. Financial Liabilities

Non-current portion Thousands of euros 108,292 (113,505)

Current portion Thousands of euros 5,319 (10,627)

The detailed schedules of medium/long-term financial liabilities are shown below, highlighting:

a) the composition of the balance of the financial statement, the corresponding nominal value of the liability and the related collectability (current amount and non-current amount);

<i>In thousands of euros</i>	<i>31/12/2018</i>				<i>31/12/2017</i>			
	<i>nominal value</i>	<i>financial statement value</i>	<i>current portion</i>	<i>non-current portion</i>	<i>nominal value</i>	<i>financial statement value</i>	<i>current portion</i>	<i>non-current portion</i>
Bond issues	95,000	94,428	-	94,428	95,000	94,212	-	94,212
Medium/long-term loans	18,616	18,616	5,319	13,297	26,697	26,697	8,080	18,616
Derivatives	-	202	-	202	-	335	-	335
Other financial liabilities	364	364	-	364	2,887	2,887	2,547	341

<b>Total Financial liabilities</b>	<b>113,980</b>	<b>113,611</b>	<b>5,319</b>	<b>108,292</b>	<b>124,584</b>	<b>124,132</b>	<b>10,627</b>	<b>113,505</b>
------------------------------------	----------------	----------------	--------------	----------------	----------------	----------------	---------------	----------------

On 15 September 2017, Tper completed the issue of an unsecured debenture bond loan for an amount of 95 million euros, listed on the Dublin Stock Exchange (Irish Stock Exchange), the world's leading market place for regulated government and corporate bonds.

Non-convertible Tper bonds, with a maturity of 7 years and amortisation repayments starting from the fifth year, present a fixed annual coupon of 1.85% and were entirely placed with institutional investors.

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.

#### 14. Other liabilities

Non-current portion Thousands of euros 20,887 (20,908)

Current portion Thousands of euros 28,742 (37,182)

The following table provides a detailed breakdown of the item.

<i>In thousands of euros</i>	31/12/2018			31/12/2017		
	financial statement value	current portion	non-current portion	financial statement value	current portion	non-current portion
Payables to shareholders	854	238	616	1,634	1,018	616
Payables to Investee companies	95	95	-	95	95	-
Payables to associated companies	-	-	-	-	-	-
Payables to Pension and social security institutions	2,263	2,263	-	1,975	1,975	-
Tax payables	631	631	-	778	778	-
Payables to employees	12,313	12,313	-	12,102	12,102	-
Payables to SRM Mobility Agency	19,629	31	19,598	19,159	10	19,149
Other payables	13,844	13,171	673	22,347	21,204	1,143
<b>Total Other liabilities</b>	<b>49,629</b>	<b>28,742</b>	<b>20,887</b>	<b>58,090</b>	<b>37,182</b>	<b>20,908</b>

Payables to shareholders, equal to 854 thousand euros, show the amount of contributions resolved upon and not yet paid.

The item "payables to employees", amounting to 12,313 thousand euros, refers to wages accrued still to be paid and holidays accrued and not yet taken.

The amount of payables to SRM Mobility Agency Reti e Mobilità SpA, amounting to 19,629 thousand euros, essentially refers to the balance due on the reference date in relation to the business unit lease contract



signed on 4 March 2011 between the SRM Mobility Agency Società Reti e Mobilità SpA and the company Trasporto Pubblico Bolognese S.c.a.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.

Among the most significant items of the “Other payables” we would point out: 12 million euros for revenues on prepaid tickets for the next financial years, 0.5 million euros accrued revenues for the next financial years and 0.8 million euros for contributions to the PIMBO project (Bologna’s integrated mobility project), buses and other assets not yet in operation.

## 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".

### 15. Revenues for TPL line services

Thousands of euros 170,610 (167,736)

The revenues from services from the TPL line amounted to 170,610 thousand euros and show an increase of 2,831 thousand euros (+1.69 %) compared to 2017 (167,736 thousand euros).

<i>In thousands of euros</i>	<b>2018</b>	<b>2017</b>	<b>CHANGE</b>
TRAVEL TICKETS	77,185	74,387	2,799
REMUNERATIVE INTEGRATIONS	78,121	77,771	351
CLA CONTRIBUTIONS	10,509	10,509	0
PASSENGER FINES	3,870	4,188	-318
OTHER REVENUES	924	882	
<b>Total</b>	<b>170,610</b>	<b>167,736</b>	<b>2,831</b>

### 16. Revenues from railway line services

Thousands of euros 65,389 (60,436)

Revenues from railway services amounted to 65,389 thousand euros and increased by 4,953 thousand euros (+8.20%) compared to 2017 (60,436 thousand euros).

<i>In thousands of euros</i>	<b>2018</b>	<b>2017</b>	<b>CHANGE</b>
TRAVEL TICKETS	13,696	13,843	-147
REMUNERATIVE INTEGRATIONS	47,858	44,054	3,804
CLA CONTRIBUTIONS	2,282	2,282	0
PASSENGER FINES	353	214	139
OTHER REVENUES	1,200	43	1,157
<b>Total</b>	<b>65,389</b>	<b>60,436</b>	<b>4,953</b>

### 17. Revenues from parking and car-sharing

Thousands of euros 16,103 (16,153)

Revenues for parking and car sharing amounted to 16,103 thousand euros and decreased by 50 thousand euros (-0.31%) compared to 2017 (16,153 thousand euros).

<i>In thousands of euros</i>	<b>2018</b>	<b>2017</b>	<b>CHANGE</b>
STOPPING AND PARKING	13,882	13,921	-39
ACCESS TO THE HISTORIC CENTRE	1,764	1,833	-70
CAR SHARING	458	399	59
<b>Total</b>	<b>16,103</b>	<b>16,153</b>	<b>-50</b>

## 18. Other income

Thousands of euros 8,919 (10,327)

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

<i>In thousands of euros</i>	<b>2018</b>	<b>2017</b>	<b>CHANGE</b>
VEHICLE MAINTENANCE AND OTHER SERVICES RENDERED TO THIRD PARTIES	2,976	3,284	-307
INSURANCE AND OTHER REIMBURSEMENTS	2,523	3,148	-625
FINES	414	772	-358
OTHER	3,006	3,124	-118
<b>Total</b>	<b>8,919</b>	<b>10,327</b>	<b>-1,408</b>

## 19. Personnel costs

Thousands of euros 114,716 (115,149)

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

<i>In thousands of euros</i>	<b>2018</b>	<b>2017</b>	<b>CHANGE</b>
Salaries and wages	84,821	83,651	1,170
Social security contributions	23,642	25,035	-1,393
Pension provisions	5,419	5,525	-106
Other personnel costs	833	938	-105
<b>Total</b>	<b>114,716</b>	<b>115,149</b>	<b>-433</b>

Personnel costs, amounting to 114,716 thousand euros (115,149 thousand euros at 31 December 2017). Against a slight increase in salaries and wages, there was a dramatic reduction in social security costs, making the total personnel costs in 2018 slightly lower than 2017.

The following table shows the consistency of the average workforce (divided by level of classification and including temporary staff):

<i>Employees at 31/12</i>	<b>2018</b>	<b>2017</b>	<b>CHANGE</b>
Executives	12	12	0
Middle managers	53	51	2
White-collar staff	290	291	-1
Blue-collar staff	2,016	2,093	-77
Apprentices	143	44	99
Associates	0	0	0
<b>Total</b>	<b>2,514</b>	<b>2,491</b>	<b>23</b>

## 20. Costs for services

Thousands of euros 72,490 (65,674)

The budget balance is detailed in the following table.

<i>In thousands of euros</i>	<b>2018</b>	<b>2017</b>	<b>CHANGE</b>
Transport services	4,146	3,097	1,049
Rail tolls	10,353	10,241	113
Maintenance	26,232	19,981	6,251
Cleaning	4,922	4,702	220
Insurance	4,461	4,510	-49
Electric power	4,461	4,093	369
Canteen service	1,936	1,925	11
Other utilities	1,569	1,671	-102
Consultancy	1,291	1,441	-150
other	13,118	14,014	-896
<b>Total</b>	<b>72,490</b>	<b>65,674</b>	<b>6,816</b>

The increase in maintenance costs is almost entirely attributable to the increased maintenance costs of automotive and railway rolling stock (+ 2,728 and + 3,446, respectively).

### **21. Raw materials and materials**

Thousands of euros 30,965 (27, 540)

This item includes the costs for the purchases of materials:

<i>In thousands of euros</i>	<b>2018</b>	<b>2017</b>	<b>CHANGE</b>
Fuels	16,575	15,302	1,273
Lubricants	485	507	-22
Tyres	862	660	203
Spare parts	10,897	9,026	1,871
Various materials	1,410	1,448	-39
Other	737	596	140
<b>Total</b>	<b>30,965</b>	<b>27,540</b>	<b>3,426</b>

### **22. Costs for use of third party assets**

Thousands of euros 10,581 (10,452)

The item includes:

<i>In thousands of euros</i>	<b>2018</b>	<b>2017</b>	<b>CHANGE</b>
Parking and parking management fees	6,050	6,108	-58
Other rentals and leasing	2,311	2,154	157
Company rentals	2,220	2,190	30
<b>Total</b>	<b>10,581</b>	<b>10,452</b>	<b>129</b>

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

The item "Company rentals" refers to:

- 1,704 thousand euros for the mobility agency SRM Società Reti e Mobilità SpA in relation to the lease agreement for a business unit signed on 4 March 2011 between the mobility agency SRM Società Reti e Mobilità SpA and the company Trasporto Pubblico Bolognese S.c.a.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 with the Agency SRM Srl; and

- 486 thousand euros for Agenzia Mobilità e Impianti in relation to the concession contract for use of the assets required for Local Public Transport signed on 23 December 2010 between Agenzia Mobilità e Impianti and Trasporto Pubblico Ferrarese S.c.a.r.l. at the same time as signing the service agreement for the management of public transport on the local road in the Ferrara area.

### 23. Other operating costs

Thousands of euros 3,643 (2,118)

The item includes:

<i>In thousands of euros</i>	<b>2018</b>	<b>2017</b>	<b>CHANGE</b>
Taxes and fees	1,068	1,057	11
Audits and inspections	163	124	39
Membership fees	245	333	-89
Other	2,168	604	1,564
<b>Total</b>	<b>3,643</b>	<b>2,118</b>	<b>1,526</b>

The increase of 1,219 thousand euros in losses from the disposal of buses represents the most significant change.

### 24. Depreciation

Thousands of euros 14,441 (11,172)

The item consists of the depreciation charge for 2018, which amounts to 14,441 thousand euro and refers to the following fixed assets:

<i>In thousands of euros</i>	<b>2018</b>	<b>2017</b>	<b>CHANGE</b>
<b>Depreciation of tangible assets</b>	<b>13,903</b>	<b>10,794</b>	<b>3,109</b>
of which:			-
Real estate	75	76	1
Rolling stock buses/trolley buses	8,855	6,655	2,200
Rolling stock railway	3,456	2,944	512
Rolling stock vehicles	180	140	40
Infrastructure	1,193	854	338
Other tangible assets	143	125	19
<b>Amortisation of tangible assets</b>	<b>538</b>	<b>378</b>	<b>160</b>
<b>Depreciation</b>	<b>14,441</b>	<b>11,172</b>	<b>3,269</b>

## 25. Write-downs and write-backs

Thousands of euros 1,941 (4,371)

The item consists of the write-down of the expected sale value of buses to be scrapped in the course of 2019 for 1,844 thousand euros and provisions for write-downs of receivables for 97 thousand euros.

## 26. Change in funds for provisions

Thousands of euros 2,176 (2,721)

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 this item, equal to 1,630 thousand euros, relates to the net increase of 63 thousand euros in releases from the provision for labour disputes, releases of 616 thousand euros from the deductibles provision and an allocation to the onerous provision for scheduled maintenance of rolling stock for 2,729 thousand euros.

## 27. Financial income

Thousands of euros 465 (259)

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

<i>In thousands of euros</i>	<i>2018</i>	<i>2017</i>	<i>CHANGE</i>
Dividends	54	55	-1
Other financial income of which interest income on receivables	403	186	217
of which interest income on bank accounts	1	1	0
of which other interest income	7	17	-10
<b>Financial income</b>	<b>465</b>	<b>259</b>	<b>206</b>

## 28. Financial charges

Thousands of euros 2,343 (1,306)

<i>In thousands of euros</i>	<i>2018</i>	<i>2017</i>	<i>CHANGE</i>
Charges on bonds	1,973	574	1,399
Charges on loans	229	463	-234
Other financial charges	141	269	-128
<b>Financial charges</b>	<b>2,343</b>	<b>1,306</b>	<b>1,038</b>

Financial charges show a substantial increase, due to the interest accrued on the bond which was initiated on 15 September 2017 and therefore from 2018 the entire annuity is accounted for.

## 29. Tax charges

Thousands of euros -91 (6,181)

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

<i>In thousands of euros</i>	<i>2018</i>	<i>2017</i>	<i>CHANGE</i>
IRES	1,888	4,864	(2,977)
IRAP	571	1,013	(442)
<b>Current income taxes</b>	<b>2,459</b>	<b>5,877</b>	<b>(3,418)</b>
Income taxes for previous years	(3,427)	446	
<b>Differences on income taxes for previous years</b>	<b>(3,427)</b>	<b>446</b>	<b>(3,873)</b>
<b>Current taxes</b>	<b>(968)</b>	<b>6,323</b>	<b>(7,291)</b>
Provisions	877	(142)	1,019
Releases			0
<b>Prepaid taxes</b>	<b>877</b>	<b>(142)</b>	<b>1,019</b>
Provisions			
Releases			
<b>Deferred taxes</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Prepaid and deferred taxes</b>	<b>877</b>	<b>(142)</b>	<b>1,019</b>
<b>Tax expense (income)</b>	<b>(91)</b>	<b>6,181</b>	<b>(6,273)</b>

Current taxes for the year, which show an overall positive balance of 968 thousand euros, refer for negative 2,495 thousand euros to current taxes for the year, and for positive 3,427 thousand euros to contingencies relating to previous years.

In 2018, following specific consultation with the Italian Tax Authorities, Tper realigned the fiscal values of automotive rolling stock with statutory values. The payment of substitute tax and additional charges for 3,834 thousand euros resulted in the reversal of the deferred taxes recognised on transition to IFRS standards in relation to the difference between the carrying amount and the fiscal value of the assets.

The following table shows the reconciliation between the theoretical tax burden and what was effectively incurred.

<i>In thousands of euros</i>	<i>VALUE</i>	<i>TAX</i>
<b>Result before tax</b>	8,189	
Theoretical tax charge (rate 24%)		1,965
Taxable temporary differences in subsequent years	6,425	1,542
Deductible temporary differences in subsequent years	(6,672)	(1,601)
Reversal of temporary differences from previous years	(388)	(93)
Differences that will not be reversed in subsequent years		
Tax base	7,553	
<b>IRES for the year</b>		<b>1,888</b>
<b>IRAP for the year</b>		<b>571</b>
<b>Total current taxes for the year</b>		<b>2,459</b>



## Earnings per share

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

	31/12/2018	31/12/2017
Weighted average number of shares issued	68,492,702	68,492,702
Weighted average number of own shares in portfolio	111480	111480
Weighted average number of shares outstanding for the purpose of calculating basic earnings	68,492,702	68,492,702
Profit for the year (in thousands of euros)	8,280	8,227
Basic earnings per share (euro)	0.12	0.12

## ADDITIONAL FINANCIAL INFORMATION

### Information on the cash flow statement

The financial trend for 2018 shows a reduction in net cash and cash equivalents of 8,552 thousand euros, while in 2017 there was a, increase of 34,652 thousand euros.

Net cash flow from operating activities, equal to EUR 13,350 thousand, increased by 5,117 thousand euros compared to 2017 (8,233 thousand euros) mainly due to the change in working capital due essentially to the combined effect of:

- a) a decrease in trade receivables, equal to 14,434 thousand euros;
- b) a decrease in other current assets, equal to 12,194 thousand euros;
- c) a decrease in trade liabilities, equal to 19,695 thousand euros;
- d) the use/release of provisions for risks and charges, equal to 9,482 thousand euros.

The net cash flow absorbed by investing activities, equal to -3,902 thousand euros, is mainly generated by investments in tangible assets, equal to 29,060 thousand euros, net of grants received for these investments, equal to 24,067 thousand euros.

Cash flow generated by financial assets, amounting to -18,000 thousand euros, essentially derives from the combined effect of:

- a) the repayment of medium and long-term loans, amounting to 8,080 thousand euros;
- b) the increase in financial assets, totalling 801 thousand euros;
- c) the payment of interest expense for 1,987 thousand euros;
- d) the dividends distributed to shareholders following approval of the 2017 financial statements for 4,800 thousand euros.

### Management of the financial risk

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

- a) operational risk, mainly due to malfunctioning and unexpected service interruption caused by accidental events and extraordinary events;

- b) to market risk, mainly due to changes in the rates related to financial assets and financial liabilities assumed;
- c) liquidity risk, with reference to the availability of adequate financial resources to meet its operating activities and the repayment of liabilities assumed;
- d) credit risk, connected both to normal commercial relations and to the possibility of default of a financial counterparty.

The strategy of the Company for the management of the financial risks indicated is compliant and consistent with the corporate objectives defined by the Board of Directors within the framework of the multi-annual plans drawn up.

#### Operational risk

The strategy adopted for this type of risk generally aims at an internal control system and the definition of action plans aimed at guaranteeing the continuity of the service and the safeguarding of the company assets, in full compliance with laws and regulations.

The management of these risks is carried out in compliance with the principles of prudence and consistently with the "best practices" of the market.

Tper is also developing new risk assessment methodologies, which ensure efficient data management to prevent operational risks.

#### Market risk

The strategy followed for this type of risk aims at minimising interest rate risks and optimising the cost of debt, taking into account the interests of the stakeholders.

The objectives of the strategy are to:

- a) to pursue the defence of the plan's scenario from the effects caused by the exposure to the risks of changes in interest rates, identifying the optimal combination of fixed and variable rates;
- b) pursue a potential reduction in the cost of debt;
- c) manage transactions in financial instruments, taking into account the economic and equity impact that they may also have on the basis of their classification and accounting representation.

#### Interest rate risk

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

- a) cash flow risk: this is connected to financial assets or liabilities with flows indexed to a market interest rate;
- b) 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.

#### 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 financing to meet the planned financial needs, also in relation to the possible criticalities concerning the disbursement of the contributions

due deriving from transfers from the Public Administration, taking into account its ability to generate cash flows, broad diversification of the sources of financing and 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.

### Credit risk

Tper operates by providing public services and revenues deriving from the tariffs applied to the users of the transport service 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.

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.

On this basis, the provision for doubtful debts as at 31 December 2018 and 1 January 2018 (following the adoption of the IFRS 9) was determined as follows:

<b>31/12/2018</b>	<b>Non scaduto</b>	<b>Scaduto tra 31 giorni e 60 giorni</b>	<b>Scaduto tra 61 giorni e 90 giorni</b>	<b>Scaduto tra 91 giorni e 180 giorni</b>	<b>Scaduto da oltre 180 giorni</b>	<b>TOTALE</b>
Perdita attesa	3,4%	3,4%	10,5%	70,6%	49,6%	
Valore lordo dei crediti	78.044	4.527	608	177	17.893	<b>101.249</b>
Fondo svalutazione crediti	2.689	152	64	125	8.878	<b>11.908</b>

<b>01/01/2018</b>	<b>Non scaduto</b>	<b>Scaduto tra 31 giorni e 60 giorni</b>	<b>Scaduto tra 61 giorni e 90 giorni</b>	<b>Scaduto tra 91 giorni e 180 giorni</b>	<b>Scaduto da oltre 180 giorni</b>	<b>TOTALE</b>
Perdita attesa	2,3%	2,6%	6,0%	3,4%	59,4%	
Valore lordo dei crediti	105.927	4.697	2.566	12.224	15.104	<b>140.518</b>
Fondo svalutazione crediti	2.464	120	155	411	8.965	<b>12.115</b>

## **ADDITIONAL INFORMATION**

### **Guarantees and third party assets at the company**

At 31 December 2018, there were personal and real guarantees issued by the Company and the asset risks assumed in relation to the assets of third parties at the company, among which are reported by relevance:

<i>In thousands of euros</i>	31/12/2018	31/12/2017	Change
<b>Guarantees given to third parties</b>			
Sureties granted	26,423,244	23,162,291	3,260,953
<b>Risks</b>			
Third party assets at the company	651	651	0
SRM rented assets at the company	28,938,931	30,121,533	(1,182,602)
SRM assets at the company	19,102	19,102	0
<b>Total</b>	<b>55,381,928</b>	<b>53,303,576</b>	<b>2,078,351</b>

The guarantees given to third parties refer - for the most part - to the guarantees provided by Tper, on behalf of Tpb Scarl and Tpf Scarl, 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 accounting 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 at the closing date of the financial year 34 million euros of guarantees from third parties to cover the purchases of goods (mainly rolling stock) and services. The most significant items of third party guarantees consisted of guarantees on the construction of the Bologna-San Lazzaro bound public transport system (TPGV) (22 million euros), for the purchase of 7 trains (0.9 million euros) and for the purchase of new buses (6 million euros).

