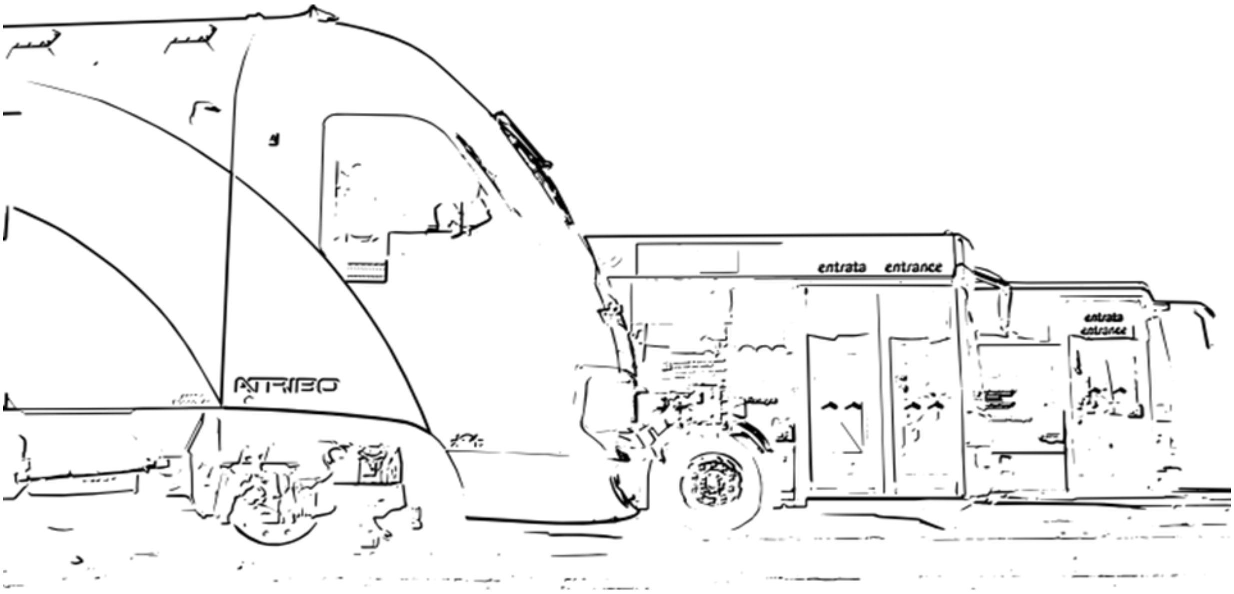
Tper SpA

2019 Financial Statements

Tper

Trasporto Passeggeri Emilia-Romagna



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CORPORATE BODIES

Board of Directors

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

Director

Paolo Paolillo

Managing Director

Fabio Teti

Board of Statutory Auditors

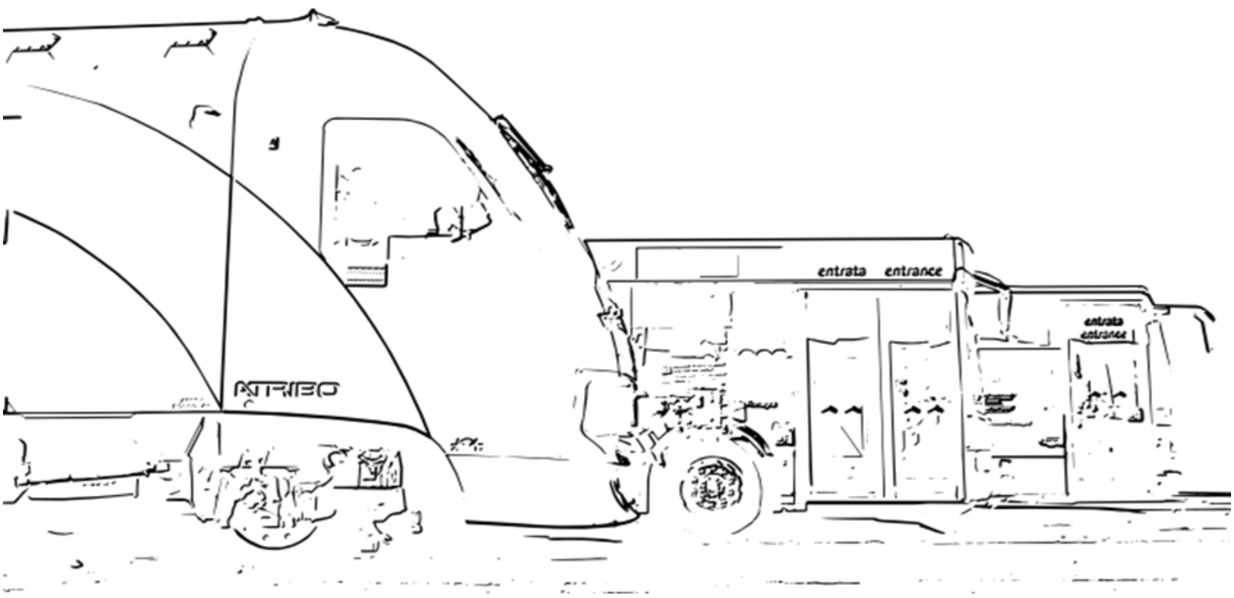
Sergio Graziosi	Chairperson
Fabio Ceroni	Statutory Auditor
Patrizia Preti	Statutory Auditor
Piero Landi	Alternate Auditor
Romana Romoli	Alternate Auditor

Independent auditors

PricewaterhouseCoopers SpA

Report on Operations

Trasporto Passeggeri Emilia-Romagna



1. GROUP PROFILE

Tper S.p.A. (hereinafter "Tper" or "Company"), Parent Company, and its subsidiaries, operate in the mobility sector, with core business in local public automotive and railway transport. The Group operates on the basis of an industrial approach according to market rules as defined by the regional Italian law for the sector and as required by the company's founders.

The Group is structured with an organisation that stems from specific needs for the performance and development of services and the choice to operate through industrial agreements with private and public partners, geared towards the development of Mobility.

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

The services provided, and in particular local public transport, satisfy general-interest needs that require a combination of sustainable management from an economic and financial point of view with the utmost attention to quality, social impact and environmental sustainability objectives.

In order to pursue the objectives of sustainability and quality, the Tper Group has set its strategic position in an industrial and competitive perspective, carefully structured from the point of view of assets, resources and organisation, while at the same time focusing on management efficiency and quality of services for travellers, with the aim of growing in services and in the region.

In short, the Group'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 in relation to intermodal and integrated mobility systems.

The corporate vision, consistent with the objectives of the mission, is focused on the value of service to people. In fact, the Group pursues the objective of reducing distances and establishing connections in the region, and being chosen for the integration of services, comfort, economy and sustainability.

Since May 2014, following the award of the public tender procedure called by Agenzia SRM - Reti e Mobilità, it has managed, based on a specific service contract, parking and services that complement the development of mobility in the Municipality of Bologna.

In order to satisfy new and more flexible mobility needs, since 2018, in collaboration with the partners of the Omnibus consortium, TPER has managed CORRENTE, the free-flow 100% electric car sharing service powered by renewable energy, launched in Bologna and Ferrara. It is the only car sharing service in Italy with a fleet of electric vehicles and enables users to start their journeys in one city and finish it in the other.

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

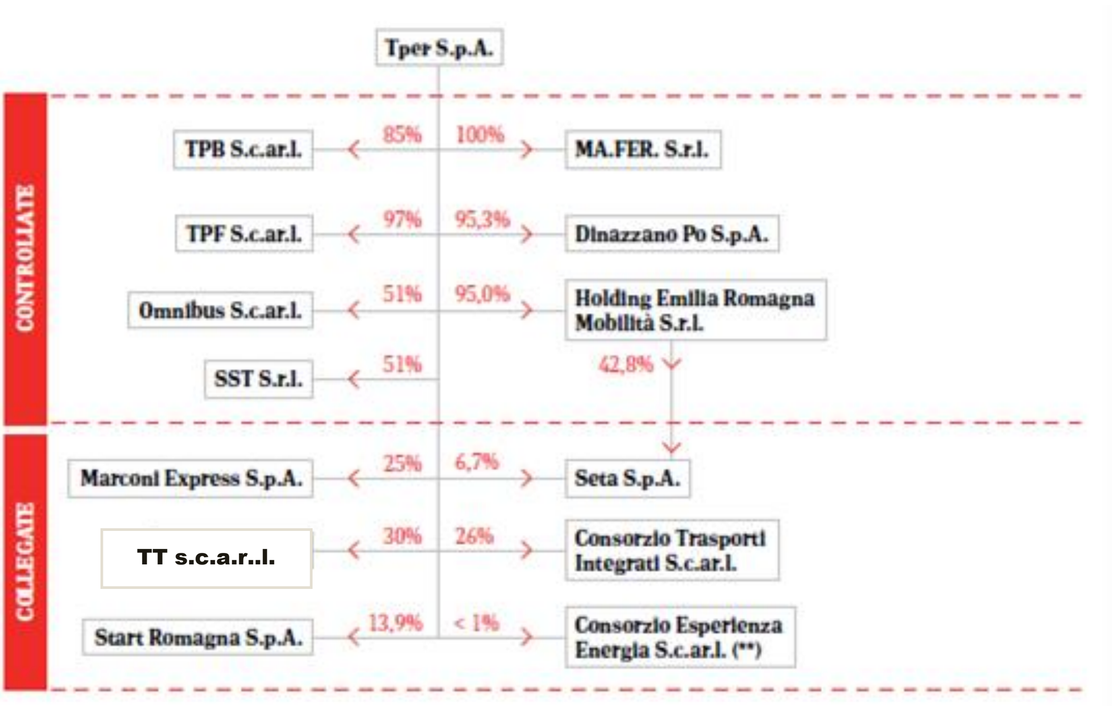
Furthermore, TPER owns 111,480 treasury shares (0.16%), with a nominal value of Euro 1 each. Pursuant to Article 2428 of the Italian Civil Code, it should be noted that there were no purchases or disposals of Tper shares in 2019 and that no companies control Tper.

TPER also fulfils the role of implementing entity for the most important mobility development initiatives in the Bologna metropolitan area, such as trolleybus conversion of the main bus lines and completion of the Metropolitan Railway Service, in addition to the road-based assisted driving public transport system, which involves the use of Crealis trolley vehicles.

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

TPER holds equity investments in 13 companies, primarily operating in the passenger and goods transport sector, of which 7 are subsidiaries and 6 are associates.

The Tper Group's composition as at 31 December 2019 is as follows:



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

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

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

Some information on subsidiaries is provided below. 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.

In 2019, the company recorded operating revenues of Euro 20,441 thousand, and a profit of Euro 2,168 thousand.

TPF Soc.Cons.a r.l.

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

The other shareholder is FE.M. Soc. Cons. a rl with 3% of the share capital.

In 2019, the company recorded operating revenues of Euro 20,215 thousand, and a profit of Euro 145 thousand.

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 Port Authority of Ravenna, the Intermodal Port of Ravenna SAPIR SpA and Mercitalia Rail Srl with 1.55% of the share capital each.

In 2019, the company recorded operating revenues of Euro 26,669 thousand, and a profit of Euro 368 thousand.

TPB Soc.Cons.a r.l.

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

The other shareholders are Omnibus Soc. Cons. a rl with 10% and Autoguidovie SpA with 5% of the share capital.

In 2019, the company recorded operating revenues of Euro 94,615 thousand, and a profit of Euro 253 thousand.

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.

In 2019, the company recorded operating revenues of Euro 43 thousand, and a profit of Euro 19 thousand.

Omnibus Soc.Cons.a 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.

In 2019, the company recorded operating revenues of Euro 25,782 thousand, and a profit of Euro 689 thousand.

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.

In 2019, the company recorded revenues of Euro 4,521 thousand, and a profit of Euro 776 thousand.

2. THE INDUSTRY REGULATORY FRAMEWORK

The Tper Group operates in the local public transport sector, whose regulations were concerned by recent significant legislative and regulatory intervention, subject to a complex EU regulatory framework, and subsequently acknowledged by the national and regional legislation.

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

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

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

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

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

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

The same Budget Law for 2018 (Article 1, paragraph 71) provided for the possibility of using up to Euro 100 million from the Fund for the financing of pilot and innovative sustainable mobility projects, consistent with

Sustainable Urban Mobility Plans (SUMPs) where provided for by the 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.