### Fair value measures

TABLE RELATING TO FAIR VALUE CLASSES

<i>In thousands of euros</i>	note s	level of Fair Value	Amortised Cost		Fair value recognised in the income statement		Total	
			31/12/201	31/12/201	31/12/201	31/12/201	31/12/201	31/12/201
			8	7	8	7	8	7
<b>NON-CURRENT ASSETS</b>								
Equity investments	3	3			54,689	54,689	54,689	54,689
Financial assets	4		14,005	12,746			14,005	12,746
<b>CURRENT ASSETS</b>								
Trade receivables	6		67,118	81,552			67,118	81,552
Financial assets	4		5,250	19,370			5,250	19,370
Assets for current income taxes	8		2,952	1,770			2,952	1,770
Other assets	9		5,714	17,908			5,714	17,908
<b>NON-CURRENT LIABILITIES</b>								
Trade liabilities	11		-	5,493			-	5,493
Financial Liabilities	13	2	108,089	113,169	202	335	108,292	113,505
Other liabilities	14		20,887	20,908			20,887	20,908
<b>CURRENT LIABILITIES</b>								
Trade liabilities	11		44,358	58,559			44,358	58,559
Financial Liabilities	13		5,319	10,627			5,319	10,627
Current income tax liabilities	8		1,121	503			1,121	503

Other current liabilities	14	28,742	37,182	28,742	37,182
---------------------------	----	--------	--------	--------	--------

### Management and coordination activities pursuant to Article 2497 et seq.

Article 2497 et seq. of the Civil Code it 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 Article 2427 no. 22-*bis* of the Civil Code

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.

<i>In thousands of euros</i>		Sales to related parties	Purchases from related parties	Receivables from related parties	Payables to related parties
<b>Subsidiaries</b>					
Omnibus S.Cons.a r. l.	2017	3	1,752	150	712
	2018	516	3,038	589	1,242
TPF S.Cons.a r. l.	2017	17,264	527	6,502	179
	2018	17,247	538	2,703	147
TPB S.Cons.a r.l.	2017	70,079	18	25,391	18
	2018	70,339	52	21,304	0
MA.FER S.r.l.	2017	1,214	10,043	14,040	2,200
	2018	1,160	13,489	14,616	6,738
DINAZZANO PO S.p.A.	2017	981	567	1,184	2,812
	2018	898	642	825	157
HERM S.r.l.	2017	193	0	190	0
	2018	98	0	95	0
SST Srl	2017	335	1,954	391	856
	2018	340	2,238	404	458
<i>Total</i>	2017	90,069	14,861	47,847	6,777
	2018	90,598	19,997	40,536	8,742
<b>Associated companies</b>					
SETA S.P.A.	2017	1,626	217	276	89
	2018	1,450	203	508	60
CONSORZIO TRASPORTI INTEGRATI	2017	41,127	192	12,054	192
	2018	47,858	30	13,281	0
SOCIETA' FERROVIARIA PROVVISORIA	2017	19	0	19	225
	2018	42		42	225
MARCONI EXPRESS S.p.A.	2017	175	0	5,746	0
	2018	579	0	7,651	0
<i>Total</i>	2017	42,947	409	18,095	506
	2018	49,929	233	21,482	285

TOTAL	2017	133,016	15,270	65,942	7,283
	2018	140,527	20,230	62,018	9,027

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 31 December 2018, the Company did not record any loss in value 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.

#### **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 2018 the following grants/contributions were received from public administrations, including through consortia:

<b>IMPORTO INCASSATO Euro</b>	<b>ENTE EROGANTE</b>	<b>CAUSALE</b>
1.496.255	Agenzia delle Dogane	Accise sul gasolio autotrazione
12.790.297	SRM Srl / AMI Srl / FER Srl	Contributo sui maggiori costi per CCNL ex L 47/04, L 58/05, L 296/06
5.147.147	MIT	Contributo per la realizzazione del sistema di trasporto pubblico a guida vincolata Bologna Centro - San Lazzaro (BO)
191.076	Comune di Bologna	Contributo Programma strategico per la mobilità nelle aree metropolitane L.472/1999
1.275.322	Comune di Bologna	Contributo per la realizzazione del sistema di trasporto pubblico a guida vincolata Bologna Centro - San Lazzaro (BO)
13.265	Comune di San Lazzaro	Contributo per la realizzazione del sistema di trasporto pubblico a guida vincolata Bologna Centro - San Lazzaro (BO)
12.844.170	Regione Emilia Romagna	Contributo per l'acquisto di autobus nuovi e sistemi per il servizio di trasporto pubblico locale
1.525.540	ML	Contributo su oneri di malattia L 266/2005
<b>35.283.071</b>	<b>TOTALE INCASSATO NEL 2018</b>	

### Events after 31 December 2018

The significant events occurring after the end of the year and as noted in the report on operations did not generate any material, financial or economic effects of particular importance.

**Proposals to the Assembly of Tper S.p.A.**

Dear Shareholders,

at the end of this assembly, we invite you to:

- a) discuss and approve the report on the management of the Board of Directors and the financial statements for the year ended 31 December 2018, which show a profit for the year of 8,280,181.85 euros;
- b) allocate the profit for the year:
  - 414,009.09 euros to legal reserve,
  - 3,726,081.83 euros to extraordinary reserve,
  - 4,140,090,93 euros in distribution of dividends to shareholders.

At the date of approval of the financial statements, treasury shares amounted to 11,480.

Bologna, 20 May 2018

For the Board of Directors

The Chairperson  
Giuseppina Gualtieri





**Consolidated financial statements  
2018**

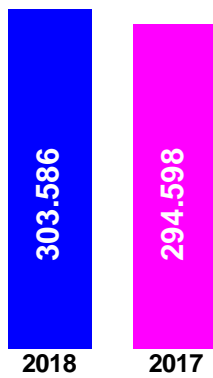
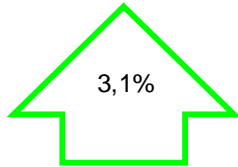
**Typer**  
Trasporto Passeggeri Emilia-Romagna

# T P E R G R O U P

## Highlights

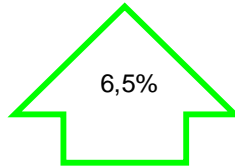
### REVENUES

thousand Euro



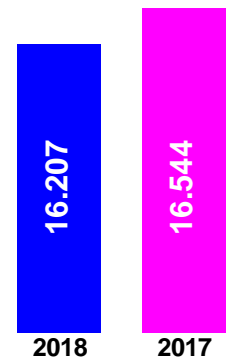
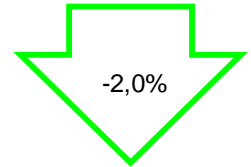
### GROSS OPERATIVE RESULT

thousand Euro

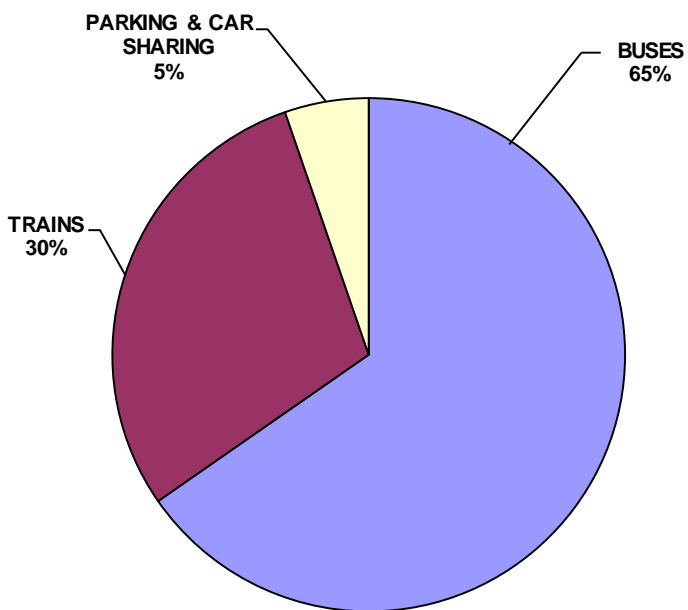


### NET OPERATIVE RESULT

thousand Euro

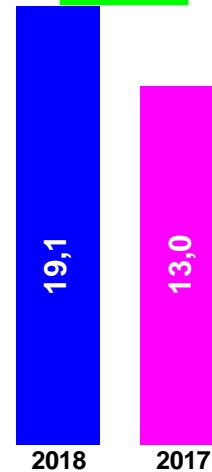
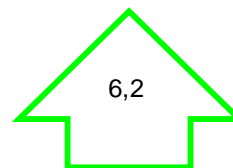


### REVENUES



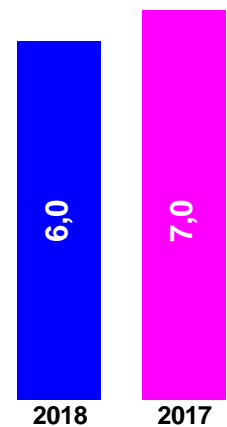
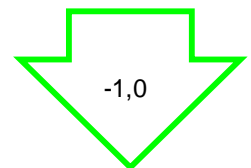
### PROFIT PER SHARE

Euro cent



### DIVIDEND PER SHARE

Euro cent



**Situazione patrimoniale - finanziaria consolidata**

MIGLIAIA DI EURO	NOTE	31/12/2018	31/12/2017
<b>ATTIVITA'</b>			
<b>ATTIVITA' NON CORRENTI</b>			
<b>Attività materiali</b>	<b>1</b>	<b>213.383</b>	<b>214.004</b>
Immobili		3.731	3.413
Materiale rotabile		167.431	165.392
Infrastrutture		38.279	38.430
Altre attività materiali		3.941	6.769
<b>Attività immateriali</b>	<b>2</b>	<b>24.119</b>	<b>24.705</b>
Aviamento e altre attività immateriali a vita utile indefinita		0	0
Diritti concessori		23.097	23.614
Altre attività immateriali		1.022	1.090
<b>Partecipazioni</b>	<b>3</b>	<b>15.340</b>	<b>14.621</b>
Partecipazioni al costo o al fair value		3.342	3.343
Partecipazioni valutate con il metodo del patrimonio netto		11.998	11.278
<b>Attività finanziarie</b>	<b>4</b>	<b>8.675</b>	<b>8.623</b>
Attività finanziarie per contributi		1.670	1.649
Altre attività finanziarie		7.005	6.974
<b>Attività per imposte anticipate</b>	<b>5</b>	<b>2.346</b>	
<b>Altre attività</b>	<b>6</b>	<b>0</b>	<b>0</b>
<b>TOTALE ATTIVITA' NON CORRENTI</b>		<b>263.863</b>	<b>261.953</b>
<b>ATTIVITA' CORRENTI</b>			
<b>Attività commerciali</b>	<b>7</b>	<b>86.101</b>	<b>103.968</b>
Rimanenze		22.724	21.623
Crediti commerciali		63.377	82.345
<b>Disponibilità liquide e mezzi equivalenti</b>	<b>8</b>	<b>68.807</b>	<b>63.625</b>
<b>Attività finanziarie</b>	<b>4</b>	<b>5.902</b>	<b>19.420</b>
Attività finanziarie per contributi		5.250	18.911
Altre attività finanziarie		652	509
<b>Attività per imposte sul reddito correnti</b>	<b>9</b>	<b>139</b>	<b>1.304</b>
<b>Altre attività</b>	<b>6</b>	<b>6.461</b>	<b>25.545</b>
<b>Attività destinate alla vendita o connesse ad attività operative cessate</b>		<b>0</b>	<b>0</b>
<b>TOTALE ATTIVITA' CORRENTI</b>		<b>167.410</b>	<b>213.862</b>
<b>TOTALE ATTIVITA'</b>		<b>431.273</b>	<b>475.815</b>

**Situazione patrimoniale - finanziaria consolidata**

MIGLIAIA DI EURO	NOTE	31/12/2018	31/12/2017
<b>PASSIVITA'</b>			
<b>Patrimonio netto di pertinenza del Gruppo</b>		<b>157.298</b>	<b>148.100</b>
Capitale emesso		68.493	68.493
Riserve		50.158	46.854
Utili / (perdite) portate a nuovo		25.809	24.642
Utile /perdita attuariale		(245)	(747)
Utile / perdita dell'esercizio		13.083	8.858
<b>Patrimonio netto di pertinenza di Terzi</b>		<b>3.042</b>	<b>2.808</b>
Capitale e riserve di terzi		2.751	2.675
Utile / (perdita) di terzi		292	133
<b>TOTALE PATRIMONIO NETTO</b>	<b>10</b>	<b>160.340</b>	<b>150.908</b>
<b>PASSIVITA' NON CORRENTI</b>			
<b>Passività commerciali</b>	<b>14</b>	<b>0</b>	<b>5.493</b>
<b>Fondi per accantonamenti</b>	<b>11</b>	<b>48.408</b>	<b>56.861</b>
Fondi per benefici ai dipendenti		25.320	27.949
Fondo per ripristino e sostituzione materiale rotabile		8.123	5.394
Altri fondi		14.965	23.518
<b>Passività finanziarie</b>	<b>12</b>	<b>110.122</b>	<b>116.415</b>
Prestiti obbligazionari		94.428	94.212
Finanziamenti a medio/lungo termine		14.352	20.354
Derivati		202	335
Altre passività finanziarie		1.140	1.514
<b>Passività per imposte differite</b>	<b>5</b>		<b>3.004</b>
<b>Altre passività</b>	<b>13</b>	<b>20.887</b>	<b>20.933</b>
<b>TOTALE PASSIVITA' NON CORRENTI</b>		<b>179.417</b>	<b>202.706</b>
<b>PASSIVITA' CORRENTI</b>			
<b>Passività commerciali</b>	<b>14</b>	<b>49.542</b>	<b>71.332</b>
<b>Fondi per accantonamenti quota corrente</b>	<b>11</b>	<b>5.498</b>	<b>3.074</b>
Fondi per benefici ai dipendenti		1.606	2.135
Fondo per ripristino e sostituzione materiale rotabile		0	0
Altri fondi		3.891	939
<b>Passività finanziarie</b>	<b>12</b>	<b>5.427</b>	<b>8.145</b>
Scoperti di conto corrente		0	0
Finanziamenti a breve termine		0	0
Derivati		0	0
Finanziamenti a medio/lungo termine		5.319	8.082
Altre passività finanziarie		108	63
<b>Passività per imposte sul reddito correnti</b>	<b>9</b>		
<b>Altre passività correnti</b>	<b>13</b>	<b>31.048</b>	<b>39.649</b>
<b>Passività connesse ad attività operative cessate</b>		<b>0</b>	<b>0</b>
<b>TOTALE PASSIVITA' CORRENTI</b>		<b>91.515</b>	<b>122.200</b>
<b>TOTALE PASSIVITA'</b>		<b>270.932</b>	<b>324.907</b>
<b>TOTALE PASSIVITA' E PATRIMONIO NETTO</b>		<b>431.273</b>	<b>475.815</b>

## Conto economico consolidato

MIGLIAIA DI EURO	NOTE	2018	2017
<b>Ricavi</b>		<b>303.586</b>	<b>294.598</b>
Servizi linea TPL	15	198.366	195.034
Servizi linea ferrovia	16	89.143	83.418
Parcheggi e car sharing	17	16.078	16.146
<b>Altri proventi</b>	<b>18</b>	<b>13.789</b>	<b>14.115</b>
<b>Costi operativi</b>		<b>280.645</b>	<b>274.215</b>
Costo del personale	19	128.155	126.939
Costo per servizi	20	98.650	96.944
Materie prime e materiali	21	38.208	36.357
Godimento beni di terzi	22	11.128	10.834
Altri costi operativi	23	4.505	3.141
<b>Ammortamenti</b>		<b>16.075</b>	<b>12.795</b>
Ammortamenti attività materiali	1	15.062	11.947
Ammortamenti attività immateriali	2	1.013	847
<b>Svalutazioni / (ripristini) di valore</b>	<b>24</b>	<b>2.903</b>	<b>4.550</b>
<b>Variazione dei fondi per accantonamenti</b>	<b>25</b>	<b>1.545</b>	<b>608</b>
Variazione fondo per ripristino e sostituzione materiale rotabile		0	0
Variazione altri fondi		1.545	608
<b>Risultato operativo</b>		<b>16.207</b>	<b>16.544</b>
<b>Proventi finanziari</b>	<b>26</b>	<b>421</b>	<b>208</b>
Altri proventi finanziari		421	208
<b>Oneri finanziari</b>	<b>27</b>	<b>2.424</b>	<b>1.412</b>
Oneri da prestiti obbligazionari		1.973	574
Oneri da finanziamenti		301	557
Altri oneri finanziari		150	281
<b>Totale proventi / (oneri) finanziari</b>		<b>(2.003)</b>	<b>(1.204)</b>
<b>Quota dell'utile / (perdite) delle partecipazioni contabilizzate con il metodo del patrimonio netto</b>	<b>28</b>	<b>843</b>	<b>134</b>
<b>Risultato prima delle imposte</b>		<b>15.047</b>	<b>15.474</b>
<b>Oneri fiscali</b>	<b>29</b>	<b>1.673</b>	<b>6.483</b>
Imposte correnti sul reddito		726	6.552
Imposte anticipate e differite		946	(69)
<b>Risultato netto d'esercizio (Gruppo e Terzi)</b>		<b>13.374</b>	<b>8.991</b>
<i>di cui:</i>			
Utile di pertinenza del Gruppo		13.083	8.858
Utile di pertinenza di Terzi		292	133



**Conto economico complessivo consolidato**

MIGLIAIA DI EURO	NOTE	2018	2017
<b>Utile dell'esercizio</b>	<b>(a)</b>	<b>13.374</b>	<b>8.991</b>
Utile /(perdite) da valutazione delle partecipazioni con il metodo del patrimonio netto	<b>3</b>	(122)	(188)
Effetto fiscale su utile /(perdite) da valutazione al fair value degli strumenti finanziari da cash flow hedge		0	0
Utile /(perdite) da valutazione al fair value delle attività disponibili per la vendita		0	0
Effetto fiscale su utile /(perdite) da valutazione al fair value delle attività disponibili per la vendita		0	0
<b>Altre componenti del conto economico complessivo dell'esercizio riclassificabili nel conto economico</b>	<b>(b)</b>	<b>(122)</b>	<b>(188)</b>
Utile / (perdita) da valutazione attuariale di fondi per benefici ai dipendenti	<b>11</b>	664	201
Effetto fiscale su utile / (perdita) da valutazione attuariale di fondi per benefici ai dipendenti	<b>5</b>	(159)	(48)
<b>Altre componenti del conto economico complessivo dell'esercizio non riclassificabili nel conto economico</b>	<b>(c)</b>	<b>505</b>	<b>153</b>
Riclassifiche delle altre componenti del conto economico complessivo nel conto economico dell'esercizio	<b>(d)</b>	0	0
Effetto fiscale connesso alle riclassifiche delle altre componenti del conto economico complessivo nel conto economico dell'esercizio	<b>(e)</b>	0	0
<b>Totale delle altre componenti del conto economico complessivo dell'esercizio</b>	<b>(f= b+c+d+e)</b>	<b>383</b>	<b>(35)</b>
<b>Risultato economico complessivo dell'esercizio</b>	<b>a+f</b>	<b>13.757</b>	<b>8.956</b>
<i>Di cui:</i>			
di pertinenza di Gruppo		13.466	8.825
di pertinenza di Terzi		291	131