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

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

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

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

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

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

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

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

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

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 TPL services for 2016-2018" of 16 May 2016, then updated by means of an Addendum to the 2019-2020 guideline.

Tper confirmed its fullest commitment to 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 June 2019, an Addendum was signed for the years 2019-2020, which takes account of the developments in the context and the reference scenarios.

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

The Pact provides for the overhaul of 600 buses by 2020 by means of a Euro 160 million investment, including Euro 80 million from the regional budget. The most outdated vehicles in the fleet will therefore be replaced. Moreover, the Pact provides for Euro 1 billion 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.

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

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

In implementation of Regulation (EU) 2018/1999, the MISE (Ministry of Economic Development), the MIT (Ministry of Infrastructure and Transport) and the Ministry of the Environment prepared the National Integrated Energy and Climate Plan, sent to the European Commission in January 2020. The Plan establishes the national 2030 targets on energy efficiency, on renewable sources and on the reduction of CO_2 emissions, as well as objectives regarding energy safety, interconnections, single energy market and competitiveness, sustainable development and mobility, outlining for each of them the measures that will be implemented to ensure they are achieved.

In relation to Government and regulatory initiatives implemented as a result of the COVID-19 emergency, please refer to the paragraph "Significant events after the close of the year".

3. The reference macroeconomic context

Macroeconomic scenario

The analyses conducted by institutes like Istat and the Bank of Italy on the 2019 economic performance are reported below, without prejudice to the fact that the events in the first quarter of 2020, linked to the Covid-19 emergency, greatly altered the national and international economic scenarios, affecting all sectors, including the public transport sector, which certainly needs an overall short-term review, but also in the long-term. A task that has already been undertaken at various local, national and European levels. Italy was hit by this emergency before other European nations, and was first to implement financial support measures, increasingly more necessary with the closure of various industrial activities, in trade and in services.

The year 2019 saw a continuation of the downturn in the global economy and the contraction in international trade, and the presence of significant risks attributable to protectionist tensions, the deceleration of activities in China and the timings and methods of the UK's exit from the European Union (Brexit).

Returning to the historical analysis, according to the economic statistics of the Bank of Italy, in 2019 and, in particular, in the fourth quarter, global trade increased and there were signs of an easing of the tariff disputes between the United States and China.

Economic activity in the Euro area was slowed by the weakness in manufacturing, with the risk of an impact on the growth in services. The economic performance impacted inflation, sustained by the monetary stimulus but still expected to be under 2% for subsequent years. In fact, inflation is low (0.5% in December). Services in particular contributed to the trend in prices, while the growth in the prices of industrial goods was still modest.

Economic activity in Italy, which increased slightly in the third quarter of 2019, remained stationary in the fourth, continuing to feel the effects, in particular, of the weakness of the manufacturing sector. The surveys by Istat and the Bank of Italy show that companies continue to consider the uncertainty and trade tensions as factors that hinder their activities.

The cost of borrowing fell for households, while the growth in loans was negative for companies, reflecting the weakness of demand for financing and, therefore, investments.

With reference to the ratio between net debt and GDP, the Bank of Italy reports a slight decrease in the net debt of Public Administrations in relation to GDP and an increase in the debt/GDP ratio.

The projections point to modest growth in global trade, albeit gradually recovering; accommodating monetary conditions, consistent with the stance confirmed by the Governing Council of the ECB; orderly trends on Italian financial markets, which translate to a low cost of borrowing for companies.

In view of the forecasts made in 2019, economic growth was exposed to significant risks, connected with geopolitical uncertainty, with trade conflicts and with weak performance of economic activities, in addition to doubts over the realisation of planned public investments or potential tensions on the financial markets. On the back of the occurrence of new events caused by the health emergency and the collapse of economic activity registered in March 2020, in consideration of the fall in production and consumption already recorded and the difficult short-term prospects, the official GDP forecast for 2020 was revised from a predicted increase of 0.6% to a decrease of 8%. This new forecast reflects a drop of more than 15% in GDP in the first half of 2020. These are the first figures subject to in-depth analysis, with all experts committed to a situation that is not only unexpected but totally unheard of in recent economic history.

The TPL (local public transport) sector

The trend in the demand and supply of the TPL sector showed a general decrease in the 2012-2017 period, albeit more evident on the demand side; conversely, the use of private transport rose slightly[1].

As recorded in the Conto Nazionale delle Infrastrutture e dei Trasporti (CNIT, 2019) - National Statistics Book of Infrastructure and Transport - for the group of main provincial towns and the metropolitan cities, they are demonstrated by the value of the fixed-base indexes (2012=100) relative to demand and supply of public transport, supported by the rate of car ownership as an indicator of the demand for private transport.

The interaction between demand and supply of road-based TPL can be analysed through the evolution of the load factor (which synthesises the number of passengers transported/service kilometres travelled) in contrast to that of the number of seats offered by kilometre. The increase in the load factor recorded over the years is due not to an increase in demand, which has actually fallen, but the gradual contraction in supply, which has dropped by a total of more than 20%. It also needs to be taken into account that, in calculating demand (passengers/km), the number of passengers (and therefore tickets) is known, but not the distance covered by each one, nor the actual use of passes.

table 1: public transport demand and supply

	2006	2010	2012	2013	2014	2015	2016	2017	2018	var.%
Urbano										
Passenger-km	11.625	12.085	10.970	11.022	11.196	10.950	11.020	11.594	11.221	-3,48
Seat-km	71.663	68.456	63.966	61.987	62.701	60.130	58.691	56.933	56.420	-21,27
Load factor	16,22%	19,04%	17,15%	17,78%	17,86%	18,21%	18,78%	20,36%	19,89%	22,60%
Extraurbano										
Passenger-km	17865	16.825	16.995	17.125	17.905	17.783	17.452	17.174	17.778	-0,49
Seat-km	70.356	73.623	69.252	70.418	70.862	70.746	67.822	66.163	65.567	-6,81
Load factor	25,39%	22,85%	24,54%	24,32%	25,27%	25,14%	25,73%	25,96%	27,11%	7,15%

Fonte: elaborazione dati CNIT (2019)

[1] More specifically, in 2017, according to the CNIT, the TPL sector recorded a 0.9% drop in supply and a decrease of 2.2% in demand, while the car ownership rate rose by 1.6%.

The mobility supply can be analysed in more detail by also looking at the number of seats per kilometre in the large Municipalities[2] and in the metropolitan cities, broken down by transport vehicle.

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

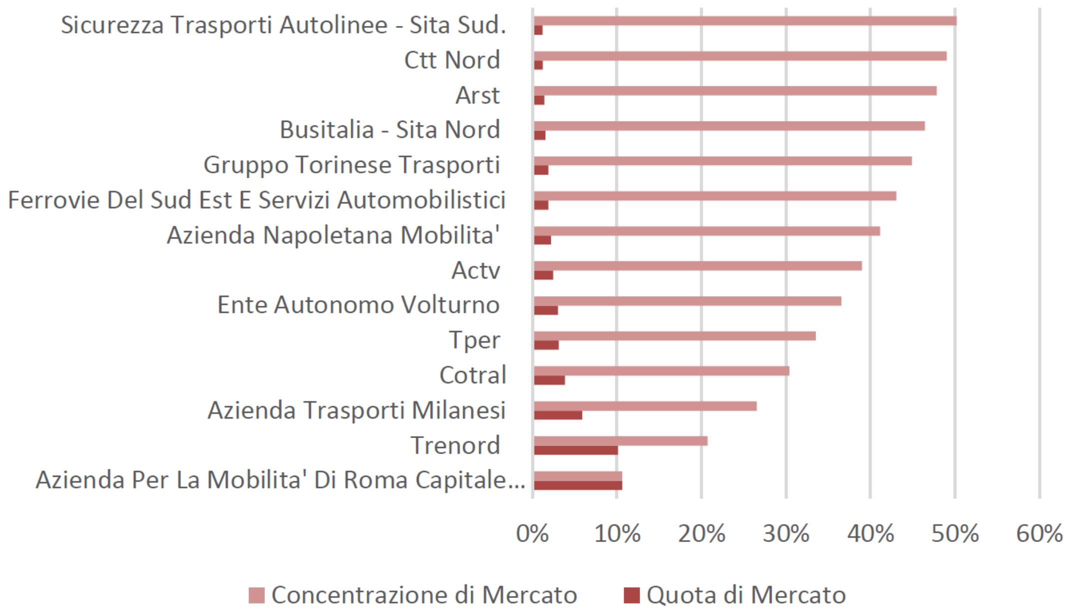
The sector is marked by a certain degree of inconsistency between the regional areas of the country; this is clearly shown by the data relating to some indicators which capture their production trends, such as average speed and seats-passengers per km or the characteristics of the fleet of vehicles in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

The average speed, or "commercial speed", of the TPL is the ratio between the length of the journeys taken and the journey times, expressed in km/h. Its value depends on the amount of road congestion, frequency of vehicle stops, urban planning structure and road conditions; in turn, it conditions the productivity of drivers and rolling stock, fuel consumption and vehicle maintenance. In fact, it is therefore one of the main indicators of the quality of the service and the driver which has a more significant impact on its supply costs, on the one hand, and on journey times on the other. By impacting on the cost of time spent by users, commercial speed is also a factor that encourages or discourages passengers to use public transport.

In 2016, this indicator registered, in road-based TPL, a value above the Italian average (sitting at 19.4 km/h) in the north-east and centre, while in the north-west it was lower than in the other areas (see Figure 1). Confcommercio estimates that, in the main Italian urban centres, passengers travel at an average speed of roughly 15 km/h, which becomes approximately 7-8 km/h if we take into consideration peak times. The traffic criticality in Italian cities is shown more clearly by the INRIX - Global Traffic Scorecard (2019), according to which, in 2018, Rome inhabitants lost 254 hours in traffic, while there are 5 Italian cities in the top 25 cities worldwide in terms of hours lost in traffic: in addition to Rome, Milan, Florence, Naples and Turin are on the list.

As regards the size of the companies operating in said sector, the analysis of the market shares of urban and extra-urban TPL shows that 50% of sector turnover is split between 14 companies. The first four operate in two Regions (Lazio and Lombardy) and have a combined turnover which accounts for 30% of the total turnover of the sector, while 17% of the market is occupied by companies that manage the TPL in the cities of Rome and Milan.

[2] Municipalities with a population exceeding 200,000 inhabitants.



Source: National Monitor – Transport Report on Aida-Bureau Van Dijk data

4. *Main events of 2019*

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 trolleybus conversion of the main lines of urban public transport, which Tper manages and executes; as a result of the latest discussions between MIT (Ministry of Infrastructure and Transport), Tper and the Municipality of Bologna, targeted at the definition of the methods of drawdown of the funds assigned, the latter was again recognised as the direct beneficiary of the funds, albeit with Tper retaining the role of implementing entity of the project. 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 14/04/2017.

The Project was thus revised, excluding the already financed trains. As a whole, it is now worth Euro 255.3 million, net of VAT, and covers, concisely,

1. the stops of the Metropolitan Railway Service (SFM)

2. accessibility works on SFM stops

3. the SFM station branding project

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

5. 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 22/12/2017 published in the Official Gazette of 15/06/2018. As a result of the financing granted by MIT to the Municipality of Bologna for the construction of the red line of the TRAM and the loans granted for the design of additional lines (4 expected), in the second half of 2019 it was necessary to revise the Pimbo project, still in progress, to verify it as part of the provisions contained in the PUMS adopted in the metropolitan area of Bologna which makes provision for investments in tramway lines. Therefore, procedures were suspended relating to the preparation of the necessary deeds for publication of the calls for tender for the initial works pending the definition, as part of a specific technical round-table group with the Municipality of Bologna, of the full consistency of the project with the planned new investments. Again in 2019, it was also necessary to revise the process of fund assignment, for which the Municipality of Bologna is expected to be the beneficiary of the project, while Tper remains the implementing entity.

Extension of the service contracts

The process of verification regarding the extension of the duration of the Service Contracts for management of the local public transport services in the Bologna and Ferrara areas served by Tper was completed in 2019.

In November 2019, pursuant to the provisions of Article 4, paragraph 4 of European Regulation 1370/2007, also referenced by regional law 30/98 and subsequent amendments and additions under Article 13, paragraph 10 - the extension of the Service Contracts for the award of the local public transport in the areas served by TPER was formalised by the Mobility Agencies of Bologna and Ferrara.

The extension was set for a term of an additional 4 years (until 31/08/2024 for the Bologna area and until 16/12/2023 for Ferrara). Investments are planned for the overhaul of facilities and rolling stock, with a view to boosting the efficiency of the service and reducing consumption and environmental emissions, in line with national and regional planning on environmental sustainability, and, more specifically, in line with the PUMS of the respective Bologna and Ferrara areas.

Parking service in the Municipality of Bologna

In 2019, activities related to the Parking Plan and additional mobility services/activities for the Municipality of Bologna continued, based on the service contract signed in 2018.

The services provided concerned the following areas:

- management of the regulated parking on the road;
- management of pay parking in facilities used for parking;
- management of the permit issuing service;
- management of bicycle mobility services.

On 31 December, in agreement with the Municipality and SRM, the bike sharing service was terminated due to the start-up, in the Bologna area, of the free-flow Mobike service.

During the year, parking commenced in the underground part of the on-site car park S. viola in Via della Ferriera and the former Panigal car park in Borgo Panigale was closed.

Permit management was especially involved in the campaign relating to the establishment of "ZTL ambientale" (environmental restricted traffic zone), which entailed, for tens of thousands of Bologna inhabitants, the application of measures regarding traffic in the protected zones of the historic centre, parking on the entire territory of the 'sosta cittadino' (city parking) Plan (for the second and third cars of each family unit), as well as the provision of incentives to reward environmentally responsible behaviour in their mobility-related decisions.

The assignment to Tper of activities relating to the Parking Plan was envisaged contractually until the end of 29 February 2020, after which they continued based on the extension granted pending the new tender, already called, for which Tper has submitted an application for participation.

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

All the civil and plant engineering works were completed in 2018, while activities to test the entire system continued. 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 2020, having obtained, in 2019, the authorisation for the opening of the transport system to the public from the Ministry of Transport and the other competent authorities.

To complete the project procedure, in 2019, the process was also defined which will lead, in 2020, together with the launch of the service, to the thirty-year concession to Tper of the infrastructural branch of the project, according to the original provisions of the project.

5. *Trend in operations*

The performance levels of the previous years were confirmed in 2019.

In particular, the total production disbursed during the year for passenger bus service was about 44.5 million kilometres, as follows:

Automotive road service	2019	2018
Total kilometres planned	**44.514.083**	**44.250.552**
- Bologna (TPB)	35.619.107	35.443.680
- Bologna urban service	17.967.742	17.893.240
- Various municipality services	695.634	712.831
- Suburban and extra-urban service	16.899.701	16.778.031
- Specialized lines, reserved and rentals	56.030	59.578
- Ferrara (TPF)	8.894.976	8.806.872
- Urban service	2.442.762	2.154.572
- Extra-urban service	5.304.671	5.517.047
- Extra-urban taxibus service	1.145.839	1.132.910
- Specialized lines, reserved and rentals	1.704	2.344

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 by, respectively, TPB and TPF, owned by TPER.

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

Railway service	2019	2018
Total kilometres per Service Contract	5.898.091	5.899.406
- Railway kilometres	4.942.623	5.043.271
- Service on the RFI network	2.604.235	2.405.363
- Service on the Fer network	2.338.388	2.637.908
- Replacement bus kilometres	585.920	549.967
- Service performed	585.920	549.967
- Other / transfers	369.548	306.168
- Service on the RFI network	148.726	94.188
- Service on the Fer network	220.822	211.980

(*) The table shows the data of passengers carried relating to the complex of services managed in the Bologna and Ferrara areas by, respectively, TPB and TPF, owned by TPER. For the railway service the data are estimated according to the passenger visits

The total passengers transported during the year were 154.7 million, as follows:

Passengers transported	2019	2018
BOLOGNA AREA		
PASSENGERS URBAN SERVICE	117.110.295	115.320.708
AIRPORT CONNECTION BUS	1.568.723	1.347.334
PASSENGERS SUBURBAN/EXTRA-URBAN SERVICE (°)	19.427.163	18.587.857
PASSENGERS SPECIALISED LINES, RENTALS, RESERVED	164.740	243.177
TOTAL BOLOGNA	138.270.921	135.499.076
FERRARA AREA		
PASSENGERS URBAN SERVICE	9.209.189	8.929.323
PASSENGERS EXTRA-URBAN SERVICE	4.366.854	4.525.495
TOTAL FERRARA	13.576.043	13.454.818
RAIL PASSENGERS ON THE FER NETWORK (*)	6.996.846	6.901.498
RAIL PASSENGERS ON THE TRENITALIA NETWORK (*)	5.255.288	4.939.742
TOTAL	**164.099.098**	**160.795.134**

(*) The table shows the data of passengers carried relating to the complex of services managed in the Bologna and Ferrara areas by, respectively, TPB and TPF, owned by TPER. 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 164 million in total - increased by 2.1% 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	2019				2018			
	Total	Area Bologna	Area Ferrara	Service Rail	**Total**	Area Bologna	Area Ferrara	Service Rail
Annual season tickets	110.658	94.219	13.751	2.687	103.267	87.206	13.650	2.411
urban	77.106	68.330	8.776		72.772	64.583	8.189	
extra-urban	22.486	17.611	4.875		23.871	16.099	5.361	2.411
Entire network	8.378	8.278	100		6.624	6.524	100	
Monthly season tickets	775.764	647.139	69.196	59.429	688.269	575.224	56.432	56.613

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.

The average age of the entire vehicle fleet at the end of 2019 was 12.7 years, while that of trolleybuses was 10.9 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.

6. Investment Management

TPER's investments plan relating to the three-year period 2019-2021 provides for the purchase of new vehicles in the automotive and railway sectors and the performance, as implementing entity, of works aimed at the development of more effective and sustainable mobility, technological development and in the field of Information Technology.

Investment	Amount (Millions of Euros)	Objectives of the Strategic Metropolitan Plan and of PUMS (Bologna and Ferrara areas)	Urban Agenda Objectives for sustainable development	United Nations Sustainable Development Goals (SDGs)
PURCHASE OF RAILWAY ROLLING STOCK AND FACILITIES	11.8	Regional protection (air quality and climate change), city development and accessible and sustainable mobility	Adaptation to climate change and reduction of disaster risk	Construct a resilient infrastructure, promote innovation and fair, responsible and sustainable industrialisation
PURCHASE OF NEW ROAD-BASED LOCAL PUBLIC TRANSPORT SERVICE VEHICLES AND ASSOCIATED INFRASTRUCTURES	17.7		Urban mobility	Making cities and human settlements inclusive, safe, resilient and sustainable
PARKING BRANCH INVESTMENTS	2.8			
PROJECT TPGV - CREALIS	182.0			
PIMBO - PROGETTO DI FILOVIARIZZAZIONE E RETE FERROVIARIA METROPOLITANA (TROLLEYBUS CONVERSION AND METROPOLITAN RAILWAY NETWORK PROJECT)	255.0	Metropolitan Bologna: positioning and Governance An authentic tourist destination Regional Bologna Hub: economic development and the role of the major functional and productive hubs	Air quality	Adopt urgent measures to tackle climate change and its consequences
IT AND MODERNISATION (INCLUDES STIMER)	11.04	Territory, city and mobility. Towards the first integrated metropolitan mobility plan		

The investments indicated refer to the 2019-2021 plan, with the exception of the PIMBO and TPGV projects which have a long-term significance and for which the total value is indicated. For more details on the PIMBO and TPGV projects, please refer to the contents of the paragraph "Main events of 2019".

The investments respond, among other things, to the local, national and international objectives regarding sustainable development.

In 2019, the Tper Group invested approximately Euro 26 million.

With reference to surface vehicles, as part of the projects targeted at the gradual replacement of all diesel vehicles with hybrid buses, it should be noted that, in 2019, Tper completed the purchase of 28 12-metre long Mercedes-Benz hybrid buses, Citaro model; one batch of 16 was acquired in 2018 and a batch of 12 in 2019.

These are new two-door, comfortable, air conditioned vehicles fitted with equipment suitable for disabled persons. The value of the supply is Euro 6.2 million, with company self-financing of Euro 5.5 million; 10% of the investment is covered by EU funds of the Emilia-Romagna Region.

Consequently, the company was able to scrap Euro 0 and Euro 1 buses and also reduce the number and use of Euro 2 vehicles.

In addition, in 2019, in order to accelerate the modernisation of the fleet, 37 new vehicles produced by Iveco were acquired: twenty 12-metre long Crossway and seventeen 18-metre long Urbanway vehicles.

7. Reclassified Group income statement

Thousands of euros	2019	2018	Change	% Change
TPL line services	202,605	198,366	4,239	2%
Railway line services	92,273	89,143		4%
Parking and car sharing	16,934	16,078	856	5%
Other operating revenues	16,859	13,789	3,070	22%
Operating revenues	**328,670**	**317,375**	**11,295**	**4%**
Personnel costs	131,921	128,155	3,766	3%
Cost for services	99,566	95,539	4,027	4%
Trade receivables	44,719	41,319	3,400	8%
Use of third-party assets	7,997	9,822	(1,826)	-19%
Other operating costs	4,952	5,810	(858)	-15%
Operating costs	**289,154**	**280,646**	**8,509**	**3%**
Gross operating margin - EBITDA	**39,516**	**36,729**	**2,787**	**8%**
Amortisation/depreciation	**22,487**	**16,075**	**6,412**	**40%**
Value write-downs/(reversals)	**1,798**	**2,264**	**(467)**	**-21%**
Change in funds for provisions	**6,104**	**2,184**	**3,920**	**180%**
Operating margin - EBIT	**9,127**	**16,207**	**(7,080)**	**-44%**
Total financial income (charges)	**(1,927)**	**(2,003)**	**76**	**-4%**
Share of profit / (loss) of equity investments accounted for using the equity method	**66**	**843**	**(777)**	**-92%**
Pre-tax profit/(loss)	**7,266**	**15,048**	**(7,781)**	**-52%**
Income taxes	**313**	**1,673**	**(1,360)**	**-81%**
Net profit/(loss) for the year (Group and Minority Interests)	**6,954**	**13,375**	**(6,421)**	**-48%**
of which: Profit attributable to the Group	6,871	13,083 -	6,212	-47%
Profit attributable to Minority Interests	83	292 -	209	-72%

The Group's operating revenues rose by 4% (Euro 11 million), up from Euro 317,375 thousand in 2018 to Euro 328,670 thousand in 2019.

The operating costs followed the growth in the value of production, registering an increase of +3%, while the Group's gross operating margin (EBITDA) rose by 8% (Euro 3 million), up from Euro 36,729 thousand in 2018 to Euro 39,516 thousand in 2019.

The Group's profit for the year came to Euro 6,954 thousand, 48% lower than the result in the previous year, due in particular to the change in funds for provisions which, in 2019, stood at Euro 6,104 thousand.

8. *Reclassified Group statement of financial position*

Thousands of euros	31 /12 /2019	31 /12 /2018	change
Non-current financial assets			
Tangible assets	211,732	213,383	(1,650)
Intangible assets	23,626	24,119	
Assets for rights of use	13,289	0	13,289
Equity investments	15,021	15,340	(319)
Assets for contributions and other non-current assets	145	1,670	(1,525)
Deferred tax assets	3,377	2,346	1,031
A. Non-current financial assets	267 , 190	256 , 858	10 , 332
Trade receivables inventories	22,391	22,724	(333)
Trade receivables	77,537	63,377	14,160
Trade liabilities	(53,964)	(49,542)	(4,422)
Assets for contributions and other current assets	11,924	11,849	74
Other current liabilities	(33,390)	(31,048)	(2,342)
Current funds for provisions	(5,186)	(5,498)	312
B. Working capital	19 , 311	11 , 862	7 , 449
C. Gross invested capital (C=A+B)	286 , 501	268 , 720	17 , 781
Non-current non-financial liabilities			
Non-current funds for provisions	(48,959)	(48,408)	(551)
Other non-current liabilities	(21,335)	(20,887)	(448)
D. Non-current non-financial liabilities	(70,294)	(69,295)	(999)
E. Net invested capital (E=C+D)	216 , 207	199 , 425	16 , 783

The "Net invested capital" of the Group as at 31 December 2019, amounting to Euro 216,207 thousand, increased by Euro 16,783 thousand compared to 31 December 2018.
The "Non-current financial assets" of the Group as at 31 December 2019 came to Euro 282,237 thousand, marking an increase of 4% compared to 2018, attributable essentially to assets for rights of use booked in 2019 following the entry into force of IFRS 16.
The "Operating capital" of the Group, amounting to a positive Euro 19,311 thousand as at 31 December 2019, recorded an improvement of Euro 7,449 thousand compared to 31 December 2018. The trends as regards the change in the various components of operating capital of the Group are better analysed in the explanatory notes to the consolidated financial statements.