Rendiconto finanziario consolidato

MIGLIAIA DI EURO	NOTE	2018	2017
<b>Utile / (perdita) dell'esercizio</b>		<b>13.374</b>	<b>8.991</b>
Ammortamenti		16.075	12.795
Variazione operativa dei fondi		1.545	608
Svalutazioni / (Rivalutazioni) delle attività finanziarie e delle partecipazioni contabilizzate al costo e al fair value			
Quota dell'utile / (perdita) delle partecipazioni contabilizzate con il metodo del patrimonio netto		(843)	(134)
Svalutazioni / (rivautazioni) di valore di attività finanziarie correnti e non correnti		1.059	3.700
Svalutazioni / (rivautazioni) di valore di attività correnti e non correnti		1.844	850
Minusvalenze / (plusvalenze) da realizzo di attività non correnti			
Variazione netta della fiscalità differita		(5.350)	(59)
Variazione del capitale di esercizio e altre variazioni		(5.414)	(12.592)
<b>Flussi di cassa netto da attività operativa</b>		<b>22.290</b>	<b>14.159</b>
Investimenti in attività materiali		(18.898)	(62.220)
Investimenti in attività immateriali		(427)	(674)
Investimenti in partecipazioni		0	0
Acquisizioni di capitale aggiuntivo e/o investimenti in società consolidate		0	0
<b>Investimenti al lordo dei contributi</b>		<b>(19.325)</b>	<b>(62.894)</b>
Contributi attività materiali		13.641	14.376
Contributi attività immateriali			
Contributi partecipazioni			
<b>Contributi</b>		<b>13.641</b>	<b>14.376</b>
Disinvestimenti in attività materiali		2.613	189
Disinvestimenti in attività immateriali			
Disinvestimenti in partecipazioni			
<b>Disinvestimenti</b>		<b>2.613</b>	<b>189</b>
<b>Flusso di cassa netto per attività di investimento</b>		<b>(3.072)</b>	<b>(48.329)</b>
Acquisto di azioni proprie		0	(188)
Dividendi corrisposti		(4.852)	(4.712)
Emissione / (rimborsi) di prestiti obbligazionari		216	94.212
Accensione / (Rimborso) di finanziamenti a medio-lungo termine		(8.764)	(3.880)
Accensione / (Rimborso) di finanziamenti a breve termine		0	0
Variazione netta delle altre attività finanziarie		(174)	(18.026)
Variazioni netta delle altre passività finanziarie		(462)	147
<b>Flusso di cassa netto da attività finanziaria</b>		<b>(14.037)</b>	<b>67.553</b>
<b>Flusso di cassa netto di periodo</b>		<b>5.181</b>	<b>33.383</b>
<b>Disponibilità liquide e mezzi equivalenti di inizio esercizio</b>		<b>63.626</b>	<b>30.243</b>
<b>Disponibilità liquide e mezzi equivalenti di fine esercizio</b>		<b>68.807</b>	<b>63.626</b>

**Prospetto delle variazioni del patrimonio netto consolidato**

MIGLIAIA DI EURO	PATRIMONIO NETTO DI GRUPPO								Patrimonio netto di pertinenza di Terzi	TOTALE PATRIMONIO NETTO DI GRUPPO E DI TERZI
	Capitale emesso	Riserva per valutazioni delle partecipazioni in base al metodo del patrimonio netto	Azioni proprie	Altre riserve	Utile /perdita attuariali	Utili / (perdite) portate a nuovo	Utile / perdita dell'esercizio	Totale		
Saldo al 31.12.2016	68.493	570	0	43.396	(917)	26.760	5.819	144.121	2.730	146.851
<b>Risultato economico complessivo dell'esercizio</b>		(186)			153		<b>8.858</b>	<b>8.825</b>	<b>131</b>	<b>8.956</b>
<b>Operazioni con gli azionisti e altre variazioni</b>								0		0
- Dividendi							(4.658)	(4.658)	(53)	(4.711)
- Acquisto azioni proprie			(188)					(188)		(188)
- Allocazione del risultato dell'esercizio precedente						1.161	(1.161)	0		0
- Altre variazioni				3.105		(3.105)		0		0
Saldo al 31.12.2017	68.493	384	(188)	46.501	(764)	24.816	8.858	148.100	2.808	150.908
Effetti dell'applicazione del principio IFRS 9 all'1/1/2018						532		532	(5)	527
Saldo al 1.1.2018	68.493	384	(188)	46.501	(764)	25.348	8.858	148.632	2.803	151.435
<b>Risultato economico complessivo dell'esercizio</b>		(122)			505		<b>13.083</b>	<b>13.466</b>	<b>291</b>	<b>13.757</b>
<b>Operazioni con gli azionisti e altre variazioni</b>										
- Dividendi							(4.800)	(4.800)	(52)	(4.852)
- Acquisto azioni proprie								0		0
- Allocazione del risultato dell'esercizio precedente				3.065		993	(4.058)	0		0
- Altre variazioni								0		0
Saldo al 31.12.2018	68.493	262	(188)	49.566	(259)	26.341	13.083	157.298	3.042	160.340



## Explanatory notes

### 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 duration of the Company is fixed until 31 December 2050.

At the date of preparation of these financial statements, the Emilia-Romagna Region is the relative majority shareholder of TPER.

These financial statements as at 31 December 2018 were approved by the Board of Directors of Tper at the meeting of 20 May 2019, considering that the Board of Directors of Tper dated 28 March 2019 resolved to defer the ordinary deadline for approval of the financial statements from 120 days to 180 days from the end of the financial year.

### Compliance with IFRS

The consolidated financial statements for the year ended 31 December 2018, prepared in accordance with the business continuity of the Parent Company and 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 ones International Accounting Standards (IAS) and previous interpretations of the Standard Interpretations Committee (SIC) still in force. For simplicity, the set of all the principles 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 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.

### Structure and content of the consolidated financial statements

The consolidated financial statements consist of the consolidated financial statements (statement of financial position, income statement, statement of comprehensive income, statement of changes in shareholders' equity and cash flow statement) and of these explanatory notes and are prepared by applying the general criteria of historical cost, with the exception of the balance sheet items that according to IFRS are recognised at fair value, as indicated in the evaluation criteria of the individual items described in the paragraph "Accounting standards and valuation criteria applied". The statement of financial position is presented on the basis of the scheme that provides for the distinction between current and non-current assets and liabilities. Costs are classified

according to their nature in the income statement. The cash flow statement is prepared by applying the indirect method.

IFRS is 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. Euro represents the functional currency of the Parent Company and of the main subsidiaries, as well as that of the presentation of the consolidated 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 consolidated financial statements as at 31 December 2017, for the purposes of better accounting recognition, certain reclassifications were made.

### **Estimates and evaluations**

The preparation of the consolidated financial statements, in application of the 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 estimates were used in the evaluation of the Impairment Test, to determine any sales revenues, for provisions for risks and charges, the allowance for doubtful accounts and other unrealised valuation, amortisation and depreciation, valuations of derivative instruments, benefits to employees and deferred tax assets.

In particular, with regard to the amortisation 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 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 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 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.

## CRITERIA, PROCEDURES AND AREAS 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 the power over the company, the exposure or the right to variable returns on the investment in the company and the ability to use the power on the company to influence investment returns.

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

Ragione Sociale	Sede Legale	Valuta	Capitale sociale	Interessenza del Gruppo Tper
OMNIBUS Soc. cons. a r.l.	Via di Saliceto,3 BOLOGNA	Euro	80.000	51
TPF Soc. cons. a r.l.	Viale S. Trenti, 35 FERRARA	Euro	10.000	97
TPB Soc. cons. a r.l.	Via di Saliceto,3 BOLOGNA	Euro	10.000	85
MA.FER S.r.l.	Via di Saliceto, 3 BOLOGNA	Euro	3.100.000	100
DINAZZANO PO S.p.A.	P.zza Guglielmo Marconi, 11 REGGIO EMILIA	Euro	38.705.000	95,35
SST S.r.l.	Viale S. Trenti, 35 FERRARA	Euro	110.000	51
Holding Emilia Romagna Mobilità S.r.l.	Via di Saliceto,3 BOLOGNA	Euro	10.840.000	94,95

The 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, it is required the management's judgement 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 the 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 intragroup 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 net 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 balance sheet after that date. Subsequently, losses attributable to minority shareholders exceeding their net assets 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.

The consolidation perimeter of the Tper Group as at 31 December 2018 did not change with respect to 31 December 2017.

### **Accounting policies and valuation criteria**

The most relevant accounting principles and valuation criteria applied in the preparation of the consolidated financial statements for the year ending 31 December 2018 are described below. As regards the stages of classification, recognition, measurement and derecognition of financial assets and liabilities, and the recognition of revenue and costs, these have been modified with respect to those used in the preparation of the financial statements for the year ended 31

December 2017. These changes arise essentially from the mandatory application, with effect from 1 January 2018, of the following international accounting standards:

- IFRS 9 “Financial Instruments”, issued by the IASB in July 2014 and approved by the European Commission through Regulation no. 2067/2016, which superseded IAS 39 as regards the guidelines for the classification and measurement of financial instruments, as well as the corresponding impairment process;
- IFRS 15 “Revenue from contracts with customers”, approved by the European Commission through Regulation no. 1905/2016, which has cancelled and replaced IAS 18 “Revenue” and IAS 11 “Construction contracts”.

The financial statements have been prepared on the basis of historical cost, with the exception of derivative instruments valued at fair value.

### **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.

During the transition to IFRS, the TPER GROUP has chosen to avail itself of the exemption “deemed cost”, which allows them to use some of their goods for fair value on the date of transition to the IFRSs, this substitute of the cost, for all the rolling stock used in the context of the Bologna Service Contract and the Ferrara Service Contract.

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 were 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 is in this way depreciated on the basis of the residual maturity of the service agreement taking into account possible extensions.

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 2017 presented for similar categories are shown in the following table:

<b>Attività materiale</b>	<b>aliquota d'ammortamento</b>
Fabbricati strumentali	2,57%
Treni e locomotori	3,50%
Carrozze	3,50%
Fabbricati	4%
Fabbricati leggeri	10%
Impianti	10%
Automotrici	10%
Mobili e attrezzature ufficio	12%
Spese ad utilità pluriennale su beni di terzi	20%
Macchine e attrezzi officina	20%
Strumenti tecnici	20%
Emettitrici e validatrici	20%
Macchine elettroniche	20%
Paline luminose	20%
Autoveicoli	25%
Veicoli diversi	25%

The tangible assets acquired under a finance lease are initially recorded as tangible assets, as an offset to the related debt, at a value equal to the relative amount fair value or, if lower, to the present value of the minimum contractual payments. The fee paid is made up of its components of financial charge, recorded in the income statement, and of repayment of capital, entered as a reduction of the financial debt.

In the presence of specific indicators regarding the risk of non-recovery of the carrying value 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. As a rule, this requirement is met 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 2018, presented by similar categories with evidence of the relative application interval, are shown in the following table:



<b>Attività immateriale</b>	<b>aliquota d'ammortamento</b>
Concessione Dinazzano	2,30%
Software	33,33%

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 "Reduction and restoration of the 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.

### **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 “Reduction and restoration of value of assets (impairment test)”.

IFRS 3 has not been applied retroactively to the acquisitions made prior to 1 January 2016, the date of transition to the IFRS; consequently, for these acquisitions the value of the goodwill determined on the basis of the previous accounting principles was maintained, equal to the net book value at that date, subject to verification and recognition of any loss in value.

### Shareholdings

Investments in associated companies are those in which significant influence is exercised, but not control or joint control, through participation in decisions on the financial and operating policies of the investee company. The Consolidated Financial Statements include the portion pertaining to the Tper Group of the results of the associated companies, accounted for using the equity method, with the exception of cases in which they are classified as held for sale, starting from the date on which the influence began until the moment it ceases to exist.

In order to determine the existence of significant influence, the management's judgement is required to assess all facts and circumstances. The Tper Group reviews the existence of significant influence when the facts and circumstances indicate that there has been a variation of one or more elements considered for the verification of the existence of such considerable influence.

If the portion of loss pertaining to the Tper Group exceeds the carrying amount of the investment, the latter must be cancelled and any surplus must be covered by provisions to the extent that the Tper Group has legal or implicit obligations towards the investee company to cover its losses or, in any case, make payments on its behalf. The excess of the acquisition cost over the percentage pertaining to the Tper Group of the current value of the identifiable assets, liabilities and contingent liabilities of the associate at the acquisition date is recognised as goodwill. The goodwill is included in the carrying amount of the investment and is subjected to tests of impairment together with the value of the shareholding.

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 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.

### **Inventory**

Inventory, mainly consisting of supplies and spare parts for the maintenance of rolling stock, is 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 purchase cost is determined by applying the weighted average cost method.

### **Financial instruments**

The 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 receivables are reinstated in subsequent years to the extent that the reasons that determined the adjustment cease to exist. In this case, the write-back 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 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 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.

### **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 IAS 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 reporting 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.

For transactions in derivative instruments that can be defined as a net investment hedge pursuant to IFRS 9, as a hedge against the risk of an unfavourable change in exchange rates to which net investments in foreign operations are converted, since they are cash flow hedge instruments, the effective hedging component of the changes in fair value of the underwritten derivatives is recognised in other comprehensive income, thus offsetting the changes in the translation reserve relating to net investments in the same foreign operations. The cumulative changes in fair value set aside in the net investment hedge reserve are reclassified from the statement of comprehensive income to the income statement for the year at the time of the total or partial disposal of the investment in the foreign operation.

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.

The 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 comprehensive income statement and, therefore, in a specific equity reserve. No reclassification of financial instruments has ever been made between the categories described above.

### **Valuation of the fair value and hierarchy of fair value**

For all transactions or balances (financial or non-financial) for which an accounting standard requires or permits measurement at fair value and which falls within the scope of application of IFRS 13, the TPER Group applies the following criteria:

- a) identification of the “unit of account”, that is, the level at which an asset or a liability is aggregated or disaggregated to be recognised for IFRS purposes;
- b) identification of the main market (or, in its absence, of the most advantageous market) in which transactions could take place for the asset or liability subject to valuation; in the absence of any evidence to the contrary, it is assumed that the currently used market coincides with the main market or, in its absence, with the most advantageous market;
- c) definition, for non-financial activities, of the highest and best use (maximum and best use): in the absence of contrary evidence, the highest and best use coincides with the current use of the asset;

- d) definition of the most appropriate evaluation techniques for estimating the fair value: these techniques maximise the use of observable data, which market participants use to determine the price of the asset or liability;
- e) determination of fair value of the assets, as the price that would be received for sale, and of the liabilities and capital instruments, as the price to be paid for the relative transfer in a regular transaction between market operators at the date of the valuation;
- f) inclusion of the “non-performance risk” in the valuation of assets and liabilities and, in particular for financial instruments, determination of an adjustment factor in the measurement of the fair value to include, in addition to counterparty risk (CVA - credit valuation adjustment), own credit risk (DVA - debit valuation adjustment).

Based on the data used for evaluations at fair value, a hierarchy of fair value is identified based on which to classify the assets and liabilities valued at fair value or in which fair value is indicated in the financial statement disclosure:

- a) level 1: includes quoted prices in active markets for assets or liabilities identical to those valued;
- b) level 2: includes observable data, different from those included in level 1, such as for example: i) prices quoted on active markets for similar assets or liabilities; ii) prices quoted on markets that are not active for similar or identical assets or liabilities; iii) other observable data (interest rate curves, implied volatilities, credit spreads);
- c) level 3: uses unobservable data, which can be used if no observable input data are available. The unobservable data used for valuation of fair value reflect the assumptions that market participants would assume in setting the price for the assets and liabilities being valued.

Please refer to the explanatory notes on the individual balance sheet items for the definition of the hierarchy level of fair value on the basis of which to classify the individual instruments assessed at fair value or for which fair value is indicated in the financial statement disclosure.

There are no assets or liabilities classifiable in level 3 of the fair value hierarchy.

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

The fair value of derivative instruments is determined by discounting expected cash flows, using the market interest rate curve at the reference date and the credit default swap curve of the counterparty and the companies of the Group, to include the risk of non-performance explicitly envisaged by IFRS 13.

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.

## **Funds for provisions**

“Funds for provisions” are recognised when: (i) there is a current obligation (legal or implicit) with respect to third parties resulting from a past event, (ii) an outflow of resources is likely to satisfy the obligation and (iii) 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 “Provisions for the restoration and replacement of rolling stock” include the charges to be incurred in connection with the contractual obligations to restore and replace the railway rolling stock to meet the commitments made under the service agreements in place for passenger rail transport. The provisions for these funds are determined on the basis of the wear and age of the rolling stock outstanding at year-end, taking into account, where significant, the financial component linked to the passage of time.

## **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 comprehensive income statement, in the reference year.

## **Revenue and cost recognition**

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 good 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 good or service to the customer, or
- over time, as the entity fulfils the obligation to transfer the promised good 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.

The costs are recognised in the Income Statement on an accrual basis; the costs relating to the obtaining and fulfilment of contracts with customers are recognised in the Income Statement in the periods in which the related revenues are recorded.

### **Government grants**

Government grants are recorded at fair value when: (i) their amount can be reliably determined and there is reasonable certainty that (ii) they will be received and (iii) the conditions for obtaining them will be respected.



The grants for operating expenses are recorded in the income statement in the year they accrue, consistently with the costs to which they are commensurate.

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 statement of financial position, net of advances paid. Any positive imbalance is recorded among current tax assets.

The prepaid and deferred taxes are calculated on the basis of the temporary differences between the book value of the assets and liabilities and their tax value (deriving from the application of the tax legislation in the country of reference of subsidiaries) and are recognised:

- a) first, only if it is probable that there will be sufficient taxable income to enable it to be recovered;
- b) second, if they exist in any case.

### **Reduction and restoration of value of assets (impairment test)**

On the balance sheet date, the book value of tangible, intangible and financial assets and 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 impairment test mentioned above 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 event 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 amount is included within the cash-generating unit (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 sales 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 based on 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, the 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 losses in value 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 that a loss for impairment 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 possible amount of the devaluation to be restored; this restoration cannot exceed, in any case, the amount of the write-down previously carried out. The losses of relative value 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, 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, 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, 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:

- a change (beyond determined thresholds) in the lifetime probability of default 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 that is 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 not to be recovered at the time of default (such as, for example, collateral, guarantees, insurance policies, countervailable 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:

- i. Trade receivables;
- ii. Leasing receivables;
- iii. 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 in circulation during the year.

The diluted earnings per share are calculated by dividing the result for the year by the aforementioned weighted average.

### **Accounting principles, interpretations and improvements applied from 1 January 2018**

From 1 January 2018, the following documents, previously issued by the IASB and endorsed by the European Union, which bring amendments to the international accounting standards, have entered into force.

### **IFRS 9 Financial Instruments**

In July 2014, the IASB published IFRS 9 - Financial Instruments (IFRS 9) which covers the new International accounting rules for the Classification & Measurement of Financial Instruments, Impairment of Assets and Hedge Accounting.

#### **Classification and measurement of financial assets and liabilities**

The new standard provides for the classification of financial assets on the basis of the Business Model with which the company manages financial assets and the contractual characteristics of the cash flows of such instruments (Solely payments of principal and interest on the principal amount outstanding Test):

- I. The Business Model is assessed so as to determine the classification of the instrument on the basis of the objective with which this instrument is held within the company’s portfolio.