Thousands of euros	31 /12 /2019	31 /12 /2018	change
Bond issues	94,648	94,428	220
Non-current bank loans	8,062	14,352	
Derivatives and other non-current financial liabilities	550	1,342	(793)
Long-term liabilities for leased assets	10,053	0	10,053
Non-current financial liabilities	(7,869)	(7,005)	(864)
Non-current financial balance	105,444	103,117	2,327
Current bank loans	5,331	5,427	(95)
Trade receivables	2,944	0	2,944
Other current financial assets	(1,122)	(652)	(470)
Cash and cash equivalents	(55,441)	(68,807)	13,367
Current financial balance	(48,287)	(64,033)	(15,746)
Net financial position	57,156	39,084	18,072

The "Net financial position" of the Group, amounting to Euro 57,156 thousand as at 31 December 2019, worsened by Euro 18,072 thousand compared to 31 December 2018, due primarily to the liquidity absorbed by investing activities.

9. Reclassified income statement of the Parent Company

	2019	2018	Change	% Change
TPL line services	173,744	170,610		2%
Railway line services	70,100	65,389	4,711	7%
Parking and car sharing	17,205	16,103	1,102	7%
Other operating revenues	9,820	8,919	901	10%
Operating revenues	270,869	261,022	9,847	4%
Personnel costs	117,917	114,716	3,202	3%
Cost for services	74,531	69,379	5,152	7%
Trade receivables	35,098	34,076	1,022	3%
Use of third-party assets	9,706	9,276	430	5%
Other operating costs	3,749	4,949	(1,200)	(24%)
Operating costs	241,001	232,396	8,605	4%
Gross operating margin - EBITDA	29 , 868	28 , 626	1 , 243	4%
Amortisation/depreciation	17 , 235	14 , 441	2 , 793	19%
Value write-downs/(reversals)	1 ,244	1 ,941	(697)	(36 %)
Change in funds for provisions	5 ,675	2 ,176	3 , 500	161%
Operating margin - EBIT	5 , 714	10 , 067	(4 , 353)	(43 %)
Total financial income (charges)	(1 , 680)	(1 , 878)	198	-11 %
Pre-tax profit/(loss)	4 , 034	8 , 189	(4 , 155)	-51 %
Income taxes	(1 , 179)	(91)	(1 , 088)	1191%
Net profit/(loss) for the year	5 , 213	8 , 280	(5 , 242)	(63 %)

The operating revenues of the Parent Company rose by 4% (Euro 9.8 million), up from Euro 261,022 thousand in 2018 to Euro 270,869 thousand in 2019.

The operating costs followed the growth in the value of production, recording an increase of +4% (increase of Euro 8.6 million). The gross operating margin (EBITDA) reported the same trend, up by 4% (Euro 4.3 million), from Euro 28,626 thousand in 2018 to Euro 29,868 thousand in 2019.

The profit for the year of the Parent Company came to Euro 5,213 thousand, 63% lower than the result in the previous year, amounting to Euro 8,280 thousand, due primarily to the change in funds for provisions which, in 2019, stood at Euro 5,675 thousand.

10. Reclassified statement of financial position of the Parent Company

Thousands of euros	31 /12 /2019	31 /12 /2018	change
Non-current financial assets			
Tangible assets	199,170	199,235	(65)
Intangible assets	992	1,091	(99)
Assets for rights of use	5,464	0	5,464
Equity investments	54,689	54,689	(319)
Assets for contributions and other non-current assets	19,679	14,005	(1,525)
Deferred tax assets	3,612	2,543	1,031
A. Non-current financial assets	283 , 605	271 , 563	4 , 486
Trade receivables			
inventories	11,685	11,425	260
Trade receivables	78,684	67,118	11,566
Trade liabilities	(48,578)	(44,358)	(4,221)
Assets for contributions and other current assets	10,535	12,794	(2,259)
Other current liabilities	(30,812)	(28,742)	(2,070)
Current funds for provisions	(5,186)	(5,498)	312
B. Working capital	16 , 328	12 , 740	3 , 588
C. Gross invested capital (C=A+B)	299 , 933	284 , 303	15 , 630
Non-current non-financial liabilities			
Non-current funds for provisions	(51,239)	(51,289)	49
Other non-current liabilities	(21,335)	(20,887)	(448)
D. Non-current non-financial liabilities	(72 , 574)	(72 , 176)	(398)
E. Net invested capital (E=C+D)	227 , 359	212 , 127	15 , 232
Non-current assets and groups of assets held for sale and discontinued operations	7,177	0	7,177
Liabilities associated with disposal groups	(4,177)	0	(4,177)
Total net invested capital and assets and liabilities associated with disposal groups	230 , 359	212 , 127	18 , 232

The "Net invested capital" of the Parent Company, amounting to Euro 227,359 thousand as at 31 December 2019, increased by Euro 15,232 thousand compared to 31 December 2018.
The "Non-current financial assets" of the Parent Company as at 31 December 2019 came to Euro 283,605 thousand, marking an increase of Euro 4.4 million compared to 2018, attributable essentially to assets for rights of use booked in 2019 following the entry into force of IFRS 16.
The "Operating capital" of the Parent Company, amounting to a positive Euro 16,328 thousand as at 31 December 2019, increased by Euro 3,588 thousand compared to 31 December 2018. The trends as regards the change in the various components of operating capital of the Parent Company are better analysed in the explanatory notes to the separate financial statements.

Thousands of euros	31 /12 /2019	31 /12 /2018	change
Bond issues	94,648	94,428	220
Non-current bank loans	7,978	13,297	
Derivatives and other non-current financial liabilities	509	566	(57)
Long-term liabilities for leased assets	6,531	0	6,531
Non-current financial liabilities	0	0	(864)
Non-current financial balance	109,444	103,292	511
Current bank loans	5,319	5,319	0
Trade receivables	2,944	0	2,944
Other current financial assets	0	0	0
Cash and cash equivalents	(38,231)	(51,722)	13,491
Current financial balance	(29,967)	(46,403)	(16,435)
Net financial position	79,699	61,889	16,946

Tper's "Net financial position", amounting to Euro 79,699 thousand as at 31 December 2019, worsened by Euro 16,946 thousand compared to 31 December 2018, due primarily to the liquidity absorbed by investing activities.

11. Corporate governance

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

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

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

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

The corporate bodies are:

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

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

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

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

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

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

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

12. Human resources

As at 31 December 2019, Tper's staff consisted of 2,583 people, broken down as follows by professional category:

- 12 executives;
- 53 middle managers;
- 292 white-collar staff;
- 2,226 blue-collar staff (including 226 apprentices).

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

During 2019, the company hired 197 new employees as part of the reorganisation and development process: of these 7 with a fixed-term contract, 106 with an apprenticeship contract, 1 executive and 83 with a permanent contract.

In addition, 21 staff were hired under an agency contract, of which the majority (16 staff) were employed in response to a temporary increase in Sosta – Contrassegni (Parking - Permits) activities for the management of the ZTL ambientale (environmental restricted traffic zone).

Employees as at 31/12	*2019*	*2018*	*CHANGE*
Executives	12	12	0
Middle managers	53	53	0
White-collar staff	292	290	2
Blue-collar staff	2,000	2,016	-16
Apprentices	226	143	83
Associates	0	0	0
Total	**2,583**	**2,514**	**69**

Number of personnel: equivalent units	*2019*	*2018*	*CHANGE*
Average for the year	2,468	2,403	65
As at 31/12	2,508	2,434	74

The professional growth of employees is a key aspect for TPER. Therefore, also in 2019 the company continued to offer intensive training for 69,938 hours, of which more than 20% concerned the health and safety training programmes - 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.

No particularly significant workplace accidents occurred in 2019.

13. *INFORMATION ON THE MAIN RISKS AND UNCERTAINTIES*

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

Financial risks

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

Credit risk

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

Liquidity risk

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

Risk of default

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

- the loan granted by BNL for the purchase of seven trains makes provision for the obligation to respect, for the entire duration of the loan, the following financial covenant:
  (i) the ratio between the consolidated net financial position and consolidated shareholders' equity must not exceed 1.5 until full repayment of the loan;
- the bond envisages the obligation of respecting, for the entire duration of the debt:
  (i) the ratio between the consolidated net financial position and consolidated shareholders' equity must not exceed 1;
  (ii) the ratio between the consolidated net financial position and consolidated EBITDA must not exceed 3.5.

Respect for these covenants is monitored by the Group and, at the current state of play, all covenants have been observed.

Commodity price risk

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

Operating risks

Regulatory risks

Tper carries out primarily public utility activities based on a regulated tariff, therefore a potential source of uncertainty stems from the evolution of the reference legislative and regulatory context, which impacts the

methods of assignment of services, the fares applied to users and the levels of service quality required and, therefore, the results and operating performance.
Tper continuously monitors the developments of laws and rulings, and engages in constant and constructive dialogue, also via the trade association, with the Authorities and Institutions.
An additional risk factor, which however also represents an opportunity, is the possible evolution of TPL in relation to the future development of mobility in cities and new technologies and applications introduced to the market, also with a view to greater environmental sustainability.
The risks generated within the organisation by current operations and company processes also fall under operating risks.

Malfunctioning and unexpected interruption of the service and/or claims

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

Environment, Health and Safety

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

Human resources

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

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.

14. Significant events after the close of the year

Transfer of railway business unit

Trenitalia SpA and Tper SpA established Trenitalia Tper Scarl (formerly SFP Scarl) (Trenitalia 70% and TPER 30%), a jointly controlled company, following a specific agreement between the partners at the tender phase. The company was incorporated in compliance with the call for tenders for the management of the railway local public transport of Emilia-Romagna and regional law no. 30/1998 ER.

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

From 1 January 2020, Trenitalia Tper Scarl therefore became the operating manager of the passenger transport Service Contract, consequently providing the regional railway transport services of Emilia-Romagna directly.

The new company Trenitalia Tper, incorporated in the form of a limited liability consortium company, also makes use of the shareholders Trenitalia and Tper for the performance of all the activities set forth in the new service contract, for a duration of 15 plus 7 years. More specifically, by way of an example, Tper will provide the rolling stock acquired based on prior recognition of a consideration for use.

Covid-19

The explosion of the Coronavirus in Italy in the second half of February 2020 also hit local public transport hard.

Tper reacted immediately and with vigour to protect the safety of its employees and customers, obtaining personal protective equipment, systematically sanitising vehicles and work premises, modifying procedures and shifts, making full use of remote working where possible.

The explanatory notes to the consolidated financial statements, to which reference should be made, summarise, in more detail, the provisions implemented by Tper also in response to the regional orders and the Decrees of the Ministry of Health and Ministry of Transport plus the additional obligations undertaken with the public service contract client.

The public transport service always continued, without any interruption, as did all accessory activities, with the utmost dedication from all employees.

At the moment of drafting of the financial statements, we appear to have passed the peak of the Coronavirus, but the emergency is still not over. The overall economic situation, the restrictions still in force as well as the special rules for the management of public transport in force at the time of the close of the 2019 financial year mean it is not possible to estimate the effects of the Coronavirus emergency on Tper's 2020 financial statements. As of today, the economic and financial repercussions are extremely negative, but not as such to compromise business continuity.

The economic and operating impacts of the Covid-19 emergency on the Tper Group's activities are currently being determined. As part of the evaluation of the correctness of the going concern assumption, the Directors have identified a series of areas of concern, linked to the restrictions and the subsequent reduction in ticketing revenues as well as their possible repercussions on expected profitability for the current year and on the related cash flows.

Despite a context which is extremely complex and unforeseeable at present, the Directors evaluated the significance of the circumstances linked to Covid-19 in relation to the company's capacity to fulfil its obligations. This evaluation included the consideration of the following elements:

- THE EFFECTS OF THE GOVERNMENT PROVISIONS ALREADY IMPLEMENTED TO SUPPORT LOCAL PUBLIC TRANSPORT;
- THE OTHER ACTIONS TAKEN AND THOSE THAT ARE EXPECTED TO BE TAKEN BY THE NATIONAL AND SUPRANATIONAL AUTHORITIES TO TACKLE THE HEALTH CRISIS AND DEAL WITH THE RELEVANT ECONOMIC AND FINANCIAL FALL-OUT;
- THE AVAILABILITY OF LIQUIDITY RESERVES OR OTHER FORMS OF ACCESS TO CREDIT WHICH WOULD ALLOW THE TPER GROUP TO GET THROUGH THE NEXT 12 MONTHS WITH LOWER PASSENGER TRAFFIC, WITHOUT ENDING UP IN A POSITION WHEREBY ITS BUSINESS CONTINUITY IS COMPROMISED.

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

The recent legislative provisions that also concern the mobility and public transport sector show that it is the subject of close attention: these involve initiatives at the definitive approval phase which can help to mitigate the critical aspects. The company took steps to carry out careful monitoring in order to fully implement the regulations and adopt all possible measures to support the sector.

It should be noted that, from 18 May 2020, the Ministry of Infrastructure and Transport updated the "Guidelines" of public transport for the methods of information to users and the organisational measures for containing the spread of Covid-19.

The aforementioned guidelines set out social distancing measures and the obligation to wear a mask when using public transport, together with other rules of conduct in stations and terminals and some changes were introduced to increase the capacity of public transport vehicles under safe conditions.

Lastly, Decree Law no. 34/2020, which contains a number of provisions concerning local public transport, establishes a fund for compensating regional and local passenger public transport service operators that are subject to the public service obligation, for the negative effects in terms of the reduction of revenues as a result of the Covid-19 epidemic, as well as provides for the non-reduction of fees for long-distance and indivisible interregional rail services. Provision is also made for the advance payment to ordinary-statute regions, in a single instalment, by 30 June 2020, of 80% of the national TPL Fund and the application, also for 2020, of the current criteria for the distribution of the Fund, as well as a cash advance by 31 July 2020 for companies awarded TPL service contracts and the refund, for those unable to use travel tickets and rail or local public transport passes due to the Covid-19 restrictions, through the issuing of a voucher or extension of the pass.

15. Business outlook

The significant uncertainties linked to the COVID-19 health emergency, both in terms of its duration and the macroeconomic impact, make it extremely difficult to make reliable forecasts of the expected results in the current year. The Group is mainly active in regulated activities and is therefore potentially not subject to volatility, and so to extremely low volatility.

On the other hand, the macroeconomic impacts could have further repercussions which are not foreseeable at present. The Group is carefully monitoring the development of the situation.

The Group's top priority is a full return to the level of pre-crisis activity, in respect of the regulatory provisions that significantly limited the freedom of individual movement, with the objective of containing and preventing the spread of the epidemic and ensuring the protection of the public's health.

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

16. INTERCOMPANY RELATIONS AND TRANSACTIONS WITH RELATED ENTITIES

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

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

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

Thousands of Euros		Sales to related parties	Purchases from related parties	Receivables from related parties			Payables to related parties		
				trade	financial	total	total	trade	financial
Associates									
SETA S.P.A.	2018	1,450	203	508		508	60	60	
	2019	1,300	258	635		635	125	125	
CONSORZIO TRASPORTI INTEGRATI	2018	47,858	30	13,281		13,281	0	0	
	2019	18,366	341	3,319		3,319	312	312	
TRENITALIA TPER SCARL	2018	42	0	42		42	225	225	
	2019	31,880		18,541		18,541	0	0	
MARCONI EXPRESS S.p.A.	2018	579	0		7,651	7,651	0	0	
	2019	826	80	1,008	8,559	9,568	80	80	
Total	2018	**49,929**	**233**	**13,831**	**7,651**	**21,482**	**285**	**285**	**0**
	2019	**52,372**	**679**	**23,503**	**8,559**	**32,062**	**517**	**517**	**0**

17. RESEARCH & DEVELOPMENT ACTIVITIES

In 2019, research and development activities related to the following projects got under way and/or continued.

Roger

In accordance with the public transport companies of Emilia-Romagna, ROGER is available from 2018, an application that enables users to buy tickets and passes and turn their mobile phone into a technological substitute for said ticket (or the Mi Muovo card). Using ROGER, the ticket is validated directly on board using your mobile phone. ROGER works with any Android smartphone, both with and without NFC, and also Apple world, and can also be used as a virtual mobility assistant.

In 2020, ROGER is expected to integrate the Bologna car sharing service 'Corrente', making it possible not only to book and unlock the vehicle, but also to understand which bus you can take to get to the closest free car or where best to get off the bus to use the car sharing service to get to your destination, if not well catered for by the traditional public transport network. And even where to park your private car (also paying for parking) and then taking 'Corrente' to get to the centre using fast tracks and crossing ZTL (restricted traffic zones).

On-board video surveillance system for buses

In 2019, projects were launched for the installation of video surveillance systems on urban buses. The project consists of on-board equipment composed of video cameras, video recorders, motion sensors and 4G/wifi routers and 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.

The video surveillance system was activated on 340 buses in 2019.

EMV ticketing system

In 2019, the tender procedures were carried out for the new 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.

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.

The system is expected to launch in 2021.

Smart posts

As part of the plan to overhaul information panels at stops, new installations of information posts were also carried out in the extra-urban environment to improve information for users and accessibility to public transport via real-time information.

In particular, there were 11 new installations:

- 4 in Imola
- 2 in Pieve Di Cento
- 3 in Argelato
- 2 in Granarolo.

A total of 184 information panels are installed and operational in the two Bologna and Ferrara areas.

People mover ticketing

In 2019, the ticketing system of the People Mover service was created and tested.
Considering the unique characteristics of users with a large proportion being business users and tourists, the system was created by using new EMV and QR_code technologies: the first to allow credit card ticketing, the second facilitates the purchase of individual tickets or group tickets on the web.
The validators also allow contactless ticketing compatible with the regional Mimuovo card.
The 3 stations are equipped with turnstiles and new-generation validators and automatic ticketing machines for the immediate purchase of tickets.
The ticketing system passed the tests conducted by Visa and Mastercard network personnel.

Implementation of smart working technologies

A smart working project was launched in 2019, almost foretelling the health emergency of the start of 2020, in order to create the technical and procedural conditions for working from home.
The infrastructural solution was identified which enables workers to use at home the same tools that would be available in the workplace.

This work method was expected to be trialled and gradually disseminated, but, all of a sudden, the project was ramped up to allow 230 workers to be placed into smart working mode in March 2020.

Mobility bonus

The "Mobility bonus" is an incentive for using public transport and other alternative forms of sustainable mobility to your car, introduced by the Municipality of Bologna from 1 January 2020 and for the next 5 years, which aims to limit the circulation of polluting vehicles. The incentive is available for all citizens residing in the historic centre, to whom the permit for access to the restricted traffic zone will gradually be revoked, provided that they do not request a new permit: citizens entitled to this bonus can express their intention to benefit from this incentive to the permit office or on Tper's on-line services portal, and allocate the amount due between the various forms of sustainable mobility specified hereunder:

- Public Transport (TPER, Trenitalia): purchase of tickets or passes, in the ticket office, on-line or using the Roger app
- Car Sharing (Enjoy, Corrente): purchase of vouchers or credit for using car sharing services
- Bike Sharing (Mobike): purchase of credit for using bike sharing services
- Taxi (Cotabo, Cat): purchase of credit for using taxi services
- Rental services with driver (Saca, Cosepuri): purchase of credit for using taxi services

TPER, as company assigned by the Municipality of Bologna to carry out the technical and operational management of all aspects of this initiative, has created all the technological infrastructure composed of on-line services on the TPER portal (both for direct requests from the public, and for access to reports to other services companies), sale services at Tper offices opened to the public, plus direct interfacing from and to the Municipality of Bologna.

Travelling personnel App for shift swap/holidays/overtime/service status

In order to improve the management of the service, an app was created for use by the 1,500 drivers, to make it easier to manage shifts and service communications.
The app is available from the Google and Apple stores and allows access with the same profile used for the other company services, and enables travelling personnel to interact directly with the company through the following services:

- info on the service status
- shift request and shift swap
- holidays and leave request
- overtime availability
- unpaid leave for recovery
- other absences
- viewing requests and waivers
- strike communications.

18. MISCELLANEOUS

Consolidated non-financial statement

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

Secondary Locations

Pursuant to paragraph 4 of Article 2428 of the Italian Civil Code, the parent company TPER carries out its activities in the following locations: in Bologna (BO), via Battindarno 121, via Due Madonne 10, via Ferrarese 114, via delle 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; in 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.

19. 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 2019, which show a profit for the year of Euro 5,213,314.18;

b) allocate the profit for the year:

- Euro 260,665.71 to legal reserve,
- Euro 4,952,648.47 to the extraordinary reserve,

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

Bologna, 27/05/2020

for the Board of Directors

The Chairperson

Giuseppina Gualtieri

Tper Group

2019 Financial Statements

Consolidated statement of financial position

THOUSANDS OF EUROS	NOTES	31/12/2019	31/12/2018
ASSETS			
NON-CURRENT ASSETS			
Tangible Assets	**1**	**211,732**	**213,383**
Real estate		3,263	3,731
Rolling stock		172,216	167,431
Infrastructure		32,212	38,279
Other tangible assets		4,041	3,941
Intangible assets	**2**	**23,626**	**24,119**
Goodwill and other intangible assets with an indefinite useful life		0	0
Concession rights		22,587	23,097
Other intangible assets		1,039	1,022
Assets for rights of use	**3**	**13,289**	**0**
Equity investments	**4**	**15,021**	**15,340**
Equity investments at cost or at fair value		3,342	3,342
Equity investments measured using the equity method		11,678	11,998
Financial assets	**5**	**8,014**	**8,675**
Financial assets for contributions		145	1,670
Other financial assets		7,869	7,005
Deferred tax assets	**6**	**3,377**	**2,346**
Other assets	**7**	**0**	**0**
Non-current assets and groups of assets held for sale and dis	**8**	**7,177**	**0**
TOTAL NON-CURRENT ASSETS		**282,237**	**263,863**
CURRENT ASSETS			
Trade assets	**9**	**99,928**	**86,101**
Inventories		22,391	22,724
Trade receivables		77,537	63,377
Cash and cash equivalents	**10**	**55,441**	**68,807**
Financial assets	**5**	**5,225**	**5,902**
Financial assets for contributions		4,103	5,250
Other financial assets		1,122	652
Assets for current income taxes	**11**	**2,576**	**139**
Other assets	**7**	**5,245**	**6,461**
TOTAL CURRENT ASSETS		**168,414**	**167,410**
TOTAL ASSETS		**450,651**	**431,273**

LIABILITIES			
Group shareholders' equity		**158,984**	**157,298**
Capital issued		68,493	68,493
Reserves		54,298	50,158
Profits/(losses) carried forward		30,241	25,809
Actuarial profit/loss		(919)	(245)
Profit/loss for the year		6,871	13,083
Shareholders' equity attributable to Minority interests		**3,067**	**3,042**
Minority interests in capital and reserves		2,985	2,751
Profit/(loss) attributable to minority interests		83	292
TOTAL SHAREHOLDERS' EQUITY	**12**	**162,051**	**160,340**
NON-CURRENT LIABILITIES			
Funds for provisions	**13**	**48,959**	**48,408**
Funds for employee benefits		20,347	25,320
Other provisions		28,612	23,088
Financial liabilities	**14**	**103,260**	**110,122**
Bond issues		94,648	94,428
Medium/long-term loans		8,062	14,352
Derivatives		100	202
Other financial liabilities		449	1,140
Long-term liabilities for leased assets		**10,053**	**0**
Deferred tax liabilities			**0**
Other liabilities	**15**	**21,335**	**20,887**
TOTAL NON-CURRENT LIABILITIES		**183,607**	**179,417**
CURRENT LIABILITIES			
Trade liabilities	**16**	**53,964**	**49,542**
Funds for provisions - current portion	**13**	**5,186**	**5,498**
Funds for employee benefits		1,964	1,606
Other provisions		3,223	3,891
Financial liabilities	**14**	**5,331**	**5,427**
Current account overdrafts		0	0
Short-term loans		0	0
Derivatives		0	0
Medium/long-term loans		5,331	5,319
Other financial liabilities		0	108
Long-term liabilities for leased assets - short-term portion	**3**	**2,944**	**0**
Liabilities for current income taxes	**10**	**0**	**0**
Other current liabilities	**15**	**33,390**	**31,048**
Liabilities associated with disposal groups	**8**	**4,177**	**0**
TOTAL CURRENT LIABILITIES		**104,994**	**91,515**
TOTAL LIABILITIES		**288,600**	**270,932**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**450,651**	**431,273**