Financial assets are measured at amortised cost if they are held with the aim of collecting contractual cash flows (Held to Collect). Financial assets are measured at fair value with changes in value charged to Other Comprehensive Income if these are held with the aim of both collecting contractual cash flows and being sold (Held to Collect and Sell). Finally, they are measured at fair value with changes in value charged to the Income Statement if they are not held with the objectives typical of the other Business Models.

- II. The assessment of the characteristics of the contractual cash flows requires that the financial assets be valued at amortised cost if the characteristics of the contractual cash flows represent only expected future cash flows that provide for the repayment of the principal and the interest accrued on that capital. In the event that this condition is not met, an assessment will be carried out by determining the Fair Value.

#### Impairment of Financial Assets

IFRS 9 introduces a new framework relating to the calculation of the Impairment of financial assets and of some types of off-balance sheet financial instruments (loan commitments and financial guarantees). The new calculation method provides for the estimation of the impairment of certain financial instruments on the basis of Expected Loss, which differs from the method laid down in IAS 39 which provides for the determination of losses on the basis of Incurred Loss.

The adoption of the Expected Credit Loss model for the impairment of financial assets involves the recognition of the impairment of financial assets on the basis of a predictive approach, based on the forecast of counterparty default (Probability of Default) and the ability to recover in the event that the default event occurs (Loss Given Default). IFRS 9 requires the Company to record expected credit losses on all portfolio bonds, loans and trade receivables, with reference to either a 12-month period or the entire contractual term of the instrument (e.g. lifetime expected loss) adopting either the General or the Simplified Model. Given the characteristics and the duration of the exposures, Tper will apply the simplified approach for trade receivables and therefore record the expected losses on the basis of their residual contract duration.

#### Hedge Accounting

IFRS 9 introduces a new hedge management model that identifies a broader spectrum of hedged instruments and hedged risks in order to create an accounting impact of risk management practices. The new rules also eliminate the need to carry out quantitative efficacy tests and the simultaneous elimination of efficacy thresholds.

IFRS 9 grants those applying International Accounting Standards the possibility of continuing to apply the Hedge Accounting rules established by IAS 39. This option is granted until IFRS 9 is updated with the rules relating to Macro Hedging. The decision to apply Hedge Accounting according to IFRS 9 is irrevocable, while the decision to continue applying IAS 39 will be carried out each year until the accounting rules for hedging transactions are finally issued.

### Effects of the first-time application (FTA) of IFRS 9

In the course of 2018, the Tper Group carried out a special project for the implementation of IFRS 9 Financial Instruments, in order to examine and define the qualitative and quantitative impacts, and to identify and implement the practical and organisational arrangements necessary for consistent, coherent and effective adoption.

The Tper Group has chosen to carry out the First-Time Application (FTA) using the modified retrospective approach, which allows the option, foreseen by IFRS 9, of accounting for the cumulative effect of the application of the standard on the date of initial application and not restating the comparative data for the financial statements for the first-time application of IFRS 9. The figures relating to financial year 2018 are therefore not comparable.

### Reconciliation between the Balance Sheet at 31 December 2017 and the Balance Sheet as at 1 January 2018 (which incorporates the new IFRS 9 measurement and impairment rules)

Below are the reconciliation statements between the Balance Sheet as at 31 December 2017 (pursuant to IAS 39) and the Balance Sheet as at 1 January 2018 (IFRS 9). In these statements, the accounting balances as at 31 December 2017 (values determined pursuant to IAS 39) have been modified as a result of the application of the new measurement and impairment methods, in order to determine the IFRS 9-compliant opening balances.

MIGLIAIA DI EURO	31/12/2017	Impatti adozione IFRS 9	01/01/2018
<b>ATTIVITA'</b>			
<b>ATTIVITA' NON CORRENTI</b>			
<b>Attività materiali</b>	<b>213.929</b>	<b>0</b>	<b>213.929</b>
Immobili	3.413		3.413
Materiale rotabile	165.318		165.318
Infrastrutture	38.430		38.430
Altre attività materiali	6.769		6.769
<b>Attività immateriali</b>	<b>24.705</b>	<b>0</b>	<b>24.705</b>
Avviamento e altre attività immateriali a vita utile indefinita	0		0
Diritti concessori	23.614		23.614
Altre attività immateriali	1.090		1.090
<b>Partecipazioni</b>	<b>14.621</b>	<b>0</b>	<b>14.621</b>
Partecipazioni al costo o al fair value	3.343		3.343
Partecipazioni valutate con il metodo del patrimonio netto	11.278		11.278
<b>Attività finanziarie</b>	<b>8.623</b>	<b>(559)</b>	<b>8.064</b>
Attività finanziarie per contributi	1.649		1.649
Altre attività finanziarie	6.974	(559)	6.415
<b>Attività per imposte anticipate</b>	<b>0</b>		<b>0</b>
<b>Altre attività</b>	<b>0</b>		<b>0</b>
<b>TOTALE ATTIVITA' NON CORRENTI</b>	<b>261.879</b>	<b>(559)</b>	<b>261.320</b>
<b>ATTIVITA' CORRENTI</b>			
<b>Attività commerciali</b>	<b>104.042</b>	<b>89</b>	<b>104.131</b>
Rimanenze	21.623		21.623
Crediti commerciali	82.419	89	82.508
<b>Disponibilità liquide e mezzi equivalenti</b>	<b>63.625</b>	<b>0</b>	<b>63.625</b>
<b>Attività finanziarie</b>	<b>19.420</b>	<b>0</b>	<b>19.420</b>
Attività finanziarie per contributi	18.911		18.911
Altre attività finanziarie	509		509
<b>Attività per imposte sul reddito correnti</b>	<b>1.996</b>		<b>1.996</b>
<b>Altre attività</b>	<b>25.545</b>	<b>997</b>	<b>26.542</b>
<b>Attività destinate alla vendita o connesse ad attività operative cessate</b>	<b>0</b>		<b>0</b>
<b>TOTALE ATTIVITA' CORRENTI</b>	<b>214.629</b>	<b>1.086</b>	<b>215.715</b>
<b>TOTALE ATTIVITA'</b>	<b>476.507</b>	<b>527</b>	<b>477.034</b>

MIGLIAIA DI EURO	31/12/2017	Impatti adozione IFRS 9	01/01/2018
<b>PASSIVITA'</b>			
<b>Patrimonio netto di pertinenza del Gruppo</b>	<b>148.100</b>	<b>532</b>	<b>148.632</b>
Capitale emesso	68.493		68.493
Riserve	46.854		46.854
Utili / (perdite) portate a nuovo	24.642	532	25.174
Utile / perdita attuariale	(747)		(747)
Utile / perdita dell'esercizio	8.858		8.858
<b>Patrimonio netto di pertinenza di Terzi</b>	<b>2.808</b>	<b>(5)</b>	<b>2.803</b>
Capitale e riserve di terzi	2.675	(5)	2.670
Utile / (perdita) di terzi	133		133
<b>TOTALE PATRIMONIO NETTO</b>	<b>150.908</b>	<b>527</b>	<b>151.435</b>
<b>PASSIVITA' NON CORRENTI</b>			
<b>Passività commerciali</b>	<b>5.493</b>		<b>5.493</b>
<b>Fondi per accantonamenti</b>	<b>56.861</b>	<b>0</b>	<b>56.861</b>
Fondi per benefici ai dipendenti	27.949		27.949
Fondo per ripristino e sostituzione materiale rotabile	5.394		5.394
Altri fondi	23.518		23.518
<b>Passività finanziarie</b>	<b>116.415</b>	<b>0</b>	<b>116.415</b>
Prestiti obbligazionari	94.212		94.212
Finanziamenti a medio/lungo termine	20.354		20.354
Derivati	335		335
Altre passività finanziarie	1.514		1.514
<b>Passività per imposte differite</b>	<b>3.004</b>		<b>3.004</b>
<b>Altre passività</b>	<b>20.933</b>		<b>20.933</b>
<b>TOTALE PASSIVITA' NON CORRENTI</b>	<b>202.706</b>	<b>0</b>	<b>202.706</b>
<b>PASSIVITA' CORRENTI</b>			
<b>Passività commerciali</b>	<b>71.332</b>		<b>71.332</b>
<b>Fondi per accantonamenti quota corrente</b>	<b>3.074</b>	<b>0</b>	<b>3.074</b>
Fondi per benefici ai dipendenti	2.135		2.135
Fondo per ripristino e sostituzione materiale rotabile	0		0
Altri fondi	939		939
<b>Passività finanziarie</b>	<b>8.082</b>	<b>0</b>	<b>8.082</b>
Finanziamenti a medio/lungo termine	8.082		8.082
Altre passività finanziarie	63		63
<b>Passività per imposte sul reddito correnti</b>	<b>692</b>		<b>692</b>
<b>Altre passività correnti</b>	<b>39.649</b>		<b>39.649</b>
<b>Passività connesse ad attività operative cessate</b>	<b>0</b>		<b>0</b>
<b>TOTALE PASSIVITA' CORRENTI</b>	<b>122.893</b>	<b>0</b>	<b>122.893</b>
<b>TOTALE PASSIVITA'</b>	<b>325.599</b>	<b>0</b>	<b>325.599</b>
<b>TOTALE PASSIVITA' E PATRIMONIO NETTO</b>	<b>476.507</b>	<b>527</b>	<b>477.034</b>

## IFRS 15 Revenue from contracts with customers

IFRS 15 was issued in May 2014 and amended in April 2016 and introduces a five-phase model that applies to revenues from contracts with customers. The objective is to create a complete and uniform framework of reference for revenue recognition, applicable to all commercial contracts (with the exception of lease contracts, insurance contracts and financial instruments). The new standard replaces the following standards:

- IAS 18 - Revenues from sales and services;
- IAS 11 - Multi-year contracts and interpretations;
- IFRIC 13 - Customer loyalty programmes;
- IFRIC 15 - Agreements for the construction of real estate;
- IFRIC 18 - Transfer of assets from customers;
- SIC 31 - Exchange transactions and advertising services.



IFRS 15 provides for the recognition of revenues for an amount that reflects the consideration that the entity deems to be entitled to in exchange for the transfer of goods or services to the customer. The fundamental parts for accounting purposes are:

- identify the commercial contract, defined as a (written or verbal) agreement between two or more parties which results in rights and obligations with the customer having the right to legal protection;
- identify the separately identifiable performance obligations contained in the contract;
- determine the price of the transaction, as the fee the enterprise expects to receive for the transfer of goods or the performance of services to the customer, in accordance with the techniques in the Standard and depending on the possible presence of financial and variable components;
- allocate a price to each performance obligation;
- recognise the revenue when the relative performance obligation is fulfilled by the entity, allowing for the fact that the services may not be provided at a specific time, but over a period of time.

Tper conducted an analysis of all the possible qualitative and quantitative impacts arising from the application of the new provisions, which revealed no significant differences with respect to what has previously been recognised.

#### **Amendments to IAS 40 - Transfers of investment property**

Issued in December 2016, the document clarifies that transfers to or from real estate investments must be justified by a change in use supported by evidence; the simple change of intention is not sufficient to support this transfer. The changes have expanded the examples of change of use to include the activities under construction and development and not just the transfer of completed properties.

The Tper Group has not been affected by the application of the new provisions.

#### **“Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions”**

The document issued in June 2016:

- clarifies that the fair value of a share-based payment transaction settled in cash on the valuation date (i.e. the assignment date, the closing of each accounting period and the settlement date) must be calculated taking into account market conditions (e.g.: a share price target) and conditions other than vesting conditions, ignoring conditions for remaining in service and conditions for achieving results other than market conditions;

- clarifies that share-based payments settled net of tax withholdings should be classified entirely as equity-settled transactions (provided that they would have been classified as such even without the feature of payment net of tax withholdings);
- provides provisions on the accounting treatment of changes to the terms and conditions which result in a change of classification from cash-settled share-based payments to share-based payments settled through the issue of shares.

The Tper Group has not been affected by the application of the new provisions.

### **Improvements to international financial reporting standards (2014-2016 cycle)**

On 8 December 2016, the IASB published the document "Annual Improvements to IFRSs: 2014-2016 Cycle".

The document introduces changes to the following standards:

- IFRS 1 First-time Adoption of International Financial Reporting Standards: the amendment eliminates the limited exemption provided for the transition of new users to the standards IFRS 7, IAS 19 and IAS 10. These transition provisions were available for past reporting periods and therefore no longer apply.
- IAS 28 Investments in Associates and Joint Ventures: the amendment allows capital companies, mutual funds, trust units and similar entities to choose to record their investments in associates or joint ventures, classifying them as fair value through profit or loss (FVTPL). The Board clarified that such valuations should be made separately for each shareholder or joint venture at the time of initial recording.

### **IFRIC 22 - Foreign currency transactions and advance consideration**

The interpretation issued by the IASB in December 2016 provides clarifications for the purpose of determining the exchange rate to be used at the time of initial recognition of an asset, costs or revenues (or part of them). The date of the transaction is when the company records any non-monetary assets (liabilities) due to advances paid (received).

### **IAS 7: CASH FLOW STATEMENT**

Document issued by the IASB on 29 January 2016. The amendments to IAS 7 Cash Flow Statement require entities to provide information on changes in their financial liabilities, in order to allow users to better assess the reasons underlying the changes in the entity's indebtedness including changes related to cash flows as well as non-monetary changes. At the time of the initial application of this modification, the entity does not have to present the comparative information relating to previous periods. The application of the changes will require the provision of additional information.

### **IAS 12: INCOME TAXES**

On 19 January 2016 the IASB published the aforementioned Amendments which have the purpose of providing clarifications on the methods for recognising the default payments relating to debt instruments valued at fair value.

These amendments clarify the requirements for the recognition of deferred tax assets with reference to unrealised losses, in order to eliminate differences in accounting practice.

### **New accounting standards and interpretations, revisions and amendments to existing standards not yet in force and not adopted early**

As required by IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors - below are the new accounting standards and interpretations, as well as changes to the existing standards and interpretations already applicable, not yet effective at the balance sheet date, that could be applied in the future in the Company's financial statements.

### **International accounting standards approved as at 31/12/2018 and applied after 31/12/2018**

---

<b>Titolo</b>	<b>Data di entrata in vigore</b>
IFRS 16 Leasing	01/01/2019 Primo esercizio con inizio in data 01/01/2019 o successiva
Modifiche all'IFRS 9 Strumenti finanziari	01/01/2019 Primo esercizio con inizio in data 01/01/2019 o successiva
IFRIC 23 Incertezza sui trattamenti ai fini dell'imposta sul reddito	01/01/2019 Primo esercizio con inizio in data 01/01/2019 o successiva

---

#### IFRS 16 - Leasing

The new accounting standard IFRS 16, issued by the IASB in January 2016 and approved by the European Commission through Regulation no. 1986/2017, has replaced, as from 1 January 2019, IAS 17 "Leases", IFRIC 4 "Determining Whether an Arrangement Contains a Lease", SIC 15 "Operating Leases - Incentives" and SIC 27 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease", and covers the requirements for accounting for lease agreements.

The new principle requires an entity to identify whether a contract is (or contains) a lease on the basis of the concept of control of the use of a given asset for a period of time; it follows, therefore, that rental, hire, lease or gratuitous lease agreements, previously not treated as leasing, could now also fall within the scope of application of the rules on leasing.

In view of the above, significant changes have been introduced to the accounting of leases in the financial statements of lessees/users, providing for the introduction of a single model of accounting for lease contracts by the lessee, on the basis of the right of use model. More

specifically, the main change consists in eliminating the distinction, provided for in IAS 17, between financial and operating leases: all leases must therefore be accounted for in the same way with the recognition of an asset and a liability. The accounting model provides for the recognition under assets in the balance sheet of the right of use of the asset subject to leasing; payables for lease payments still to be paid to the lessor are shown under liabilities in the balance sheet, in contrast to the provisions of current standards. The recognition of income statement components has also changed: whereas for IAS 17 lease payments are shown under the item relating to Administrative Expenses, in accordance with IFRS 16 charges related to the depreciation of the “right of use”, and interest expense on the payable will instead be recognised.

In terms of disclosure, the minimum information required of lessee companies includes, inter alia:

- a breakdown of the leased asset by class;
- an analysis of the lease liabilities by due date;
- other information that is potentially helpful for a better understanding of the entity’s business with regard to leases (e.g., options to terminate or extend the lease).

Beyond some additional requests for information, there are no substantive changes, on the other hand, in the accounting of leases by lessors, for which the distinction between operating leases and financial leases is maintained.

From 1 January 2019, the effects on the financial statements resulting from the application of IFRS 16 will for the lessee - on a constant profit and cash flows basis - be an increase in the assets recognised in the financial statements (leased assets), an increase in liabilities (the payable in respect of the leased asset), a reduction in administrative expenses (lease payments) and an accompanying increase in financial costs (remuneration of the recognised liability) and depreciation (relating to the right of use asset). With reference to the income statement, when the entire term of the agreements is considered, the impact on profit or loss does not change over the term of a lease, whether applying the previous IAS 17 or applying the new IFRS 16, but its distribution over time is different.

The Tper Group is carrying out an analysis of all the possible qualitative and quantitative impacts resulting from the application of IFRS 16 and does not expect any significant impact on the financial position and on shareholders’ equity.

#### Other regulatory changes

In addition to what has been described above in relation to IFRS 16, which introduces important changes, the regulations approved and mandatorily applicable as from 1 January 2019 also include amendments to IFRS 9 introduced by Regulation 498/2018 and the new Interpretation IFRIC 23, adopted by Regulation 1595/2018.

Regulation 498/2018, approved on 22 March 2018, transposed some amendments to IFRS 9 “Prepayment features with negative compensation” in relation to the classification of financial

instruments that have particular prepayment clauses. In this regard, the version of IFRS 9 currently in force provides that a contractual clause that allows a debt instrument to be paid in advance (exercisable by the debtor or by the creditor) can pass the SPPI test if the amount paid in advance is substantially equal to what is still due in terms of capital and interest. This may also include “reasonable additional compensation” for the early termination of the contract. With this change, the term “additional” is eliminated and - in general terms - it is stipulated that the prepayment clauses may provide that a reasonable compensation for early termination can be both paid and received by both parties to the contract.

This does not affect the Tper Group since there are currently no cases of financial assets classified at fair value through profit and loss that, in application of this amendment, would have instead passed the SPPI test, with subsequent measurement at amortised cost or FVOCI.

The Interpretation ‘IFRIC 23 Uncertainty over income tax treatments’, which clarifies application of recognition and measurement requirements in ‘IAS 12 Income taxes’ when there is uncertainty over income tax treatments, was adopted with the approval of Regulation 1595/2018 on 23 October 2018.

The Tper Group adopted this interpretation in advance, with effect from the financial statements for the financial year ended 31 December 2017.

### International accounting standards not yet approved as at 31/12/2018

Principio/Interpretazione	Titolo	Data di pubblicazione
IFRS 17	Insurance Contracts	18/05/2017
IAS 28	Long Term interest in associates and joint ventures	12/10/2017
IFRS 3	Business Combination	12/12/2017
IFRS 11	Joint arrangement	12/12/2017
IAS 12	Income taxes	12/12/2017
IAS 23	Borrowing costs	12/12/2017
IAS 19	Plan amendment curtailment or settlement	07/02/2018
(*)	Amendments to References to the Conceptual framework in IFRS Standards	29/03/2018
IFRS 3	IFRIC 23 Incertezza sui trattamenti ai fini dell'imposta sul reddito	22/10/2018
IAS 1	Definition of material	31/10/2018
IAS 8	Definition of material	31/10/2018

(\*) Il documento aggiorna i riferimenti al Conceptual Framework presenti in IFRS2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, SIC 32

### Annual Improvements to IFRSs: 2015 - 2017

On 12 December 2017, the IASB published the document "Annual Improvements to IFRSs: 2015-2017 Cycle".