Consolidated income statement

THOUSANDS OF EUROS	NOTES	2019	2018
Revenues		**311,812**	**303,586**
TPL line services	17	202,605	198,366
Railway line services	18	92,273	89,143
Parking and car sharing	19	16,934	16,078
Other income	20	**16,859**	**13,789**
Operating costs		**289,154**	**280,646**
Personnel costs	21	131,921	128,155
Cost for services	22	99,566	95,539
Raw materials and materials	23	44,719	41,319
Use of third-party assets	24	7,997	9,822
Other operating costs	25	4,952	5,810
Amortisation/depreciation		**22,487**	**16,075**
Depreciation of tangible assets		16,190	15,062
Amortisation of intangible assets		1,104	1,013
Amortisation of assets for rights of use		5,193	0
Write-downs/(reversals of impairment)	26	**1,798**	**2,264**
Change in funds for provisions	27	**6,104**	**2,184**
Change in provision for restoration and replacement of rolling stock		0	0
Change in other provisions		6,104	2,184
Operating result		**9,127**	**16,206**
Financial income	28	**501**	**421**
Other financial income		501	421
Financial charges	29	**2,428**	**2,424**
Charges on bonds		1,978	1,973
Charges on loans		82	301
Other financial charges		368	150
Total financial income (charges)		**(1,927)**	**(2,003)**
Share of profit (loss) on equity investments accounted for using the equity method	30	**66**	**843**
Profit before tax		**7,266**	**15,047**
Tax charges	31	**313**	**1,673**
Current income taxes		1,102	726
Prepaid and deferred taxes		(789)	946
Net profit/(loss) for the year (Group and Minority Interests)		**6,954**	**13,374**
of which:			
Profit attributable to the Group		6,871	13,083
Profit attributable to Minority Interests		83	291

Consolidated Statement of comprehensive income

THOUSANDS OF EUROS		NOTES	2019	2018
Profit for the year	**(a)**		**6,954**	**13,374**
Profit/(loss) from the measurement of equity investments using the equity method		3	(385)	(122)
Tax effect on profit/(loss) from the fair value measurement of cash flow hedges			0	0
Profit/(loss) from the fair value measurement of available-for-sale assets			0	0
Tax effect on profit/(loss) from the fair value measurement of available-for-sale assets			0	0
Other components of the statement of comprehensive income for the year that can be reclassified to the income statement	**(b)**		**(385)**	**(122)**
Profit/(loss) from actuarial valuation of funds for employee benefits		11	(868)	664
Tax effect on profit/(loss) from actuarial valuation of funds for employee benefits		5	208	(159)
Other components of the statement of comprehensive income for the year that cannot be reclassified to the income statement	**(c)**		**(660)**	**505**
Reclassifications from other components of the statement of comprehensive income to the income statement for the year	**(d)**		0	0
Tax effect related to reclassifications from other components of the statement of comprehensive income to the income statement for the year	**(e)**		0	0
Total other components of the statement of comprehensive income for the year	**(f= b+c+d+e)**		**(1,045)**	**383**
Comprehensive income for the year	**a+f**		**5,909**	**13,757**
Of which:				
attributable to the Group			5,826	13,466
attributable to Minority interests			83	291

Consolidated Statement of changes in shareholders' equity

Thousands of Euros	GROUP EQUITY								Shareholders Equity	Total Group and Third part equity
	Issued Capital	Reserve for valuations of equity investments based on the equity method	Own actions	Other reserves	Actuarial profit/(loss)	Profit/(loss) carried forward	profit / loss for the year	Total		
Balance as at 31.12.2017	**68,493**	**384**	**(188)**	**46,501**	**(764)**	**24,816**	**8,858**	**148,100**	**2,808**	**150,908**
Effects of the application of the 9 IFRS principle (1/1/18)										
Balance as at 1.1.2018	**68,493**	**384**	**(188)**	**46,501**	**(764)**	**25,348**	**8,858**	**148,632**	**2,803**	**151,435**
economic result of the year		(122)			505		13,083	**13,466**	291	**13,757**
Shareholder transaction and other changes										
- distribution of dividends							(4,800)	**(4,800)**	(52)	**(4,852)**
-purchase of treasury shares								**0**		**0**
-allocation of the result of the previous year				3,065		993	(4,058)	**0**		**0**
-other variations								**0**		**0**
Balance at 31.12.2018	**68,493**	**262**	**(188)**	**49,566**	**(259)**	**26,341**	**13,083**	**157,298**	**3,042**	**160,340**
Economic result of the year		(385)			(660)		6,871	**5,826**	83	**5,909**
Shareholder transaction and other changes										
- equity dividends							(4,140)	**(4,140)**	(58)	**(4,198)**
-purchase of treasury shares								**0**		**0**
-allocation of the result of the previous year				4,140		4,803	(8,943)	**0**		**0**
-other variations				904		(904)		**0**		**0**
Balance as at 31.12.2019	**68,493**	**(123)**	**(188)**	**54,610**	**(919)**	**30,240**	**6,871**	**158,984**	**3,067**	**162,051**

Consolidated cash flow statement

THOUSANDS OF EUROS	NOTES	2019	2018	
Profit/(loss) for the year		**6,954**	**13,374**	
Amortisation/depreciation		22,487	16,075	6,412
Operating change of funds		6,104	1,545	4,559
Write-downs/(revaluations) of financial assets and equity investments accounted for at cost and at fair value		0	0	0
Share of profit (loss) on equity investments accounted for using the equity method		(66)	(843)	777
Value write-downs/(revaluations) of current and non-current financial assets		1,798	1,059	739
Value write-downs/(revaluations) of current and non-current assets			1,844	(1,844)
Losses/(gains) from disposal of non-current assets		232		232
Net change in deferred taxation		(1,031)	(5,350)	(4,540)
Change in working capital and other changes		(14,274)	(5,414)	0
Net cash flows from operating activities		**22,204**	**22,290**	(162)
				0
Investments in tangible assets		(24,979)	(18,898)	(6,081)
Investments in intangible assets		(638)	(427)	(211)
Equity investments		0	0	0
Acquisitions of additional capital and/or investments in consolidated subsidiaries		0	0	0
Investments gross of contributions		**(25,617)**	**(19,325)**	(6,292)
				0
Contributions to tangible assets		4,750	13,641	(8,891)
Contributions to intangible assets				0
Contributions to equity investments		**0**		0
Contributions		**4,750**	**13,641**	(8,890)
				0
Disposals of tangible assets		379	2,613	(2,234)
Disposals of intangible assets		26		26
Disposals of equity investments				0
Disposals		**405**	**2,613**	(2,208)
				0
Net cash flow for investing activities		**(20,461)**	**(3,071)**	(17,390)
Purchase of treasury shares		0	0	
Dividends paid		(4,198)	(4,852)	
Reimbursement of liabilities for leased assets		(2,619)	0	
Issue/(repayment) of bonds		220	216	
Obtainment/(repayment) of medium/long-term loans		(6,278)	(8,764)	
Obtainment/(repayment) of short-term loans		0	0	
Net change in other financial assets		(1,334)	(174)	
Net change in other financial liabilities		(900)	(462)	
Net cash flow from financing activities		**(15,109)**	**(14,037)**	
Net cash flow for the period		**(13,366)**	**5,181**	
Cash and cash equivalents at the start of the year		**68,807**	**63,626**	
Cash and cash equivalents at the end of the year		**55,441**	**68,807**	

Explanatory Notes

Introduction

General information

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

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

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

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

The consolidated financial statements of the Tper Group relating to the year ended as at 31 December 2019 are drafted in thousands of euros, the current currency in the economy in which the Group operates.

Methods of presentation of financial statements, accounting methods and standards applied

Compliance with IFRS

The consolidated financial statements of Tper for the year ended 31 December 2019, prepared in accordance with the business continuity of the Parent Company and the other consolidated companies, have been prepared pursuant to Articles 2 and 3 of Legislative Decree no. 38/2005, in compliance with the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board and endorsed by the European Commission, which include the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) as well as the previous ones International Accounting Standards (IAS) and previous interpretations of the Standard Interpretations Committee (SIC) still in force. For simplicity, the set of all the standards and interpretations is hereafter defined as the "IFRS".

Following the issue by the Parent Company of a bond quoted on the Dublin Stock Exchange on 15 September 2017, the Tper Group 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.

Presentation of Financial Statements

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

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

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

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

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

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

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

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

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

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

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

For each item of the financial statements, the corresponding value of the previous year is shown for comparative purposes. It should be noted that with respect to what has already been published in the financial statements as at 31 December 2018, for the purposes of better accounting representation and to ensure the comparability and clarity of financial disclosures, certain reclassifications were made.

Criteria, procedures and scope of consolidation

The scope of consolidation includes the Parent Company and the companies over which Tper directly or indirectly exercises control, both by virtue of having obtained the majority of the votes that can be exercised during the meeting (also taking into account potential voting rights deriving from immediately exercisable options), both as a result of other facts or circumstances that (even apart from the extent of shareholder relations) attribute 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:

Company name	Registered office	Currency	Share capital	Tper Group interest
OMNIBUS Soc. cons. a r.l	Via di Saliceto, 3 BOLOGNA	Euro	80,000	51
TPF Soc. cons. a r.l.	Via 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 G.Marconi, 11 REGGIO EMILIA	Euro	38,705,000	95.35
SST S.r.l.	Via 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 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 shareholders' equity of each of the subsidiaries including any adjustments to the fair value at the date of acquisition; any positive difference is treated as "goodwill", and any negative difference is recorded in the income statement at the acquisition date.

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

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

i. goodwill pertaining to an associate or a joint venture is included in the book value of the equity investment; said goodwill is not amortised;

ii. in determining the initial value of the equity investment in the entity, any excess of the interest in the net fair value of the identifiable assets and liabilities of the investee with respect to the cost of the equity investment, is included as income in the profit (loss) of the associate or joint venture in the period in which the equity investment is acquired.

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

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

Accounting standards and valuation criteria

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

Tangible Assets

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

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

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

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

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

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

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

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

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

In that sense, it should be noted that, in 2019, both the service contract for the management of the TPL (local public transport) in the Municipality of Bologna and that in the Municipality of Ferrara were extended.

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

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

With the exception of what was shown in relation to the depreciation of buses and trolley buses used in the service contracts for the Bologna and Ferrara TPL, the annual depreciation rates used in 2019 presented for similar categories are shown in the following table:

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

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

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

Intangible assets

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

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

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

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

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

The annual amortisation rates used in 2019, presented by similar categories with evidence of the relative application interval, are shown in the following table:

Intangible assets	amortisation rate
Dinazzano concession	2.30%
Software	33.33%

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)".

Leased assets

The accounting treatment of leases, modified following the entry into force of the new accounting standard IFRS 16 - Leases, is described in the paragraph - Change of accounting policies, to which reference should be made.

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

Equity investments

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

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

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

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

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

Treasury shares

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

Inventories

Inventories, mainly consisting of supplies and spare parts for the maintenance of rolling stock, are valued at the lower of the purchase or production cost and the net estimated recoverable amount obtainable from its sale in the ordinary course of business. The 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 original value of receivables is reinstated in subsequent years to the extent that the reasons that determined the adjustment cease to exist. In this case, the reversal of value is recorded in the income statement and cannot in any case exceed the amortised cost that the receivable would have had in the absence of previous adjustments. The effects of write-downs and reversals of value are included in the income statement in the item Write-downs/(reversals) of value.