The document introduces changes to the following standards:

- IFRS 3 - Business Combinations: The IASB added paragraph 42A to IFRS 3 to clarify that when an entity obtains control of an asset that is a joint operation, it must recalculate the value of that asset, since such transaction would be considered as a business combination carried out in stages and therefore to be accounted for on this basis;
- IFRS 11 - Joint Arrangements: In addition, paragraph B33CA has been added to IFRS 11 to clarify that if a party that participates in a joint operation, but does not have joint control, and subsequently obtains joint control over the joint operation (which constitutes an asset as defined in IFRS 3), it is not required to restate the value of this asset;
- IAS 12 - Income Taxes: This amendment clarifies that the tax effects of income taxes arising from the distribution of profits (i.e. dividends), including payments on financial instruments classified as equity, must be recognised when a liability is recognised for payment of a dividend. The consequences of income taxes must be recognised in the income statement, in the comprehensive income statement or in the shareholders' equity in consideration of the nature of the transactions or the past events that generated the distributable profits or how they were initially recognised;
- IAS 23 - Borrowing Costs: The amendment clarifies that in calculating the capitalisation rate for loans, an entity should exclude the financial charges applicable to loans made specifically to obtain an asset, only up to when the activity is not ready and available for the intended use or sale. The financial charges related to specific loans that remain after the asset is ready for intended use or for sale must subsequently be considered as part of the entity's overheads of borrowing.

These changes must be applied retrospectively for annual periods beginning on or after 1 January 2019. Earlier application is permitted.

For all the new issue principles, as well as for revisions and amendments to the existing standards, the TPER Group is evaluating any impacts currently not reasonably estimated, deriving from their future application.

## INFORMATION ON THE STATEMENT OF FINANCIAL POSITION

The items in the statement of financial position at 31 December 2018 are commented on below. The values in brackets in the headings of the notes refer to the balances at 31 December 2017.

### 1. Tangible assets

Thousands of euros 213,383 (214,004)

The tangible assets at 31 December 2018 show a net value of 213,383 thousand euros compared to the net value at 31 December 2017, equal to 214,004 thousand euros. The table below shows the initial and final amounts of the items of tangible assets, with evidence of the original cost and cumulative depreciation at the end of the year.

#### Tangible assets - TPER GROUP

<i>In thousands of euros</i>	31/12/2018			31/12/2017		
	cost	cumulative depreciation	net value	cost	cumulative depreciation	net value
Real estate	4,955	(1,224)	3,731	4,562	(1,149)	3,413
Rolling stock buses/trolley buses	293,418	(229,857)	63,561	289,890	(230,721)	59,170
Rolling stock buses/trolley buses IN PROGRESS	2,094		2,094	6,164		6,164
Rolling stock railway	112,546	(11,118)	101,428	107,143	(7,516)	99,627
Rolling stock	3,005	(2,657)	348	3,036	(2,606)	430
Infrastructure	58,881	(20,602)	38,279	58,601	(20,170)	38,430
Other tangible assets	15,426	(11,485)	3,941	18,571	(11,803)	6,769
<b>Total tangible assets</b>	<b>490,324</b>	<b>(276,942)</b>	<b>213,384</b>	<b>487,968</b>	<b>(273,964)</b>	<b>214,005</b>

\* Net of the bus depreciation provision

The decrease in the net value of tangible assets compared to the balance at 31 December 2017, equal to 621 thousand euros, is analysed in the following movements.

#### Change in tangible assets - TPER GROUP

<i>In thousands of euros</i>	31/12/2017							31/12/2018
	net value	investments	Depreciation	write-downs	disposals	grants on investments	other reclassifications or adjustments	

Real estate	3,413	393	(75)	0	0		0
Rolling stock buses/trolley buses	65,334	19,579	(8,855)	(1,844)	(1,506)	(7,054)	0
Rolling stock railway	99,627	6,577	(3,855)	0	(921)	0	0
Rolling stock	430	99	(180)	0	0	0	0
Infrastructure	38,430	4,439	(1,194)	0	0	(3,325)	(73)
Other tangible assets	6,769	434	(710)	0	(186)	0	(2,366)
<b>Total change tangible assets</b>	<b>214,004</b>	<b>31,521</b>	<b>(14,869)</b>	<b>(1,844)</b>	<b>(2,613)</b>	<b>(10,378)</b>	<b>(2,439)</b>

**Change in tangible assets -  
TPER GROUP**

<i>In thousands of euros</i>	<b>31/12/2016</b>							<b>31/12/2017</b>
	<b>net value</b>	<b>investments</b>	<b>depreciation</b>	<b>write-downs</b>	<b>disposals</b>	<b>other reclassifications or adjustments</b>	<b>net value</b>	
<b>Real estate</b>	4,339	0	(76)	(850)	0	0	0	3,413
Rolling stock buses/trolley buses	54,123	23,146	(6,655)	0	(242)	(5,038)	0	65,334
Rolling stock railway	81,361	24,868	(3,287)	0	0	(3,315)	0	99,627
Rolling stock	268	302	(140)	0	0	0	0	430
Infrastructure	38,771	514	(855)	0	0	0	0	38,430
Other tangible assets	4,546	3,104	(934)	0	53	0	0	6,769
								0
<b>Total change tangible assets</b>	<b>183,408</b>	<b>51,935</b>	<b>(11,947)</b>	<b>(850)</b>	<b>(189)</b>	<b>(8,353)</b>	<b>0</b>	<b>214,004</b>

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 65.7 million euros, 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. The increases for the year refer to 124 buses, 80 of which new and 44 used, that entered service in 2018.



As regards “Rolling stock railway”, the amount is mainly related to the acquisition of six power units for the movement of goods (N. 2 G2000, N. 2 CZ loko, N. 1 Traxx DC3, N. 1 Eurolight).

The item “Infrastructure” refers mainly to works in progress to build the mass public transport system between Bologna and San Lazzaro, as well as works on third-party assets, electronic machines, ticketing machines, validators, parking meters, variable-message electronic information panels and user information systems.

Finally, it should be noted that at 31 December 2018, the tangible assets are not encumbered by mortgages, liens or other real guarantees that limit their availability.

## 2. Intangible assets

Thousands of euros 24,119 (24,705)

### Intangible assets - TPER GROUP

<i>In thousands of euros</i>	31/12/2018			31/12/2017				
	cost	cumulative amortisation	net value	cost	cumulative amortisation	net value		
Concession rights	23,614	-	517	23,097	24,128	-	514	23,614
Other intangible assets	1,090	-	68	1,022	5,855	-	4,765	1,090
<b>Total</b>	<b>24,704</b>	<b>-</b>	<b>585</b>	<b>24,119</b>	<b>29,983</b>	<b>-</b>	<b>5,279</b>	<b>24,704</b>

The table below shows the amounts at the beginning and at the end of the year as well as the relative changes occurred in 2018.

### Change in intangible assets - TPER GROUP

<i>In thousands of euros</i>	31/12/2017						31/12/2018
	net value	investments	amortisation	write-downs	disposals	other reclassifications or adjustments	net value

Concession rights	23,614	-	(517)	-	-	-	23,097
Other intangible assets	1,090	415	(483)	-	-	-	1,022
<b>Total</b>	<b>24,704</b>	<b>415</b>	<b>(1,000)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>24,119</b>

<i>In thousands of euros</i>	31/12/2017			31/12/2016		
	cost	cumulative amortisation	net value	cost	cumulative amortisation	net value
Concession rights	24,128	- 514	23,614	-	-	-
Other intangible assets	5,855	- 4,764	1,091	32,738	- 7,860	24,878
<b>Total</b>	<b>29,983</b>	<b>- 5,278</b>	<b>24,705</b>	<b>32,738</b>	<b>- 7,860</b>	<b>24,878</b>

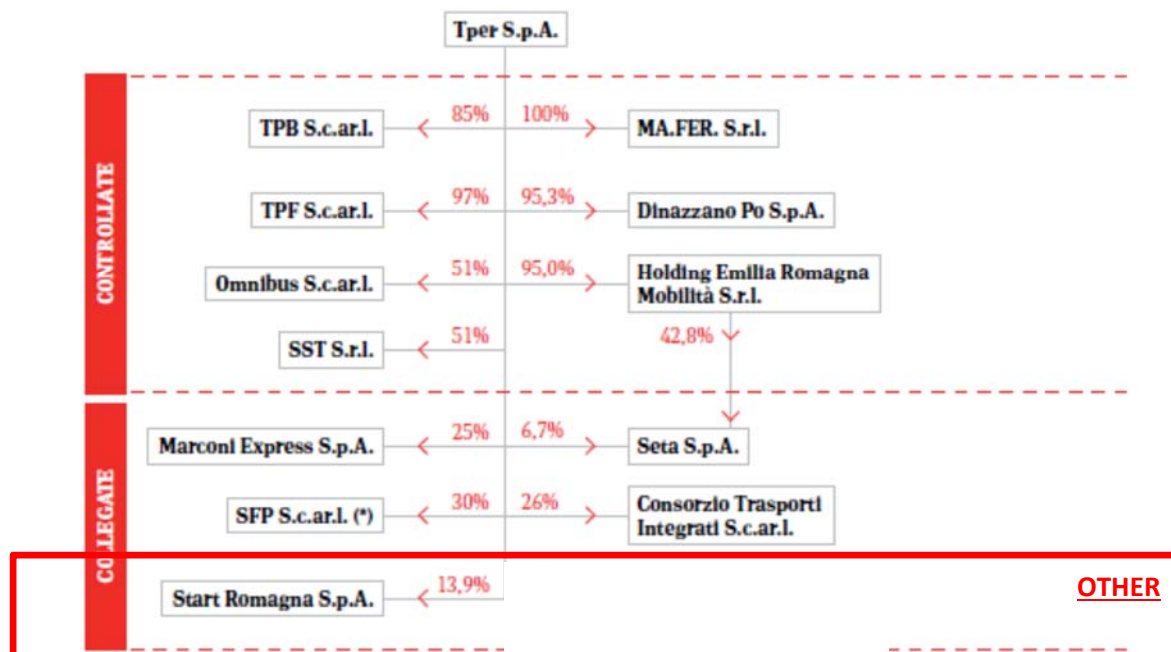
“Concession rights” refer to the concession contract for the Dinazzano Po freight depot area formalised on 4 August 2017 by means of a deed with registry no. 15625 with the Reggio Emilia Province. The contract provides for Article 3 that .. *“the Concession has a duration of 50 (fifty) years, starting from the date of completion of the works relating to the area and specifically from 14 July 2014, ..”*, therefore, the expiry of the Concession appears to be 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.

As regards “Other intangible assets”, an “energy requalification” was carried out on the services building in the Dinazzano logistics plant.

### 3. Shareholdings

Thousands of euros 15,340 (14,621)

Tper holds direct holdings in 13 companies, as shown below.



The table below shows the main equity investments held by the Tper Group at 31 December 2018, 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.

<b>Shareholdings</b>								
<i>In thousands of euros</i>								
		<b>31/12/2018</b>			<b>31/12/2017</b>			
	<b>% ownership</b>	<b>Cost</b>	<b>Revaluations (write-downs)</b>	<b>Final value</b>	<b>% ownership</b>	<b>Cost</b>	<b>Revaluations (write-downs)</b>	<b>Final value</b>
<u>Equity investments measured at cost or at fair value</u>		<b>4,042</b>	<b>(700)</b>	<b>3,342</b>		<b>4,042</b>	<b>(700)</b>	<b>3,343</b>
Start Romagna S.p.A.	14%	4,037	(700)	3,337	14%	4,037	(700)	3,338
Consorzio Esperienza Energia S.c.a.r.l. in liquidation	1%	0	-	0	1%	0	-	0
Consorzio Acquisti dei Trasporti S.c.a.r.l.		5	-	5		5	-	5
<u>Equity investments valued using the equity method</u>		<b>13,695</b>	<b>(1,697)</b>	<b>11,998</b>		<b>13,695</b>	<b>(2,417)</b>	<b>11,278</b>
Marconi Express S.p.A.	25%	2,000	(592)	1,408	25%	2,000	(366)	1,634
Consorzio Trasporti Integrati S.c.a.r.l.	26%	3	1	4	26%	3	1	4
SOCIETA' FERROVIARIA PROVVISORIA S.c.a.r.l.	30%	300	-	300	30%	300	-	300
SETA S.p.A.	47%	11,393	(1,106)	10,287	47%	11,393	(2,052)	9,340
<b>Total Equity investments</b>		<b>17,737</b>	<b>(2,397)</b>	<b>15,340</b>		<b>17,737</b>	<b>(3,117)</b>	<b>14,621</b>
719								

No indications of possible impairment were found with reference to the shareholdings.

#### **4. Financial assets**

Non-current portion Thousands of euros 8,675 (8,623)

Current portion Thousands of euros 5,902 (19,420)

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.

## Financial assets - TPER

<i>In thousands of euros</i>	31/12/2018			31/12/2017		
	financial statement value	current portion	non-current portion	financial statement value	current portion	non-current portion
<b>Financial assets for contributions</b>	<b>6,920</b>	<b>5,250</b>	<b>1,670</b>	<b>20,560</b>	<b>18,911</b>	<b>1,649</b>
Emilia Romagna Region	5,130	5,023	107	15,237	15,150	86
Municipality of Bologna	-	-	-	1,003	1,003	-
Ministry of Transport	-	-	-	3,138	2,569	568
Municipality of San Lazzaro	227	227	-	188	188	-
Others	1,563	-	1,563	994	-	994
<b>Other financial assets</b>	<b>7,657</b>	<b>652</b>	<b>7,005</b>	<b>7,482</b>	<b>509</b>	<b>6,974</b>
Loan to investee Marconi Express S.p.A.	7,005	-	7,005	5,746	-	5,746
Other	652	652	-	1,736	509	1,227
<b>Total</b>	<b>14,577</b>	<b>5,902</b>	<b>8,675</b>	<b>28,042</b>	<b>19,420</b>	<b>8,623</b>

The receivables from the Emilia-Romagna Region, equal to 5,023 thousand euros, refer to EUR 1,389 thousand for contributions to be collected on the Stimer regional electronic ticketing system, to 3,166 thousand euros for bus purchase, to 205 thousand euros for trolleyway extension 14 and to 263 thousand euros 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 227 thousand euros, refers to the contributions for the construction of the TPGV Crealis transport system.

The loan to the investee company Marconi Express SpA, recorded net of the relative amortisation provision, 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.

Note that the "Provision for the write-down of financial assets" was recognised for 820 thousand euros following the first-time application of the impairment criteria provided for by IFRS 9. This provision was then adjusted in 2018 to 175 thousand euros.

### 5. Pre-paid Tax Assets and Deferred Tax Liabilities

Pre-paid Tax Assets 2,346 thousand euros (Deferred Tax Liabilities 3,004)

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

**Pre-paid Tax Assets and Deferred Tax Liabilities - Tper GROUP**

<i>In thousands of euros</i>	<b>31/12/2018</b>	<b>31/12/2017</b>
Deferred tax liabilities IRES	(566)	(6097)
Deferred tax liabilities IRAP	(113)	(992)
<b>Deferred tax liabilities</b>	<b>(679)</b>	<b>(7089)</b>
Deferred tax assets IRES	2752	3514
Deferred tax assets IRAP	273	571
<b>Deferred tax assets</b>	<b>3025</b>	<b>4085</b>
<b>Assets (Liabilities) for net deferred taxes</b>	<b>2,346</b>	<b>(3,004)</b>

The movements in prepaid and deferred taxes based on the nature of the temporary differences that gave rise to them are summarised in the following table.

<b>In thousands of euros</b>	<b>31/12/2016</b>	<b>Provisions</b>	<b>(Releases)/(Uses)</b>	<b>Allocations to (releases from) OCI</b>	<b>Change in A.P. estimate</b>	<b>Other reclassifications or adjustments</b>	<b>31/12/2017</b>
	<b>Opening balance</b>						<b>Closing balance</b>
Differences between tax value and book value of FTA adjustments	(7,073)	(51)	35	0	0	0	(7,089)
Other temporary differences	0						0
<b>Off-settable deferred tax liabilities</b>	<b>(7,073)</b>	<b>(51)</b>	<b>35</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(7,089)</b>
Allocations to non-deducted provisions	3,083	0	0	0	0	0	3,083
Other temporary differences	973	150	(69)	(48)	0	(4)	1,002
<b>Off-settable deferred tax assets</b>	<b>4,056</b>	<b>150</b>	<b>(69)</b>	<b>(48)</b>	<b>0</b>	<b>(4)</b>	<b>4,085</b>
<b>Assets / (liabilities) for net deferred taxes</b>	<b>(3,017)</b>	<b>99</b>	<b>(34)</b>	<b>(48)</b>	<b>0</b>	<b>(4)</b>	<b>(3,004)</b>

<b>In thousands of euros</b>	<b>31/12/2017</b>	<b>Provisions</b>	<b>(Releases)/(Uses)</b>	<b>Allocations to (releases from) OCI</b>	<b>Change in A.P. estimate</b>	<b>Other reclassifications or adjustments</b>	<b>31/12/2018</b>
	<b>Opening balance</b>						<b>Closing balance</b>
Differences between tax value and book value of FTA adjustments	(7,089)		6,424				(665)
Other temporary differences	0						0
<b>Off-settable deferred tax liabilities</b>	<b>(7,089)</b>	<b>0</b>	<b>6,424</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(665)</b>
Allocations to non-deducted provisions	3,083		(742)	(159)			2,182
Other temporary differences	1,002		(172)				830

Offsettable deferred tax assets	4,085	0	(914)	(159)	0	0	3,012
Assets / (liabilities) for net deferred taxes	(3,004)	0	5,510	(159)	0	0	2,346

## 6. Other assets

Current portion Thousands of euros 6,461 (25,580)

The decrease in receivables for the current portion is mostly attributable to:

- Use of receivable from the tax authorities for VAT;

The receivables recorded are attributable for the following amounts to:

- 2,865 thousand euros for receivable from Ferrovie Emilia Romagna, for public contributions;
- 2,541 thousand euros for prepaid expenses on expenses due after 2018

The item "Other assets" includes the receivable from Atc S.p.A., equal to 3.6 million euros, 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.

## 7. Trade assets

Thousands of euros 86,101 (103,968)

The item, source of the reclassification for the 2017 balance from which the advances for the purchase of new buses and trains were excluded, is mainly made up of trade receivables, and decreased by 17,867 thousand euros compared to the balance as at 31 December 2017.

Note that the value of trade assets approximates its fair value.

At 31 December 2018, the trade assets included:

- a) inventories, amounting to 22,724 thousand euros (21,623 thousand euros as at 31 December 2017), consisting of inventories and spare parts for the maintenance of rolling stock:

**Inventory TPER GROUP**

<i>In thousands of euros</i>	<b>31/12/2018</b>	<b>31/12/2017</b>
Raw materials (railway parts)	<b>18,731</b>	<b>18,264</b>
Raw materials (automotive parts)	<b>14,456</b>	<b>13,822</b>
Provision for obsolete goods	- 10,463	- 10,463
<b>Total</b>	<b>22,724</b>	<b>21,623</b>

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

- b) b) trade receivables, equal to 63,377 thousand euros (82,345 thousand euros at 31 December 2017), the breakdown in which is detailed in the table below.

**Trade receivables - TPER GROUP**

<i>In thousands of euros</i>	<b>31/12/2018</b>	<b>31/12/2017</b>
Trade receivables from:		
Associated companies	17,723	13,850
Owner entities	980	2,165
Customers/Others for different services	44,674	66,330
<b>Trade receivables (net)</b>	<b>63,377</b>	<b>82,345</b>

Trade receivables due from associated companies, amounting to 17,723 thousand euros, mainly refer to the receivable from Consorzio Trasporti Integrati Scarl for railway services.

The item "Customers/Other receivables for other services", amounting to 44,674 thousand euros, is attributable to receivables for the sale of travel and parking tickets (5,160), receivables from Italian customers (16,030), 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 receivables have been recognised net of the bad debt provision which as at 31 December 2018 totalled 4,072 thousand euros for the Group. The following table shows the changes in the provision for bad debts related to trade receivables.



<i>In thousands of euros</i>	31/12/2017	Restated 01/01/2018 IFRS 9	uses	provisions	31/12/2018
Provision for doubtful debts on trade receivables	6,539	- 994	- 1,909	435	4,072
<b>Total</b>	6,539	- 994	- 1,909	435	4,072

<i>In thousands of euros</i>	31/12/2016	uses	provisions	31/12/2017
Provision for doubtful debts on trade receivables	3,128	(405)	3,816	6,539
<b>Total</b>	3,128	(405)	3,816	6,539

## 8. Cash and cash equivalents

Thousands of euros 68,807 (63,625)

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 2018 financial year, please refer to the cash flow statement.

## 9. Assets and liabilities for current taxes

Current tax assets Thousands of euros 2,566 (1,996)

Liabilities for current taxes Thousands of euros 2,427 (692)

The table below shows the amount of assets and liabilities for current taxes at the beginning and end of the year.

### Pre-paid Tax Assets and Deferred Tax Liabilities - Tper GROUP

<i>In thousands of euros</i>	31/12/2018	31/12/2017
Deferred tax liabilities IRES	566	6097
Deferred tax liabilities IRAP	113	992
<b>Deferred tax liabilities</b>	<b>679</b>	<b>7089</b>
Deferred tax assets IRES	2752	3513
Deferred tax assets IRAP	273	571
<b>Deferred tax assets</b>	<b>3025</b>	<b>4084</b>
<b>Net deferred tax liabilities</b>	<b>- 2,346</b>	<b>3,005</b>

## 10. Shareholders' equity

Thousands of euros 160,340 (150,908)

At 31 December 2018:

- a) the shares in circulation are equal to 68,492,702 (68,492,702 at 31 December 2017);
- b) the treasury shares amount to 11,480 (11,480 at 31 December 2017).

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 157,298 thousand euros, increased by 9,198 thousand euros compared to 31 December 2017. The main changes during the year, represented in detail in the statement of changes in the Group's shareholders' equity, refer to:

- a) the profit for the year pertaining to the Group, equal to 13,083 thousand euros;
- b) the positive result of the other components of the comprehensive income statement, equal to 505 thousand euros, entirely determined by the positive change in the actuarial gains and losses reserve;
- c) the distribution of dividends for 2017 equal to 4,800 thousand euros;

The shareholders' equity attributable to non-controlling interests amounted to 3,042 thousand euros and shows an increase of 234 thousand euros compared to 31 December 2017 (2,808 thousand euros), essentially due to the combined effect of the following main changes:

- a) the profit for the year attributable to minority interests, amounting to 292 thousand euros;
- b) the distribution of dividends for 2017 equal to 52 thousand euros.

The profit attributable to minority interests is mainly attributable to the minority shareholders SST Srl (206 thousand euros), TPB Scarl (31 thousand euros), Dinazzano Po SpA (19 thousand euros).

## 11. Funds for provisions

Non-current portion Thousands of euros 48,408 (56,861)

Current portion Thousands of euros 5,498 (3,074)

Funds for provisions

<i>In thousands of euros</i>	31/12/2018			31/12/2017		
	financial statement values	current portion	non-current portion	financial statement values	current portion	non-current portion
<b>Funds for employee benefits</b>	26,926	1,606	25,320	30,084	2,135	27,949

<b>Provision for restoration and replacement of rolling stock</b>	8,123		8,123	5,394		5,394
<b>Other provisions</b>	18,857	3,892	14,965	24,457	939	23,518
<b>Total</b>	<b>53,906</b>	<b>5,498</b>	<b>48,408</b>	<b>59,935</b>	<b>3,074</b>	<b>56,861</b>

The table below shows the amounts at the beginning and end of the year for provisions and the related changes for 2018 compared with the changes for 2017.

#### Changes in Provisions

<i>In thousands of euros</i>	31/12/2017	Changes in the financial year					31/12/2018	31/12/2018
	Opening balance	Provisions	Financial charges	Decreases for uses	Decreases for releases	Allocations to (releases from) OCI	other reclassifications or adjustments	
Funds for employee benefits	30,084	748	-	(3,245)	-	661	-	26,926
Provision for restoration and replacement of rolling stock	5,394	2,729						8,123
Insurance deductibles provision	5,368			(1,561)	(616)			3,191
Provision for work disputes in progress	6,762	1,145	24	(237)	(1,090)	-	8	6,612
Provision for Revenue Agency disputes Tax wedge	9,593			(3,281)				6,312
Expropriation litigation provision	2,370							2,370
Other provisions	364	8.00						372
<b>Total Changes in Provisions</b>	<b>59,935</b>	<b>4,630</b>	<b>24</b>	<b>(8,325)</b>	<b>(1,706)</b>	<b>661</b>	<b>8</b>	<b>53,906</b>

<i>In thousands of euros</i>	31/12/2016	Changes in the financial year					31/12/2017	
	Opening balance	Provisions	Financial charges	Decreases for uses	Decreases for releases	Allocations to (releases from) OCI	other reclassifications or adjustments	Closing balance
Funds for employee benefits	32,810	546		(3,070)		(201)		30,084
Provision for restoration and replacement of rolling stock	5,394							5,394

Insurance deductibles provision	5,847		35	(495)		(18)	5,368
Provision for work disputes in progress	6,413	3,758	13	(113)	(3,256)	(53)	6,762
Provision for Revenue Agency disputes Tax wedge	9,593						9,593
Expropriation litigation provision	2,370						2,370
Other provisions	182	182		-	-		364
<b>Total Changes in Provisions</b>	<b>62,608</b>	<b>4,486</b>	<b>48</b>	<b>(3,678)</b>	<b>(3,256)</b>	<b>(201)</b>	<b>59,935</b>

### Funds for employee benefits

At 31 December 2018, the employee benefits provision, amounting to 26,926 thousand euros, refers entirely to employee severance indemnity (TFR) for employees subject to Italian legislation, to be liquidated upon termination of employment.

The main assumptions made for the actuarial estimate process of the employee severance indemnity provision at 31 December 2017 are summarised below.

	31/12/2018	31/12/2017
Tasso annuo di attualizzazione	1,13%	0,88%
Tasso annuo di inflazione	1,50%	1,50%
<b>Tasso annuo incremento TFR</b>	<b>2,625%</b>	<b>2,625%</b>
Frequenza anticipazioni	2%	2%
<b>Tasso annuo di turnover</b>	<b>1,50%</b>	<b>1,50%</b>

In particular, it should be noted that:

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

Below, the list of the statistical sources used is reported.

Mortalità	Tabelle di mortalità RG48 pubblicate dalla Ragioneria Generale dello Stato	0,88%
Inabilità	Tavole INPS distinte per età e sesso	
Età pensionamento	100% al raggiungimento dei requisiti AGO	

Also shown below are:

- the sensitivity analysis of the main valuation principles;
- indication of the contribution for the following year;
- indication of the average duration of financial obligation for defined benefit plans;
- disbursements provided for by the plan

	In thousands of euros
	DBO as at 31/12/2018
Turnover rate +1%	25,553
Turnover rate -1%	25,826
Inflation rate +0.25%	26,016
Inflation rate -0.25%	25,355
Discounting rate +0.25%	25,157
Discounting rate -0.25%	26,226

Service Cost	-
Duration of the plan	9.0

	In thousands of euros
<i>years</i>	planned disbursements
1	1,667
2	1,667
3	1,623
4	2,032
5	1,743

The “Provision for restoration and replacement of rolling stock”, amounting to 8,123 thousand euros, refers to amounts set aside to meet the commitments made under the existing service agreements for passenger rail transport managed currently through the Consorzio Trasporti Integrati Soc. Consortile a r.l. for the restoration and replacement of railway rolling stock. These

agreements will be transferred to the established company SFP which will manage the new rail service agreement in 2019.

The "Insurance deductibles provision", equal to 3,191 thousand euros, represents the probable liability for the excesses paid by Tper still to be paid on motor vehicle accidents occurring before 31 December 2018.

The "Provision for work disputes in progress", amounting to 6,612 thousand euros, has been created to cover the foreseeable liabilities, expressed at current values, relating to disputes with employees. The fund also includes an estimate of legal fees and other potential ancillary costs.

The "Provision for tax disputes", amounting to 6,312 thousand euros, 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 Fund", amounting to 2,370 thousand euros, 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.

## 12. Financial Liabilities

Non-current portion Thousands of euros 110,122 (116,415)

Current portion Thousands of euros 5,427 (8,145)

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

Financial Liabilities <i>In thousands of euros</i>	31/12/2018				31/12/2017			
	nominal value	financial statement value	current portion	non-current portion	nominal value	financial statement value	current portion	non-current portion
Bond issues	95,000	94,428	-	94,428	95,000	94,212	0	94,212
Medium/long-term loans	19,671	19,671	5,319	14,352	28,436	28,436	8,082	20,354
Derivatives	-	202	-	202	-	335	-	335
Current account overdrafts	-	-	-	-	0	-	-	-
Short-term borrowings	-	-	-	-	0	-	0	-
Other financial liabilities	364	1,248	108	1,140	2,887	1,577	63	1,513
<b>Total Financial liabilities</b>	<b>115,035</b>	<b>115,549</b>	<b>5,427</b>	<b>110,122</b>	<b>126,323</b>	<b>124,561</b>	<b>8,145</b>	<b>116,415</b>

On 15 September 2017, Tper completed the issue of an unsecured debenture bond loan for an amount of EUR 95 million, listed on the Dublin Stock Exchange (Irish Stock Exchange), the world's leading market place for regulated government and corporate bonds.

Non-convertible Tper bonds, with a maturity of 7 years and amortisation repayments starting from the fifth year, its information note stated they present a fixed annual coupon of 1.85% and were entirely placed with institutional investors.

The item "Long-term loans" refers for 26.7 million euros to a bridging loan for the purchase of a batch of 7 electric trains, signed in 2016 and with expiry expected in 2022;

Note that some agreements relating to long-term borrowings, as well as the bond issue, provide for 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 most significant financial covenants relate to:

- Bond issue: provides for compliance with a minimum threshold for the ratio between net financial debt and equity and between net financial debt and EBITDA;
- Unsecured loan: provides for compliance with a minimum threshold for the ratio between net financial debt and equity.

### **13. Other liabilities**

Non-current portion Thousands of euros 20,887 (20,933)

Current portion Thousands of euros 31,048 (39,649)

The most significant part of the non-current portion consists of amounts due to SRM Società Reti e Mobilità S.p.A., equal to 19,629 thousand euros, corresponding to the balance due on the reference date in relation to the rental agreement of the business unit signed on 4 March 2011 between the mobility agency SRM Società Reti e Mobilità SpA and Trasporto Pubblico Bolognese S.c.a.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.

Among the most significant items of the "Other liabilities" we note: 12 million euros for revenues on prepaid tickets for the coming financial years, 0.5 million euros for accrued revenues for the coming financial years, 0.8 million euros for contributions to the PIMBO project (Bologna's integrated mobility project), buses and other assets not yet in operation and 12.3 million euros for payables to employees.

#### **14. Trade liabilities**

Non-current portion Thousands of euros 0 (5,493)

Current portion Thousands of euros 49,542 (71,332)

Most of these consisted of payables to suppliers and recorded a decrease due a reduction in trade payables of 23.8 million euros.



## 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".

### 15. Revenues for TPL line services

Thousands of euros 198,366 (195,034)

The revenues from services from the TPL line amounted to EUR 198,366 thousand and show an increase of 3,332 thousand euros (+1.71%) compared to 2017 (195,034 thousand euros).

	2018	2017	VARIATIONS
TRAVEL TICKETS	77,164	74,387	2,777
REMUNERATIVE INTEGRATIONS	104,220	103,580	640
CLA CONTRIBUTIONS	12,187	11,997	190
PASSENGER FINES	3,870	4,188	-318
OTHER REVENUES	925	882	43
<b>TOTAL REVENUES FOR TPL LINE SERVICES</b>	<b>198,366</b>	<b>195,034</b>	<b>3,332</b>

### 16. Revenues from railway line services

Thousands of euros 89,143 (83,418)

Revenues from railway services amounted to 89,143 thousand euros and increased by 5,725 thousand euros (+6.86%) compared to 2017 (83,418 thousand euros).

	2018	2017	VARIATIONS
TRAVEL TICKETS	13,906	13,857	49
REMUNERATIVE INTEGRATIONS	47,858	53,615	-5,757
CLA CONTRIBUTIONS	2,763	2,763	0
PASSENGER FINES	353	214	139
OTHER REVENUES	24,263	12,969	11,294
<b>TOTAL REVENUES FOR RAILWAY LINE SERVICES</b>	<b>89,143</b>	<b>83,418</b>	<b>5,725</b>

### 17. Revenues from parking and car-sharing

Thousands of euros 16,078 (16,146)

Revenues for parking and car sharing amounted to 16,078 thousand euros and decreased by EUR 68 thousand (-0.42%) compared to 2017 (16,146 thousand euros).

	2018	2017	VARIATIONS
STOPPING AND PARKING	13,882	13,921	-39
ACCESS TO THE HISTORIC CENTRE	1,764	1,833	-69
CAR SHARING	432	392	40
<b>TOTAL REVENUES FROM PARKING AND CAR SHARING</b>	<b>16,078</b>	<b>16,146</b>	<b>-68</b>

### 18. Other income

Thousands of euros 13,789 (14,115)

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

	2018	2017	VARIATIONS
VEHICLE MAINTENANCE AND OTHER SERVICES RENDERED TO THIRD PARTIES	2,084	2,303	-219
RAILWAY MAINTENANCE	3,651	3,312	339
INSURANCE AND OTHER REIMBURSEMENTS	1,585	2,081	-496
FINES	389	750	-361
OTHER	6,080	5,669	411
<b>TOTAL OTHER INCOME</b>	<b>13,789</b>	<b>14,115</b>	<b>-326</b>

### 19. Personnel costs

Thousands of euros 128,155 (126,939)

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

#### Personnel costs

<i>In thousands of euros</i>	2018	2017	VARIATIONS
Salaries and wages	98,261	95,442	2,819
Social security contributions	23,642	25,035	-1,393
Pension provisions	5,419	5,525	-106
Other personnel costs	833	938	-105
<b>Total</b>	<b>128,155</b>	<b>126,939</b>	<b>1,216</b>

Personnel costs amounted to 128,155 thousand euros (126,939 thousand euros in 2017) and were substantially in line with what was incurred in the previous year bearing in mind the overall increase of staff (+40 units) with respect to 2017.

The following table shows the consistency of the average workforce divided by level of classification:

Consolidated Personnel Unit

<b>Level</b>	<b>2018</b>	<b>2017</b>	<b>Change</b>
Executives	13	13	0
Middle managers	58	54	4
White-collar staff	324	318	6
Blue-collar staff	2,185	2,255	-70
Apprentices	143	44	99
Associates	6	5	1
<b>Total</b>	<b>2,729</b>	<b>2,689</b>	<b>40</b>

**20. Costs for services**

Thousands of euros 98,650 (96,944)

The budget balance is detailed in the following table.

**Costs for services**

<b>In thousands of euros</b>	<b>2017</b>	<b>2016</b>	<b>VARIATIONS</b>
Transport services	39,108	31,037	8,071
Rail tolls	10,353	10,241	113
Maintenance	18,271	23,998	-5,727
Cleaning	5,060	4,702	358
Insurance	4,464	4,510	-46
Electric power	4,461	4,093	369
Canteen service	1,936	1,925	11
Other utilities	1,654	1,671	-17
Consultancy	1,302	1,441	-139
other	12,041	13,326	-1,285
<b>Total</b>	<b>98,650</b>	<b>96,944</b>	<b>1,706</b>

The financial statement balance is detailed in the following table.

**21. Raw materials and materials**

Thousands of euros 38,208 (36,357)

This item includes the costs for the purchases of materials:

**Raw materials and materials**

<b>In thousands of euros</b>	<b>2018</b>	<b>2017</b>	<b>VARIATIONS</b>
Fuels	19,647	17,941	1,706
Lubricants	485	507	-22
Tyres	862	660	203
Spare parts	15,058	14,810	248
Various materials	1,419	1,448	-30
other	737	990	-253

<b>Total</b>	<b>38,208</b>	<b>36,357</b>	<b>1,851</b>
--------------	---------------	---------------	--------------

## 22. Costs for use of third party assets

Thousands of euros 11,128 (10,834)

The item includes:

### Costs for use of third party assets

<i>In thousands of euros</i>	<b>2018</b>	<b>2017</b>	<b>VARIATIONS</b>
Parking and parking management fees	6,050	6,108	-58
Other rentals and leasing	2,858	2,536	322
Company rentals	2,220	2,190	30
<b>Total</b>	<b>11,128</b>	<b>10,834</b>	<b>293</b>

## 23. Other operating costs

Thousands of euros 4,505 (3,141)

The item includes:

### Other costs

<i>In thousands of euros</i>	<b>2018</b>	<b>2017</b>	<b>VARIATIONS</b>
Taxes and fees	1,906	2,080	-174
Audits and inspections	163	124	39
Membership fees	245	333	-89
other	2,192	604	1,588
<b>Total</b>	<b>4,505</b>	<b>3,141</b>	<b>1,364</b>

## 24. Write-downs and write-backs

Thousands of euros 2,903 (4,550)

The item mainly consists of the write-down of the expected sale value of buses to be scrapped in the course of 2019 for 1,844 thousand euros and provisions for write-downs of receivables for 1,059 thousand euros.

## 25. Change in funds for provisions

Thousands of euros 1,545 (608)

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 this item, equal to 1,545 thousand euros, relates to the net increase of 63 thousand euros in releases from the provision for labour disputes, releases of 616 thousand euros from the deductibles provision and an allocation to the onerous provision for scheduled maintenance of rolling stock for 2,729 thousand euros.

## 26. Financial income

Thousands of euros 421 (208)

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

### Financial income

<i>In thousands of euros</i>	<b>2018</b>	<b>2017</b>	<i>Change</i>
Dividends		- 0	0
Other financial income		-	-
of which interest income on receivables	- 420	- 207	- 213
of which interest income on bank accounts	- 1	- 1	- 0
of which other interest income	- 0	- 0	- 0
<b>Financial income</b>	<b>421</b>	<b>208</b>	<b>212</b>

## 27. Financial charges

Thousands of euros 2,424 (1,412)

### Financial charges

<i>In thousands of euros</i>	<b>2018</b>	<b>2017</b>	<i>Change</i>
Charges on bonds	1,973	574	1,399
Charges on loans	301	557	257
Other financial charges	150	281	132
			-

<b>Financial charges</b>	<b>2,424</b>	<b>1,412</b>	<b>1,011</b>
--------------------------	--------------	--------------	--------------

Financial charges show a substantial increase, due to the interest accrued on the bond which was initiated on 15 September 2017 and therefore from 2018 the entire annuity is accounted for.

### **28. Share of profit (loss) on investments accounted for using the equity method**

Thousands of euros 843 (134)

The “Share of net profit (loss) on investments accounted for using the equity method” for 2018 includes a net income of EUR 843 thousand, attributable to the pro-quota results for the year in associated companies, and refers to:

- for 948 thousand euros to the profit attributable to the Group and to third parties of the associate Seta S.p.A.;
- for -105 thousand euros for the loss attributable to the Group of the associated company Marconi Express S.p.A.

### **29. Tax charges**

Thousands of euros -1,673 (-6,483)

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

Tax expense (income)

<i><b>In thousands of euros</b></i>	<b>2018</b>	<b>2017</b>	<b>Change</b>
IRES	3,264	4,982	1,718
IRAP	889	1,124	235
<b>Current income taxes</b>	<b>4,153</b>	<b>6,106</b>	<b>1,952</b>
Income taxes for previous years	3,427	446	3,873
<b>Differences on income taxes for previous years</b>	<b>3,427</b>	<b>446</b>	<b>3,873</b>
Provisions		69	69
Releases	946		946
<b>Prepaid taxes</b>	<b>946</b>	<b>69</b>	<b>1,016</b>

Provisions			-
Releases			-
<b>Deferred taxes</b>			-
<b>Prepaid and deferred taxes</b>			-
			-
<b>Tax expense (income)</b>	<b>1,673</b>	<b>6,483</b>	<b>9,620</b>

The total tax charges amounted to 6,423 thousand euros, substantially in continuity with the previous year.