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

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

Cash and cash equivalents

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

Non-current assets (or disposal groups) classified as held for sale and discontinued operations

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

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

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

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

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

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

Financial derivative instruments

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

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

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

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

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

Other financial assets and liabilities

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

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

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

Employee benefits

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

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

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

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

Revenues from contracts with customers

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

- identification of the contract, defined as an agreement in which the parties undertake to fulfil their respective obligations;
- identification of the individual performance obligations contained in the contract;
- determination of the transaction price, i.e. the consideration expected for the transfer to the customer of the goods or services;

- allocation of the transaction price to each performance obligation, on the basis of the selling prices of the individual obligation;
- recognition of revenue when (or as) the performance obligation is satisfied by transferring the promised 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.

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

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

Government grants

Government grants are recognised at fair value when: (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, as a reduction of the costs to which they are commensurate if provided as compensation for expenses incurred, otherwise they are recognised under other income.

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

Income taxes

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

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

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.

Deferred tax assets are recognised:

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

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

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

Impairment and reversal of impairment of assets (impairment test)

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

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

Impairment and reversal of impairment of financial assets (impairment test)

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

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

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

- where there are indicators of significant increase in the credit risk of individual transactions with respect to the initial recording of the financial asset, in accordance with the provisions of international accounting standards, 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 to be recovered at the time of default (such as, for example, collateral, guarantees, insurance policies, offsettable payables, etc.).

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

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

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 outstanding during the year, excluding treasury shares.

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

It should be noted that, as at 31 December 2019, there were no shares that could potentially be outstanding.

Estimates and evaluations

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

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

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

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

Revenues from contracts with customers

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

Funds for provisions

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

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

Impairment and stage allocation of financial instruments

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

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

Depreciation of tangible assets and amortisation of intangible assets

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

In particular, with regard to the depreciation plan relating to buses and trolley buses used as part of the service contracts for the TPL of Bologna and Ferrara, the estimated residual value at the end of the agreements was based on specific appraisals drawn up by an independent expert who determined the takeover value that will presumably be recognised to Tper in application of the criteria identified by 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.

Deferred tax assets

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

Employee severance indemnity

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

Going concern

The economic and operating impacts of the Covid-19 emergency on the Tper Group's activities are currently being determined. As part of the evaluation of the correctness of the going concern assumption, the Directors have identified a series of areas of concern, linked to the restrictions and the subsequent reduction in ticketing revenues as well as their possible repercussions on expected profitability for the current year and on the related cash flows.

Despite a context which is extremely complex and unforeseeable at present, the Directors evaluated the significance of the circumstances linked to Covid-19 in relation to the company's capacity to fulfil its obligations. This evaluation included the consideration of the following elements:

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

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

Accounting standards, interpretations and improvements applied from 1 January 2019

From 1 January 2019, 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 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.

For a detailed description of the main changes introduced by the standard, please refer to the paragraph "Change of accounting policies".

The new standard 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 leases, could now also fall within the scope of application of the rules on leases.

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 finance leases is maintained.

For more details regarding the impacts deriving from the first-time application of the standard and the accounting policies adopted by Tper, please refer to the paragraph "Change in accounting policies - IFRS 16 - Leases" of these explanatory notes.

Annual Improvements to IFRS: Cycle 2015 - 2017, adopted pursuant to Regulation (EU) no. 2019/412.

The amendments concerned:

- IFRS 3 - Business combinations: an entity remeasures its previous interest in a joint operation when it obtains control of the business.

- IFRS 11 - Joint arrangements: an entity does not remeasure its previous interest in a joint operation when it obtains joint control of the business.

- IAS 12 - Income taxes: an entity must recognise the tax effects of dividends for the purposes of income taxes in profit (loss) for the year, under other components of comprehensive income or shareholders' equity, depending on where the entity has originally recognised the transactions that generated the distributable profits.

- IAS 23 – Borrowing Costs: an entity determines the amount of borrowing costs that can be capitalised by excluding the financial charges applicable to loans obtained specifically for the purpose of acquiring an asset that justifies a capitalisation, until all transactions needed to ensure the asset can be used or sold are completed.

Amendments to IAS 19: Plan amendment, curtailment or settlement, adopted pursuant to Regulation (EU) no. 2019/402

Following an amendment, curtailment or settlement of a defined-benefit plan, the entity must update its assumptions and remeasure its defined benefit liability or asset. The company must use updated assumptions to measure the current service cost and net interest for the rest of the reference period after the event.

Amendments to IAS 28: Long-term interests in associates and joint ventures, adopted by

Regulation (EU) no. 2019/237

The entity applies IFRS 9 to interests in associates and joint ventures for which the equity method is not applied, including long-term interests and that are essentially part of the net investment in said associates and joint ventures.

IFRIC 23 - Uncertainty over Income Tax Treatments, adopted by Regulation (EU) no. 2018/1595

An entity must consider whether it is likely that the competent authority will accept each tax treatment, or group of tax treatments, that it has used or expects to use in its tax return. If the entity considers it likely that a specific tax treatment will be accepted, the entity must determine the taxable income (tax loss), taxable bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatment included in its tax documentation. If the entity concludes that it is unlikely that a specific tax treatment will be accepted, the entity must use the most likely amount or the expected value of the tax treatment in determining the taxable income (tax loss), taxable bases, unused tax losses, unused tax credits or tax rates. The decision must be based on which method provides the best forecasts on the resolution of the uncertainty. The application of the new interpretation did not have significant impacts for the Group.

Amendments to IFRS 9 - Financial instruments - Prepayment Features with Negative Compensation, adopted with Regulation (EU) no. 2018/498

Some financial assets with negative compensation can be measured at amortised cost. The assets concerned, which include some loans and debt securities, would otherwise be measured at fair value through profit and loss (FVTPL). The negative compensation arises where the contractual terms allow for the early reimbursement of the instrument before the contractual expiry, but the amount of prepayment may be less than the unpaid amounts of principal and interest. However, in order to obtain the measurement of the amortised cost, the negative compensation must be "reasonable" for the early termination of the contract. An example of this reasonable compensation is an amount that reflects the change in the reference interest rate. In addition, for the purposes of measurement at amortised cost, the asset must be held as part of a "Hold to collect" business model.

Newly issued accounting standards, interpretations, revisions and amendments to existing standards not yet in force

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 as at 31 December 2019, that could be applied in the future.

Amendments to IAS 1 "Presentation of financial statements" and IAS 8 - Accounting policies, changes in accounting estimates and errors

On 31 October 2018, the IASB published the document "Definition of Material (Amendments to IAS 1 and IAS 8)", which introduced an amendment to make the definition of the term "material" contained in IAS 1 and IAS 8 more specific. The purpose of this amendment is to introduce the concept of "obscured information" alongside the concepts of "omitted" or "incorrect" information already present in the two standards being amended. The amendment clarifies that information is "obscured" if it has been described in such a way as to produce for the readers of financial statements an effect similar to that which would have occurred if the information had been omitted or incorrect. The amendments introduced were approved in November 2019 and apply to all transactions after 1 January 2020.

Amendments to IFRS 9, IAS 39, IFRS 7 regarding "Interest Rate Benchmark Reform"

On 26 September 2019, the IASB published the amendment called "Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)". Said amendment modifies IFRS 9 - Financial instruments and IAS 39 - Financial instruments: recognition and measurement in addition to IFRS 7 - Financial instruments: disclosures. In particular, the amendment modifies some of the requirements for the application of hedge accounting, providing for temporary derogations to the same, in order to mitigate the impact of the uncertainty of the IBOR reform (still in progress) on future cash flows in the period prior to its completion. The amendment also requires companies to provide additional information in their financial statements on their hedging relationships which are directly affected by the uncertainties generated by the reform and to which the aforementioned derogations apply.

The amendments enter into force on 1 January 2020.

<u>Amendments to IFRS 3 - Business combinations</u>

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

The amendment also introduced a test ("concentration test"), to be used on an optional basis for the entity, to determine whether a set of activities, processes and assets acquired is a business. To this end, the amendment added a number of examples to IFRS 3 in order to help users understand the practical application of the new definition of business in specific circumstances. The amendments apply to business combinations and acquisitions of assets after 1 January 2020.

For all the newly issued standards, 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.

Change of accounting policies - IFRS 16 - Leases

The new accounting standard on leases, IFRS 16, entered into force on 1 January 2019. The main changes introduced relate to the regulation of passive lease agreements, with regards to which the new general criteria for accounting and representation in the financial statements are outlined below, as well as the impacts of the initial application on the Balance Sheet, in compliance with the simplified retrospective method, and the amounts booked to the financial statements as at 31 December 2019 of both the Tper Group and Tper Spa.

Pursuant to the new accounting regulation, on inception of the contract, the Group evaluates whether the contract is, or contains, a lease: the contract is, or contains, a lease if it confers the right to control the use of a specific asset for a given period of time, in exchange for a consideration. The asset is normally specified given explicitly indicated in the contract or at the moment in which the asset is available for use by the Group.

By contrast, the right of control is measured on the basis of the right to obtain substantially all economic benefits deriving from use of the asset and the right to decide its relative use.

Over the course of the contractual life, the initial measurement is only revised in response to changes in the contractual conditions, with a substantial impact on the right to control the underlying asset. If the lease also contains a non-lease component, the Group separates and treats this component according to the reference accounting standard (by way of example, in relation to property leases, the lease component is separate from the accessory/condominium charges or for utilities, classified for accounting purposes as costs for services and recognised on the basis of the accrual principle). Cases in which the separation is not possible based on objective criteria are an exception: in these cases, the Group does not separate the lease component and non-lease component and subjects them jointly to the lease accounting regulation.

Right of use

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

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

Lease liability

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

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

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

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

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

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

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

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

Impacts of first-time application of IFRS 16

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 assets), 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). 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 project for identifying the impacts of the adoption of the new standard on the accounting balances was marked out in several phases, including the mapping of the contracts potentially suited to containing a lease and the analysis of these for the purposes of applying IFRS 16. The Group was not shown to have significant leases as lessee and that these relate to operating property leases.

The Group used the practical expedient provided for the transition to IFRS 16 in order not to restate when a contract is or contains a lease. Therefore, the conclusion regarding the qualification of a contract as a lease in accordance with IAS 17 and IFRIC 4 will continue to be applied to contracts entered into or modified before 1 January 2019.

Therefore, at the moment of first-time adoption, Tper Group made use of:

- the modified retrospective application, with the recognition in the balance sheet as at 1 January 2019 of the effects of the application of the standard, with no impacts on shareholders' equity and without the modification of the comparative 2018 income statement;

- use of information available at the transition date for the determination of the duration of each lease, with particular reference to the exercise of the extension and early closure options;

- exclusion of the new accounting presentation method, in view of the irrelevance of leases with a residual duration of 12 months or less (from 1 January 2019) and those for low-value assets, relating essentially to computers, telephones and other electronic devices. For these assets, lease fees continue to be booked to the income statement, based on the duration of the respective contracts;

- exclusion of initial direct costs from the measurement of the right of use on 1 January 2019.

It should be noted that the leased assets recognised in application of IFRS 16 are included in the item "Assets for rights of use" in the balance sheet as at 31 December 2019 and detailed in the individual items shown in the explanatory notes, to which reference should be made.

As at 1 January 2019, the Group recognised:

- Assets for rights of use for Euro 15,811 thousand, of which
    - Euro 14,390 thousand, relating to leases previously classified as operating leases based on application of IAS 17, and
    - Euro 1,421 thousand, relating to leases previously classified as finance leases based on application of IAS 17.
- Financial liabilities for leased assets amounting to Euro 14,757 thousand, of which
    - Euro 14,390 thousand, relating to leases previously classified as operating leases based on application of IAS 17, and
    - Euro 366 thousand, relating to leases previously classified as finance leases based on application of IAS 17.

Financial lease liabilities as at 1 January 2019 can be reconciled with the amount of fees falling due as at 31 December 2018 as per Tper Spa's statement.

Thousands of Euros	**Values**
Commitments for operating leases as at 31/12/18	**9,547**
Effect of discounting at the incremental borrowing rate	- 501
Financial liabilities for leased assets as at 1/1/19	**9,046**
of which:	
current	1,969
non-current	7,077

given that the majority of commitments for operating leases as at 31/12/18 refer to the parent company Tper SpA.

The effects of the initial application on the Tper Group's balance sheet are outlined hereunder.