### Earnings per share

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

	2018	2017
Weighted average number of shares issued	68,492,702	68,492,702
Weighted average number of own shares in portfolio	11,480	11,480
Weighted average number of shares outstanding for the purpose of calculating basic earnings	68,481,222	68,481,222
Profit for the year (in thousands of euros)	13,083	8,858
Basic earnings per share (euros)	0.19	0.13

## ADDITIONAL FINANCIAL INFORMATION

### Information on the cash flow statement

The 2018 financial trend shows an increase in net cash and cash equivalents of 5,181 thousand euros compared to an increase in net cash and cash equivalents in 2017 of 33,383 thousand euros.

The net cash flow generated by operating activities amounted to 22,290 thousand euros in 2018, and increased by 8,131 thousand euros compared to the previous year. The increase is attributable to the combined effect of the following factors:

- a) The reduction in net cash flow absorbed by changes in working capital and other changes for 7,323 thousand euros, mainly due to the decrease in trade receivables for 19,042 euros thousand and other assets for 19,084 thousand euros, partially offset by the decrease in trade liabilities for approximately 27,282 thousand euros;
- b) the improvement in the economic performance recorded by the increase in the profit for the year of 4,383 thousand euros;
- c) the net decrease in the other components of the non-monetary income statement and the change in deferred tax assets totalling 3,430 thousand euros.

The financial flow absorbed by investing activities amounted to 3,072 thousand euros and mainly originated from investments in tangible assets for 18,898 thousand euros, for which the Group collected 13, 641 thousand euros in contributions.

The net cash flow absorbed by the financial asset is equal to 14,037 thousand euros and was essentially due to the combined effect of:

- a) dividends paid to shareholders for a total of 4,852 thousand euros;
- b) the repayment of medium/long-term loans, amounting to 8,764 thousand euros;

### **Management of the financial risk**

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

- a) operational risk, mainly due to malfunctioning and unexpected service interruption caused by accidental events and extraordinary events;
- b) to market risk, mainly due to changes in the rates related to financial assets and financial liabilities assumed;
- c) liquidity risk, with reference to the availability of adequate financial resources to meet its operating activities and the repayment of liabilities assumed;
- d) credit risk, connected both to normal commercial relations and to the possibility of default of a financial counterparty.

The Group's strategy for managing the financial risks indicated is compliant and consistent with the corporate objectives defined by the Board of Directors in the context of the multi-annual plans prepared.

#### Operational risk

The strategy adopted for this type of risk generally aims at an internal control system and the definition of action plans aimed at guaranteeing the continuity of the service and the safeguarding of the company assets, in full compliance with laws and regulations.



The management of these risks is carried out in compliance with the principles of prudence and consistently with the "best practices" of the market.

Tper is also developing new risk assessment methodologies, which ensure efficient data management to prevent operational risks.

#### Market risk

The strategy followed for this type of risk aims at minimising interest rate risks and optimising the cost of debt, taking into account the interests of the stakeholders.

The objectives of the strategy are to:

- a) to pursue the defence of the plan's scenario from the effects caused by the exposure to the risks of changes in interest rates, identifying the optimal combination of fixed and variable rates;
- b) pursue a potential reduction in the cost of debt;
- c) manage transactions in financial instruments, taking into account the economic and equity impact that they may also have on the basis of their classification and accounting representation.

#### Interest rate risk

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

- a) cash flow risk: this is connected to financial assets or liabilities with flows indexed to a market interest rate;
- b) fair value risk: 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.

#### 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 financing to meet the planned financial needs, also in relation to the possible criticalities concerning the disbursement of the contributions due deriving from transfers from the Public Administration, taking into account its ability to generate cash flows, broad diversification of the sources of financing and 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.

#### Credit risk

The Tper Group operates by providing public services and revenues deriving from the tariffs applied to the users of the transport service 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.

### Guarantees

<i>In thousands of euros</i>	31/12/2018	31/12/2017	Change
<b>Guarantees given to third parties</b>			
Sureties granted	26,423	24,499	1,924
<b>Risks</b>			
Third party assets at the company	1	1	
SRM rented assets at the company	28,939	30,122	
SRM assets at the company	19	19	
<b>Total</b>	<b>55,382</b>	<b>54,640</b>	<b>1,924</b>

The guarantees given to third parties refer - for the most part - to the guarantees provided by Tper, for:

- Tpb Scarl and Tpf Scarl, 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 Ternitalia) in favour of the regional rail transport agency;
- participation in the tendering procedure for urban/suburban public transport in the Padua province;
- payment obligations 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 accounting value of the company rented by SRM for public transport in the Bologna basin.

### Fair value measures

<i>In thousands of euros</i>	notes	level of Fair Value	Amortised Cost		Fair value recognised in the income statement		Total	
			31/12/2018	31/12/2017	31/12/2018	31/12/2017	31/12/2018	31/12/2017
<b>NON-CURRENT ASSETS</b>								
Shareholdings	3	3	11,998	11,278	3,342	3,343	15,340	14,621
Financial assets	4		8,675	8,623			8,675	8,623
<b>CURRENT ASSETS</b>								
Trade receivables	7		63,377	82,345			63,377	82,345
Financial assets	4		5,902	19,420			5,902	19,420
Assets for current income taxes	9		2,566	1,996			2,566	1,996
Other assets	6		6,461	25,545			6,461	25,545
<b>NON-CURRENT LIABILITIES</b>								
Trade liabilities	14		-	5,493			-	5,493
Financial Liabilities	12	2	109,920	116,080	202	335	110,122	116,415
Other liabilities	13		20,887	20,933			20,887	20,933
<b>CURRENT LIABILITIES</b>								
Trade liabilities	14		49,542	71,332			49,542	71,332
Financial Liabilities	12		5,427	8,145			5,427	8,145
Current income tax liabilities	9		2,427	692			2,427	692
Other current liabilities	13		31,048	39,649			31,048	39,649

### 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, including those relating to directors, statutory auditors and other executives with strategic responsibilities in the Company.

Amounts in euro thousand:

		Sales to related parties	Purchases from related parties	Receivables from related parties		Payables to related parties	
				trade	financial	trade	financial
<b>Associated companies</b>							
SETA S.P.A.	2017	1,626	217	276		89	
	2018	1,450	203	489		60	
CONSORZIO TRASPORTI INTEGRATI	2017	41,127	192	12,054		192	
	2018	47,858	30	13,280		1	
SOCIETA' FERROVIARIA PROVVISORIA	2017	19	0	19		0	
	2018	23	0	42		225	
MARCONI EXPRESS S.p.A.	2017	175	0	5,746		0	

	2018	579	0		7,651	0	
<b>TOTAL</b>	2017	<b>42,947</b>	<b>409</b>	<b>18,095</b>	<b>0</b>	<b>281</b>	<b>0</b>
	2018	<b>49,910</b>	<b>233</b>	<b>13,811</b>	<b>7,651</b>	<b>286</b>	<b>0</b>

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 at 31 December 2017, the Company did not record any loss in value 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:

**Associated companies (figures in thousands of euros)**

<i>(income statement)</i>	2018			2017		
	SETA	MARCONI EXPRESS	CTI	SETA	MARCONI EXPRESS	CTI
Value of Production	109,025	21,622	146,206	107,687	42,800	140,270
Costs of Production	(108,101)	(19,432)	(146,206)	(106,091)	(41,460)	(140,270)
Financial income and charges	(70)	(2,621)	0	(81)	(1,722)	0
Taxes	166	4	0	(47)	50	0
<b>PROFIT/LOSS FOR THE YEAR</b>	<b>1,020</b>	<b>(427)</b>	<b>0</b>	<b>1,468</b>	<b>(332)</b>	<b>0</b>

**Associated companies (figures in thousands of euros)**

<i>(balance sheet)</i>	2018			2017		
	SETA	MARCONI EXPRESS	CTI	SETA	MARCONI EXPRESS	CTI
Fixed assets	48,888	104,670	0	50,062	83,063	
Working capital	38,115	9,196	56,417	45,137	10,992	46,459
Accruals and payables	2,286	3,036	0	1,901	2,935	
<b>Total Assets</b>	<b>89,289</b>	<b>116,902</b>	<b>56,417</b>	<b>97,100</b>	<b>96,990</b>	<b>46,459</b>
Shareholders' equity	(17,237)	(16,503)	(14)	(16,217)	(16,549)	(14)
Provisions for risks and charges	(2,595)	(1,634)	0	(543)	(987)	0
Employee severance indemnity	(9,860)	0	0	(11,642)	0	0
Payables	(35,300)	(73,627)	(56,403)	(42,248)	(54,694)	(46,445)
Accruals and payables	(24,297)	(25,138)	0	(26,450)	(24,760)	0
<b>Total Liabilities</b>	<b>(89,289)</b>	<b>(116,902)</b>	<b>(56,417)</b>	<b>(97,100)</b>	<b>(96,990)</b>	<b>(46,459)</b>

### Compensation to directors and statutory auditors and auditing companies

The information concerning the remuneration of the directors, statutory auditors and the auditing company of the Tper group is presented below.

<i>In thousands of euros</i>	<b>31/12/2018</b>	<b>31/12/2017</b>	<b>Change</b>
Directors' fees	265	257	8
Auditors' fees	167	155	12
Independent auditors' fees	45	50	5
<b>Total</b>	<b>477</b>	<b>462</b>	<b>15</b>

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.

<b>T P E R   G R O U P</b>				
<b>2 0 1 8</b>				
<b>MILLIONS OF EUROS</b>	<b>LOCAL PUBLIC TRANSPORT</b>	<b>TRANSPORT OF GOODS</b>	<b>URBAN PARKING AND MOBILITY</b>	<b>TOTAL</b>
Revenues from third parties	263.6	23.9	16.1	303.6
Other revenues from third parties	10.0	3.0	0.8	13.8
<b>Total operating revenues</b>	<b>273.6</b>	<b>26.9</b>	<b>16.9</b>	<b>317.4</b>
<b>EBITDA</b>	<b>34.1</b>	<b>0.7</b>	<b>1.9</b>	<b>36.7</b>
Depreciation and amortisation, write-downs and write-backs				-19.0
Provisions and other adjustment allocations				-1.5
<b>EBIT</b>				<b>16.2</b>
Financial income/(charges)				-2.0
Share profit (Loss) equity method				0.8
<b>Profit before taxes from operating activities</b>				<b>15.0</b>
Tax income/(expense)				-1.6

<b>Profit for the year</b>				<b>13.4</b>
<b>CFO - Cash flow from operations</b>	<b>21.4</b>	<b>-0.7</b>	<b>1.6</b>	<b>22.3</b>
<b>Operating investments</b>	<b>29.9</b>	<b>1.7</b>	<b>0.3</b>	<b>31.9</b>

**2 0 1 7**

MILLIONS OF EUROS	LOCAL PUBLIC TRANSPORT	TRANSPORT OF GOODS	URBAN PARKING AND MOBILITY	TOTAL
Revenues from third parties	255.5	23.0	16.1	294.6
Other revenues from third parties	10.4	2.9	0.8	14.1
<b>Total operating revenues</b>	<b>265.9</b>	<b>25.9</b>	<b>16.9</b>	<b>308.7</b>
<b>EBITDA</b>	<b>30.6</b>	<b>1.8</b>	<b>2.1</b>	<b>34.4</b>
Depreciation and amortisation, write-downs and write-backs				-17.3
Provisions and other adjustment allocations				-0.6
<b>EBIT</b>				<b>16.5</b>
Financial income/(charges)				-1.2
Share profit (Loss) equity method				0.1
<b>Profit before taxes from operating activities</b>				<b>15.4</b>
Tax income/(expense)				-6.4
<b>Profit for the year</b>				<b>9.0</b>
<b>CFO - Cash flow from operations</b>	<b>12.1</b>	<b>0.3</b>	<b>1.8</b>	<b>14.2</b>
<b>Operating investments</b>	<b>49.7</b>	<b>2.6</b>	<b>0.3</b>	<b>52.6</b>

### 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 2018 the following grants/contributions were received from public administrations:

AMOUNT RECEIVED EUR	ISSUING ENTITY	DESCRIPTION
1,813,373	Customs Agency	Excise duties on transport diesel
17,260	MIT	Grant for Decree 570/2017 training
104,270	Emilia Romagna Region	Grant for the transport of goods Regional Law 10/2014
471,332	MIT	Contribution goods regulation Dir. Dec. 61 29/12/2016
12,885,297	SRM Srl / AMI Srl / FER Srl	Contribution to the higher costs for the NCLA pursuant to Laws 47/04, 58/05, 296/06
5,147,147	MIT	Grant for the implementation of the guided public transport system Bologna City Centre - San Lazzaro (BO)
191,076	Municipality of Bologna	Grant Strategic programme for mobility in metropolitan areas Law 472/1999
1,275,322	Municipality of Bologna	Grant for the implementation of the guided public transport system Bologna City Centre - San Lazzaro (BO)
13,265	Municipality of San Lazzaro	Grant for the implementation of the guided public transport system Bologna City Centre - San Lazzaro (BO)
12,844,170	Emilia Romagna Region	Grant for the purchase of new buses and systems for the local public transport service
1,525,540	ML	Contribution to sick pay Law 266/2005
<b>36,288,051</b>	<b>TOTAL RECEIVED IN 2018</b>	



**Events after 31 December 2018**

The significant events occurring after the end of the year and as noted in the report on operations did not have any particularly significant impacts on the financial statements.

**TPER S.p.A.**  
**Headquarters in Bologna – Via di Saliceto 3**  
**Share capital € 68,492,702.00 fully paid-in**  
**Enrolment no. in the Register of Companies and Tax Code**  
**031821612202**

\*\*\*\*\*

**Report of the Board of Auditors to the Financial Statements for the year ended 31 December 2018, drawn up pursuant to Article 2429, paragraph 2 of the Civil Code.**

\*\*\*\*\*

Dear Shareholders,

Pursuant to Article 2429, paragraph 2 of the Civil Code, the Board of Auditors is required to report to the Shareholders' Meeting called to approve the financial statements on the results for the financial year and the activities performed during the year in fulfilling its duties, as well as on any omissions or reprehensible actions found. The Board of Auditors also has the right to make observations and proposals regarding the financial statements and their approval, as well as on the matters under its purview.

During the financial year ended 31 December 2018, the Board of Auditors monitored compliance with the law and the articles of association, and compliance with the principles of sound management, basing its activities - also for the purposes of setting up this report on the activities carried out and on the separate financial statements - on the provisions of law and Rules of Conduct of the Board of Auditors of listed companies, if and to the extent compatible, as issued by the Italian National Council of Certified Accountants and Accounting Experts, specifically reporting as follows.

This report was approved by the board and in time for it to be filed at the company headquarters in the 15 days prior to the date of call of the Shareholders' Meeting to approve the separate financial statements along with the other mandatory attachments that accompany them and the Report on Operations, in addition to the non-financial information pursuant to Legislative Decree 254/2016. The board of directors made available the related documents approved on 20 May 2019 regarding the separate (and consolidated) financial statements for the year ended 31 December 2018, in compliance with the terms set out in Article 2429 of the Civil Code.

This report does not regard the statutory audit of the accounts, given that those functions are carried out by the Auditing Firm PricewaterhouseCoopers S.p.A., assigned for such purposes.

A separate corporate board of TPER has been assigned the functions of the Supervisory Body pursuant to Legislative Decree 231/2001.

***General Introduction***

The separate financial statements have been prepared in compliance with the current laws and the international accounting standards IAS/IFRS, issued by the IASB and adopted by the EU, as well as according to the related IFRIC interpretations, supplemented by the amendments endorsed and currently in force, in addition to the verified compliance with the provisions of Legislative Decree 38/2005, as a

result of the obligation set out by the current regulations and resulting from taking on the classification of Public Interest Entity (PIE) in 2017, as defined by Article 16 of Legislative Decree 39/2010, by issuing the Bond Loan.

It is also noted that the current Board of Auditors – comprised of Sergio Graziosi, Chairman, Fabio Ceroni, Regular Auditor and Patrizia Preti, Regular Auditor - was appointed pursuant to Article 25 of the Articles of Association by the Shareholders' Meeting held on 29 May 2018, for a three-year period, and thus, shall fall from office with the approval of the financial statements as at 31 December 2020.

### ***Meetings of the Board of Auditors***

In the period from the start of the financial year 2018 to 31 December 2018, the Board of Auditors participated in the Shareholders' Meetings and Board of Directors' meetings. The Board of Auditors also held meetings to carry out its single tasks. The attendance and importance of those meetings are proven by the specific minutes of the meetings, duly signed.

In that area, this Board of Auditors acknowledges that in the period of validity of its term, no violations of the law or articles of association were found, nor operations that were clearly imprudent, hazardous or in potential conflict of interest, or which could harm the integrity of company equity.

This Board of Auditors also held periodic meetings with the entity assigned to carry out statutory auditing, PricewaterhouseCoopers S.p.A., as well as with the previous auditing firm, Ria Grant Thornton S.p.A., from which no material data or information arose which should be noted in this report, and meetings with the Supervisory Body and Internal Audit.

### ***Knowledge of the company, risk assessments and report on the tasks assigned***

Given the knowledge that the Board of Auditors declares it has regarding the Company and as regards:

- i) the type of business conducted;
- ii) its organisational and accounting structure,

also considering the size and problems of the company, it is reiterated that the “planning” phase of the supervisory activities - in which it is necessary to assess the intrinsic risks and critical issues pertaining to the two factors mentioned above - was implemented through the successful cross-check with what was previously known based on information acquired over time.

It was thus possible to confirm that:

- the typical business conducted by the company did not change during the year in question, and is consistent with that set out in the corporate purpose;
- the organisational structure, practically unchanged, is suitable to permit the preparation of the financial statements based on the international accounting standards IAS/IFRS, also as a result of the implementation of the new database program (SAP), all in order to best meet changed needs - also with a view to business development - for an appropriate and effective functional restructuring, that is, therefore, not just for accounting and administrative purposes;
- the human resources dedicated to company activities also remained practically unchanged (considering the average figure), increasing from 2,491 resources as at 31 December 2017 to 2,514 resources as at 31

December 2018;

- it can also be noted that in 2018, the Company's operations were substantially comparable with the previous year and, as a result, our audits were conducted on those assumptions, having verified the substantial comparability of the values and results with those of the previous year.

Thus, this report summarises the disclosure required by Article 2429, paragraph 2 of the Civil Code and, more specifically:

- information on the activities carried out in fulfilling the duties set out by the regulation;
- information on the profit/(loss) for the financial year;
- information on the observations and proposals regarding the financial statements, with specific reference to any use by the Management Board of the derogation pursuant to Article 2423, paragraph 4 of the Civil Code and pursuant to Article 5 of Legislative Decree 38/2005;
- information on the receipt of any claims from shareholders pursuant to Article 2408 of the Civil Code.

#### ***Importance of significant events during the year***

With regard to the significant events that occurred in the year ended 31 December 2018, refer to the Board of Directors' Report on Operations accompanying the Financial Statements which, as far as the Board of Auditors is aware, fully summarises the most significant events concerning TPER and the Group as a whole.

#### ***Intragroup transactions or transaction with related parties***

Pursuant to Article 2427, paragraph 1, item 22 bis) of the Civil Code, in the explanatory notes, the Company comprehensively described the transactions carried out with related parties, specifying their amounts, the nature of the relationship and all other information necessary for understanding the financial statements. Those transactions were carried out at conditions equivalent to those prevailing on the free market.

#### ***Atypical or unusual transactions***

As part of the audits conducted by this Board of Auditors, no atypical or unusual, or non-recurring transactions were found.

#### ***Supervision Activities***

During the financial year ended 31 December 2018, to the extent possible, the Board of Auditors was able to verify that:

- the decisions taken by the Shareholders and the Board of Directors complied with the law and the Articles of Association and were not manifestly imprudent or such that would compromise the integrity of the company equity;
- sufficient information was acquired regarding the general performance of operations and its outlook, as well as on more significant transactions, in terms of size or characteristics, carried out by the company and its subsidiaries. Given the management organisational chart, the information requested by Article 2381, paragraph 5 of the Civil Code was provided and acquired by the Board of Directors, both during planned meetings and during any individual accesses by the members of the Board of Auditors at

the company headquarters, as well as through contacts/information flows via telephone and computer with the members of the Board of Directors: all of the above demonstrates that the directors complied, in substance and form, with that required of them by the aforementioned regulation;

- the transactions implemented also complied with the law and the articles of association and did not potentially conflict with the decisions taken by the shareholders' meeting or such that would compromise the integrity of the company equity. These transactions were adequately valued;
- no specific observations are made regarding the adequacy of the organisational structure of the company during the year, or regarding the adequacy of the administrative, accounting and control system, or on the reliability of the latter to correctly represent operating events, also for the purposes and the effects of the required disclosure pursuant to Legislative Decree 254/2016, mentioned herein, with regard to non-financial issues;
- we acquired knowledge of and monitored, to the extent of our responsibility, the adequacy and functioning of the administrative and accounting systems, as well as on their reliability to correctly represent operational events, by obtaining, in that regard, specific information from the heads of functions, from PricewaterhouseCoopers S.p.A., assigned to conduct the statutory audit, and by examining company documents. In that regard, we have no specific observations to make;
- during the periodic checks pursuant to Article 2403, paragraph 1 of the Civil Code, the Board of Auditors was informed on the evolution of the business conducted by the company. Recurring exchanges of information were also carried out with the audit firm, with the Internal Audit function and with the Supervisory Body, as well as with the professionals that consult with the company: the outcomes of the cross-checks were positive, with a fruitful exchange of information. Relations with the people working for that structure are based on reciprocal cooperation, respecting the roles assigned to each person, having clarified those of the Board of Auditors;
- the external consultants and professionals assigned to provide accounting, tax, corporate and labour law consulting have not substantially changed - save for those relating to any extraordinary or non-recurring transactions - and, therefore, they have historic knowledge of the business conducted and the operating problems, including extraordinary problems, that influenced the financial statement results;
- no action was required as a result of omissions by the board of directors pursuant to Article 2406 of the Civil Code;
- no charges were received pursuant to Article 2408 of the Civil Code;
- no claims were made pursuant to Article 2409, paragraph 7 of the Civil Code;
- during the year, the Board did not issue the obligations mandatory by law.

In the role of internal control and auditing committee, the Board of Auditors carried out the activities required by Article 19 of Legislative Decree 39/2010, as a result of its classification as a Public Interest Entity – PIE., as, in that sense, it is required:

i) inform the Board of Directors of the Company of the outcome of the statutory audit, sending the Board the Additional Report addressed to this Board of Directors as the internal control and auditing committee, pursuant to Article 11 of European Regulation 537/2014, drawn up by the auditing firm, accompanied by any observations;

- ii) monitor the financial reporting process and present recommendations or proposals to guarantee its integrity;
- iii) check the effectiveness of the internal control system, the quality and management of business risk and, if applicable, of internal auditing, as pertains to the financial information of the audited entity, without violating its independence;
- iv) monitor the statutory audit of the separate and consolidated financial statements, also considering any results and conclusions of the quality inspections carried out pursuant to Article 26, paragraph 6 of the European Regulation, where available;
- v) verify and monitor the independence of the statutory auditors or auditing firm pursuant to Articles 10, 10-*bis*, 10-*ter*, 10-*quater* and 17 of Legislative Decree 39/2010 and Article 6 of the European Regulation, specifically as regards the adequacy of the provision of services other than auditing to the audited entity, in line with Article 5 of that Regulation;
- vi) be responsible for the procedure of selecting statutory auditors or auditing firms and recommend the statutory auditors and auditing firms to be appointed pursuant to Article 16 of the European Regulation.

The supervisory activities, carried out in that latter regard by the Board of Auditors, showed the following results:

*(i) Observations on the Additional Report pursuant to Article 11 of the European Regulation*

The Board of Auditors has read the report issued pursuant to Article 11 of Regulation (EU) 537/2014 by the auditing firm PricewaterhouseCoopers S.p.A. on today's date.

The document adequately explains the results of the statutory auditing activities as well as the mandatory information required in paragraph 2 of the aforementioned Article 11 of the Regulation (EU) 537/2014.

*ii) Oversight of the financial reporting process*

As part of the audits planned during the year, the Board of Auditors obtained findings on the existence of adequate rules and processes to oversee the process of formation and dissemination of financial reporting, obtaining proof of the process of formation of financial reporting and administrative and accounting procedures that are adequate with regard to the business currently conducted by TPER;

*iii) Oversight of the effectiveness of the internal control, internal auditing and risk management systems*

The Board of Auditors periodically met with the heads of the control functions and, specifically, 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 that area, on the checks conducted and their results, also with a view to scheduling and projecting.

In light of the results of the activities carried out, that acquired from the control functions, also taking account of the content of the additional report pursuant to Article 11 of Regulation (EU) 537/2014 drawn up by the Auditing Firm, which contains the reassurance that there are no deficiencies in the internal control system, and comforted by the discussions with the Auditing Firm, with regard to the Company's operating situation as at 31 December 2018, the Board of Auditors finds the control system to be adequate.

*iv) Oversight of statutory auditing of the annual accounts and the consolidated accounts*

The Board of Auditors met with representatives of the Auditing Firm (PricewaterhouseCoopers S.p.A.), with which the planned exchange of information was carried out.

In the report pursuant to Article 11 of Regulation (EU) 537/2014, and in the report pursuant to Article 14 of Legislative Decree 39/2010, issued by the auditing firm on

today's date, the auditing firm certified that, based on the audits conducted, as stated above, no significant deficiencies were found in the internal control system in relation to the financial reporting process. Moreover, "key aspects" of the statutory audit were highlighted, with the related description both with regard to the separate and consolidated financial statements.

*v) Oversight of the independence of the auditing firm, specifically as regards the provision of services other than auditing*

The Board of Auditors oversaw the independence of the Auditing Firm and obtained annual confirmation of its independence pursuant to Article 6, paragraph 2), letter a) of European Regulation 537/2014.

In particular, the auditing firm PricewaterhouseCoopers S.p.A. confirmed, by way of a specific certification on today's date, that it complied with the principles of ethics pursuant to Articles 9 and 9-bis of Legislative Decree 39/2010 and that no situations arose which compromised their independence pursuant to Articles 10 and 17 of Legislative Decree 39/2010 and of Articles 4 and 5 of European Regulation 537/2014, also confirming that they fulfilled the obligations set out in Article 6, paragraph 2, letter b) of Regulation (EU) 537/2014.

Lastly, it is verified that, as TPER is classified as a PIE pursuant to law, it is required, also due to its size requirements, to provide the due disclosure of non-financial information (the "Non-Financial Statement – NFS") in compliance with the provisions of Legislative Decree 254/2016, both at separate and consolidated level. In that regard, this control body hereby reports that it verified: a) the fulfilment of the obligations set out by regulations on the preparation and publication of the non-financial statement; b) the adequacy of the methods/systems and processes used for such purposes; c) the exhibition of the certification of compliance issued by the Auditing Firm PricewaterhouseCoopers S.p.A., on today's date, pursuant to that set out in Article 3, paragraph 10 of Legislative Decree 254/2016.

In conclusion, we can thus confirm that during the oversight activities carried out by this Board of Auditors, no significant facts and/or elements arose that required mention in this report.

***Separate and consolidated financial statements***

Firstly, it must be noted that the Board of Auditors acknowledged that the Board of Directors did not take account of the obligation to draw up either the financial statements or the explanatory notes using the "XBRL taxonomy", as they were exonerated from this obligation because the separate financial statements were drawn up in compliance with the international accounting standards.

With regard to the separate financial statements and the consolidated financial statements as at 31 December 2018, without prejudice to the fact that the duties regarding statutory audit and, thus, the opinions on the respective financial statements are exclusively assigned to the auditing firm PricewaterhouseCoopers S.p.A., it is noted that the draft separate and consolidated financial statements for the year ended 31 December 2018 have been approved by the board of directors, and are comprised of the balance sheet, the statement of comprehensive income, the statement of changes in shareholders' equity, the cash flow statement for the year ended 31 December 2018 and the explanatory notes (to the separate and consolidated financial statements) which include, in brief, the accounting standards adopted for the individual financial statement items.

Moreover:

- the board of directors also drew up the report on operations pursuant to Article 2428 of the Civil Code;
- those documents were delivered to the Board of Auditors in time for them to be filed at the company headquarters, accompanied by this report, and, that is, also in compliance with the term set out in Article 2429, paragraph 1 of the Civil Code;
- the statutory audit was assigned to PricewaterhouseCoopers S.p.A., which prepared its report pursuant to Article 14 of Legislative Decree no. 39 of 27 January 2010 and pursuant to Article 10 of European Regulation 537/2014 both on the separate financial statements and on the group consolidated financial statements. these reports did not contain findings of significant deviations, or negative opinions or the impossibility to express an opinion or references to disclosure and, therefore, the opinion issued for both was positive;
- the Auditing Firm also prepared, for the exclusive use by this board and for the purposes set out in Article 19 of Legislative Decree 39/2010, the Additional Report for the internal control and auditing committee pursuant to Article 11 of European Regulation 537/2014.

The Board of Auditors also oversaw the compliance by the Board of Directors with the procedural rules regarding the formation of the separate financial statements and the consolidated financial statements as well as on the general layout thereof, and their general compliance with the law in terms of their form and structure, and has no observations in this regard;

- the separate and consolidated financial statements as at 31 December 2018 were drawn up based on the provisions of law in force and the international accounting standards IAS/IFRS issued by the International Accounting Standards Board (IASB) and endorsed by the European Commission, as required by the European Union Regulation 1606/2002 currently in force, as well as based on the provisions of Legislative Decree 38/2005;
- the separate and consolidated financial statements, on one side match the facts and information that the Board of Auditors became aware of by participating in the meetings of the Board of Directors and carrying out its auditing activities, on the other.

Thus, the draft financial statements were examined and, in relation thereto, the following additional information is provided:

- attention was focused on the set up of the draft financial statements, and the accompanying documents, on their general compliance with the law in terms of their formation and structure. In that regard, there are no observations that must be made in this report;
- compliance with the rules of law regarding the preparation of the Report on Operations was verified, and in that regard, there are no observations that must be highlighted in this report;
- in drawing up the financial statements, the board of directors did not derogate from the rules of law pursuant to Article 2423, paragraph 4 of the Civil Code and pursuant to Article 5 of Legislative Decree 38/05;



- it was verified that the financial statements match the facts and information that we became aware of as a result of fulfilling the typical duties of the Board of Auditors, and in that regard no additional observations are made;
- pursuant to Article 2426, paragraph 5 of the Civil Code the Board of Auditors certifies that, for the mere purpose of information, “other intangible assets” do not refer to “start up and expansion costs” or even to long-term “development costs” that are still to be amortised and therefore, in that area, there are no reasons that would impede the proposal to distribute dividends;
- we verified the correctness of the information contained in the explanatory notes in terms of the absence of receivable or payable financial or monetary positions that originally arose in currencies other than the euro;
- the explanatory notes provided the information required by Article 2427-*bis* of the Civil Code relating to financial instruments, where recognised, at a value higher than their fair value.
- with regard to the board of directors’ proposal for allocation of the net profit for the year, the board of auditors has no observations to make, which shall be commented on herein, also noting that the decision in this regard lies with the Shareholders' Meeting.

The net profit (loss) verified by the Board of Directors in relation to the financial statements for the year ended 31 December 2018, as can also be seen by reading the financial statements, came to a profit of Euro 8,280,182.

On today’s date, the Board of Auditors received the reports prepared by the Auditing Firm on the separate financial statements and the consolidated financial statements as at 31 December 2018, and acknowledged:

- the opinions on the separate financial statements and the consolidated financial statements set out therein, which state that both the separate and consolidated financial statements provide a true and fair view of the financial and equity position, the income statement and cash flows for the year ended 31 December 2018, drawn up in compliance with the IFRS adopted by the EU;
- there are no references to disclosure;
- the key aspects of the auditing;
- the opinions of consistency and compliance with the rules of law of the Board of Directors’ Report on Operations contained in the financial reporting package;
- the other opinions required by the current regulations and the other information to be communicated based on regulations (Legislative Decree 39/2010 and EU Regulation 537/2014), as required.

### ***Report on Operations***

The Board of Auditors verified 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 auditing firm carried out the procedures for the purpose of expressing its opinion, which was positive, on the consistency of said report with the financial statements and the compliance thereof with the rules of law.

Moreover, to the extent of our knowledge, in drawing up the financial statements in question, the directors did not need to apply the option of derogation envisaged by

Article 2423, paragraph 4 of the Civil Code or Article 5, paragraph 1 of Legislative Decree no. 38/2005.

***Observations and proposals regarding the approval of the financial statements; conclusions***

Based on that reported above and that which was brought to the attention of the Board of Auditors and found during the periodic audits conducted, it is unanimously deemed that:

- also in light of the report drawn up by the Auditing Firm and its opinion on the financial statements, there are no reasons that would impede your approving the separate financial statements for the year ended 31 December 2018 as they have been drawn up and proposed by the Board of Directors;
- there are no reasons that would impede, pursuant to law - and, specifically, for the purposes of Article 2433 of the Civil Code or Article 6 of Legislative Decree 38/2005 - the proposal to allocate a portion of the profit for the year to the Shareholders as a dividend, as proposed by your Board of Directors.

On conclusion our work, we would like to sincerely thank the Board of Directors, the employees and all the staff, as well as contractors for the active participation and effective assistance received. We wish the Company a bright future.

Bologna, 12 June 2019

The Board of Auditors

Sergio Graziosi, Chairman

Patrizia Preti, Regular Auditor

Fabio Ceroni, Regular Auditor



## **Independent auditor's report**

*in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010 and article 10 of Regulation (EU) No. 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 Group (the "Group"), which comprise the consolidated statement of financial position as of 31 December 2018, the consolidated income statement, statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows for the year then ended, and 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 2018, 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 No. 38/2005.

#### **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 Tper SpA (hereinafter also 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 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.

---

#### **PricewaterhouseCoopers SpA**

Sede legale e amministrativa: Milano 20149 Via Monte Rosa 91 Tel. 0277851 Fax 027785240 Cap. Soc. Euro 6.890.000,00 i.v., C.F. e P.IVA e Reg. Imp. Milano 12979880155 Iscritta al n° 119644 del Registro dei Revisori Legali - Altri Uffici: **Ancona** 60131 Via Sandro Totti 1 Tel. 0712132311 - **Bari** 70122 Via Abate Gimma 72 Tel. 0805640211 - **Bologna** 40126 Via Angelo Finelli 8 Tel. 0516186211 - **Brescia** 25123 Via Borgo Pietro Wuhler 23 Tel. 0303697501 - **Catania** 05129 Corso Italia 302 Tel. 0957532311 - **Firenze** 50121 Viale Gramsci 15 Tel. 0552482811 - **Genova** 16121 Piazza Piccapietra 9 Tel. 01029041 - **Napoli** 80121 Via dei Mille 16 Tel. 08136181 - **Padova** 35138 Via Vicenza 4 Tel. 049873481 - **Palermo** 90141 Via Marchese Ugo 60 Tel. 091349737 - **Parma** 43121 Viale Tanara 20/A Tel. 0521275911 - **Pescara** 65127 Piazza Ettore Troilo 8 Tel. 0854545711 - **Roma** 00154 Largo Fochetti 29 Tel. 06570251 - **Torino** 10122 Corso Palestro 10 Tel. 011556771 - **Trento** 38122 Viale della Costituzione 33 Tel. 0461237004 - **Treviso** 31100 Viale Felissent 90 Tel. 0422696911 - **Trieste** 34125 Via Cesare Battisti 18 Tel. 0403480781 - **Udine** 33100 Via Poscolle 43 Tel. 043225789 - **Varese** 21100 Via Albuzzi 43 Tel. 0332285039 - **Verona** 37135 Via Francia 21/C Tel. 0458263001 - **Vicenza** 36100 Piazza Pontelandolfo 9 Tel. 0444393311

---

**Key Audit Matters**

---

**Auditing procedures performed in response to key audit matters**

---

**Valuation of buses and trolleybuses rolling stock**

*Note 1 – Tangible Assets of the consolidated financial statements*

The consolidated financial statements of Tper SpA Group, under the line item "Tangible assets", include the bus and trolleybus rolling stock, used by the Company as part of the local public transport service contract in Bologna and Ferrara, for a net carrying amount as at 31 December 2018 of Euro 63.6 million. This asset is recorded at historical cost net of accumulated depreciations. For the purposes of determining the value to be depreciated and, therefore, the depreciation pertaining to each year of these assets, the Directors of the Company take into consideration both the residual life of the service agreements under which they are used and the residual value which presumably will be granted to the Company at the end of the aforementioned agreements by the new contractor of the service, as a takeover value in application of the criteria identified by the Transport Regulation resolution n.49 dated 17 June 2015, referring to the UNI 11282/2008 standard.

The Company appointed an independent expert to estimate the takeover value used to identify the amount to be depreciated.

As part of the audit of the consolidated financial statements as at 31 December 2018, we focused on this area of the financial statements in consideration of the significance of the amounts recorded and the fact that the calculation for the determination of the residual value is subject to assessments made by management.

As part of our audit of the consolidated financial statements at December 31, 2018, with reference to the valuation of the item bus and trolleybus rolling stock, we performed the procedures described below.

We have carried out the understanding and evaluation of the process adopted by the Company in order to determine the takeover value, the value to be depreciated and the depreciation of the year of the bus and trolleybus rolling stock, as well as the controls overseeing this process, in order to plan the test of details described below.

We have obtained the calculation file containing the historical cost, the takeover value and the value to be depreciated with reference to 31 December 2018, verified the mathematical accuracy of the calculations underlying the determination of these values and reconciled them with the asset register of the Company at December 31, 2018, with the consolidated financial statements at the same date and with the appraisals obtained from the independent expert appointed by the Company to estimate the takeover value.

By reading and analyzing the appraisals, we have got an understanding of the methodology calculate the takeover value used by the independent expert and we assessed its consistency with the provisions of the UNI 11282/2008 standard; we also verified the reasonableness of the assumptions made by the expert and management and used as a basis for the estimate, thus including the considerations made regarding the residual life of the service contracts. For some individual assets, selected on a sample basis, we have recalculated the takeover value.





---

**Key Audit Matters**

---

**Auditing procedures performed in response to key audit matters**

---

We verified the mathematical accuracy of the calculations underlying the determination of depreciation relating to the 2018 financial year and we tied them to the financial statements.

We have examined the information provided in the notes to the financial statements with reference to the items under discussion.

---

**Other Aspects**

The consolidated financial statements of Tper Group for the year ended as at 31 December 2017 were audited by another auditor who expressed an unmodified opinion on those statements on 11 May 2018.

**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 No. 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) No. 537/2014***

On 29 May 2018, the shareholders of Tper SpA in general meeting engaged us to perform the statutory audit of the Company's and the consolidated financial statements for the years ending 31 December 2018 to 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) No. 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 No. 39/2010***

The directors of Tper SpA are responsible for preparing a report on operations and a report on the corporate governance and ownership structure of the Tper Group as of 31 December 2018, including their consistency with the relevant consolidated financial statements and their compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 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 2018 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 are consistent with the consolidated financial statements of Tper SpA as of 31 December 2018 and are prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree No. 39/2010, 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 No. 254 of 30 December 2016***

The directors of Tper SpA are responsible for the preparation of the non-financial statement pursuant to Legislative Decree No. 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 No. 254 of 30 December 2016, the non-financial statement is the subject of a separate statement of compliance issued by ourselves [by another auditor].

Bologna, 12 June 2019

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*