THOUSANDS OF EUROS	31/12/2018	IFRS 16 FTA	Restated 01/01/2019
ASSETS			
NON-CURRENT ASSETS			
Tangible Assets	**213,383**	**(1,421)**	**211,962**
Real estate	3,731		3,731
Rolling stock	167,431	(517)	166,914
Infrastructure	38,279		38,279
Other tangible assets	3,941	(904)	3,037
Intangible assets	**24,119**	**-**	**24,119**
Goodwill and other intangible assets with an indefinite useful life	0		0
Concession rights	23,097		23,097
Other intangible assets	1,022		1,022
Assets for rights of use	**0**	**15,811**	**15,811**
Equity investments	**15,340**	**-**	**15,340**
Equity investments at cost or at fair value	3,342		3,342
Equity investments measured using the equity method	11,998		11,998
Financial assets	**8,675**	**-**	**8,675**
Financial assets for contributions	1,670		1,670
Other financial assets	7,005		7,005
Deferred tax assets	**2,346**	**-**	**2,346**
Other assets	**0**		**0**
Non-current assets and groups of assets held for sale and discontinued operations	**0**		
			0
TOTAL NON-CURRENT ASSETS	**263,863**	**14,390**	**278,253**
CURRENT ASSETS			
Trade assets	**86,101**	**0**	**86,101**
Inventories	22,724		22,724
Trade receivables	63,377		63,377
Cash and cash equivalents	**68,807**		**68,807**
Financial assets	**5,902**	**0**	**5,902**
Financial assets for contributions	5,250		5,250
Other financial assets	652		652
Assets for current income taxes	**139**		**139**
Other assets	**6,461**		**6,461**
TOTAL CURRENT ASSETS	**167,410**	**0**	**167,410**
TOTAL ASSETS	**431,273**	**14,390**	**445,663**

LIABILITIES

Group shareholders' equity	**157,298**	**0**	**157,298**
Capital issued	68,493		68,493
Reserves	50,158		50,158
Profits/(losses) carried forward	25,809		25,809
Actuarial profit/loss	(245)		(245)
Profit/loss for the year	13,083		13,083
Shareholders' equity attributable to Minority interests	**3,042**	**0**	**3,042**
Minority interests in capital and reserves	2,751		2,751
Profit/(loss) attributable to minority interests	292		292
TOTAL SHAREHOLDERS' EQUITY	**160,340**	**0**	**160,340**
NON-CURRENT LIABILITIES			
Funds for provisions	**48,408**	**0**	**48,408**
Funds for employee benefits	25,320		25,320
Provision for restoration and replacement of rolling stock			0
Other provisions	23,088		23,088
			0
Financial liabilities	**110,122**	**(310)**	**109,812**
Bond issues	94,428		94,428
Medium/long-term loans	14,352		14,352
Derivatives	202		202
Other financial liabilities	1,140	(310)	830
Long-term liabilities for leased assets	**0**	**10,853**	**0**
Deferred tax liabilities	**0**	**0**	**0**
Other liabilities	**20,887**	**0**	**20,887**
TOTAL NON-CURRENT LIABILITIES	**179,417**	**10,542**	**189,960**
CURRENT LIABILITIES			
Trade liabilities	**49,542**		**49,542**
Funds for provisions - current portion	**5,498**	**0**	**5,498**
Funds for employee benefits	1,606		1,606
Provision for restoration and replacement of rolling stock	0		0
Other provisions	3,891		3,891
Financial liabilities	**5,427**	**(56)**	**5,371**
Current account overdrafts	0		0
Short-term loans	0		0
Derivatives	0		0
Medium/long-term loans	5,319		5,319
Other financial liabilities	108	(56)	52
0	**0**	**3,904**	**3,904**
Liabilities for current income taxes	**0**	**0**	**0**
Other current liabilities	**31,048**	**0**	**31,048**
Liabilities associated with disposal groups	**0**	**0**	**0**
TOTAL CURRENT LIABILITIES	**91,515**	**3,848**	**95,363**
TOTAL LIABILITIES	**270,932**	**14,390**	**285,323**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**431,273**	**14,390**	**445,663**

Significant events after the close of the year

The significant transactions which occurred after 31 December 2019 are summarised below.

Transfer of railway branch

Following the announcement by Ferrovie Emilia Romagna S.r.l., agent for the Emilia-Romagna Region, of the "Restricted procedure (CIG: 534746648A) for the award of the concession of the Public Transport Service for rail passengers pertaining to the Emilia-Romagna Region", Trenitalia and Tper were awarded the aforementioned service, as a Temporary Grouping of Companies, then going on to establish, in compliance with the call for tenders and the obligations set forth in regional law no. 30/1998, the "Società Ferroviaria Provvisoria Emilia - Romagna S.c.a.r.l." ("SFP Scarl"), which was assigned the new passenger transport Service Contract in Emilia-Romagna, signed with FER srl on 29.06.2016. The Service Contract started on 1 June 2019, albeit in indirect form - pending the Safety Certificate - through the award of the transport services to the shareholders.

Following the increase in share capital of SFP scarl, resolved at the shareholders' meeting on 5 December 2019, through the transfer by shareholders of the respective business units and with the adoption of new Articles of Association, the name of the company changed from SFP Scarl "Trenitalia Tper Scarl": a limited liability consortium jointly controlled by two shareholders (Trenitalia 70% and TPER 30%), with share capital of Euro 11 million.

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

From 1 January 2020, Trenitalia Tper Scarl therefore became the operating manager of the passenger transport Service Contract, consequently providing the transport services directly.

Coronavirus (COVID-19)

The new Coronavirus (COVID-19) epidemic started in Wuhan, China, and was reported for the first time by the national authorities to the World Health Organisation on 30 December 2019.

The World Health Organisation at first declared, on 30 January 2020, the COVID-19 epidemic a public health emergency of international significance and then declared it a pandemic on 11 March 2020.

Until the first few weeks of 2020, the epidemic appeared to be confined to just a few areas of south-east Asia and the Middle East, affecting solely certain regions of China, South Korea and Iran.

On 31 January 2020, the Council of Ministers declared a national state of emergency for six months, relating to the health risk connected with the onset of pathologies deriving from transmissible viral agents.

In the second half of February, the first sporadic confirmed cases of COVID-19 in Italy ushered in a second phase of the epidemic, with a rapid escalation in its spread in Europe. The World Health Organisation recently confirmed that the health emergency connected with COVID-19 has been classed as a pandemic and, just over two months after being initially reported, the number of cases identified outside China has exceeded, taken as a whole, those reported within the country in which the epidemic started.

Successive decrees from the President of the Council of Ministers have imposed restrictions to contain and manage the COVID-19 epidemiological emergency, at first applicable to certain areas of the country and then to the entire country. In particular, most recently, (i) all industrial production and commercial activities were suspended, except for those deemed essential and (ii) individuals were banned from travelling or moving to a different municipality using means of public or private transport, except for proven work requirements, absolute urgency or health reasons.

The COVID-19 pandemic was formally recognised by the Italian Government as an exceptional event causing serious turmoil in the economy.

In this regard, the Group issued guidelines to ensure respect for the provisions introduced locally and implemented a number of actions in order to adopt the procedures most suited to prevent and/or mitigate the effects of the virus on jobs.

Tper set up an internal company task force from the onset of the health crisis which is impacting our country. The task force has taken the decisions deemed necessary and practically feasible to combat the spread of the virus, defining and implementing a number of initiatives in the offices and fleet to ensure the protection of workers' health, in relation to the need to provide a continuous transport service, essential for the local community also during this phase of the emergency, nonetheless always adhering to the regulatory provisions issued by the competent authorities.

As part of administrative support activities, the Company allowed employees to go into smart working mode; a total of roughly 230 employees are working in this mode.

On all vehicles in the fleet with more than one door, we have banned access from the front door, we have installed posters and signs to mark out the area surrounding the driver's seat to guarantee a distance of at least 1.5 metres between the driver and the passengers.

We have employed, not without its difficulties during the period, the specialised companies available to constantly clean premises and depots on a daily basis, where we have set up hygiene stations and prepared disposable wipes for use by travelling personnel.

Each time buses return to the depot, they are disinfected using sodium hypochlorite based products or similar chlorine based products that are equally effective.

The provisions set forth in DPCM (Decree of the President of the Council of Ministers) of 26 April 2020, article 7, regarding the TPL, have also been acknowledged, through the issuing of specific Service Orders and the posting of signs and information for users.

In accordance with the Disability manager of the Municipality of Bologna and some associations, methods of access were redefined in order to guarantee accessibility to the service also for differently abled users during the emergency phase.

The canteens managed by the external company have reorganised the methods of distribution of food and supplies to further reduce the possibility of contact and contagion.

All employees who work in contact with users have received an individual kit composed of a mask, hand sanitiser and anti-bacterial wipes as well as disposable gloves, with quantities distributed based on actual usage needs.

Line changes procedures have also been defined for travelling personnel, guaranteeing the sanitisation of the driver's seat, and for the reporting of passenger conduct not in keeping with the provisions of the current directives.

Where possible, refresher training is in progress in e-learning mode or distance learning mode, again for the purpose of enabling staff professional development even during such a difficult time.

Tper set up the Bilateral Solidarity Fund on 8 April. In order to minimise the financial impact for workers as a result of the reduction and/or suspension of activities, any placement into the FIS (wage guarantee fund) will only occur when accrued holidays and leave not yet taken have been used up as at 31 December 2019.

From a business perspective, the entire people and goods transport sector recorded a heavy slump, as a result of the specific provisions of the Authorities adopted in response to the COVID-19 emergency.

During the emergency phase, the Group has continued to provide people and goods transport services, in line with the restrictions adopted by the Government and the local authorities which have had a profound impact on mobility.

As regards public transport activities, despite an extremely significant drop in passengers and revenues, which took hold as early as the first few days of the COVID-19 emergency (February 2020), reaching values that were down 90% in the lockdown periods, the line service in the Bologna and Ferrara catchment areas were reduced by 20% and 30% respectively, as required by the regional institutions.
Ticket inspection activities were also reduced considerably in the period between the lockdown and 19 May, with the personnel used to record statistics to document the change in transport demand in the period.

The Group Management is closely monitoring developments in the state of emergency and, as soon as it is possible to exit the current phase of uncertainty which makes any estimate of the effects unreliable, we will determine an accurate picture of the impacts of COVID-19 which also takes account of any potential extraordinary intervention by the national and European institutions to support companies and the sector.

As regards the evaluation of the effects of Covid-19 on the assessment of the correctness of the going concern assumption, please refer to the paragraph "Going concern".

INFORMATION ON THE BALANCE SHEET

The items in the balance sheet as at 31 December 2019 are commented on below. The values in brackets in the headings of the notes refer to the balances as at 31 December 2018.

1. Tangible Assets

Thousands of Euros 211,732 (213,384)

Tangible assets as at 31 December 2019 showed a net value of Euro 211,732 thousand compared to the net value as at 31 December 2018 of Euro 213,384 thousand. The table below shows the initial and final amounts of the items of tangible assets, with evidence of the original cost and accumulated depreciation at the end of the year.

Thousands of Euros	31/12/2019			31/12/2018		
	cost	accumulated depreciation	net value	cost	accumulated depreciation	net value
Real estate	4,537	(1,274)	3,263	4,955	(1,224)	3,731
Rolling stock buses/trolley buses	295,356	(226,274)	69,082	293,418	(229,857)	63,561
Rolling stock buses/trolley buses IN PROGRESS	4,679		4,679	2,094		2,094
Railway rolling stock	113,411	(15,145)	98,267	112,546	(11,118)	101,427
Rolling stock	2,738	(2,552)	187	3,005	(2,657)	348
Infrastructure	57,953	(25,740)	32,212	58,881	(20,602)	38,279
Other tangible assets	12,642	(8,601)	4,041	15,426	(11,485)	3,941
Total tangible assets	**491,317**	**(279,586)**	**211,732**	**490,324**	**(276,942)**	**213,383**

The decrease in the net value of tangible assets compared to the balance as at 31 December 2018, equal to Euro 1,650 thousand, is analysed in the following changes.

Thousands of Euros	31/12/2018								31/12/2019
	net value	investments	depreciation	write-downs	disposals	other reclassifications or adjustments	grants on investments	Non-current assets and groups of assets held for sale and discontinued operations	net value
Real estate	3,731	113	(74)	0	0	0	0	(506)	3,263
Rolling stock buses/trolley buses	65,655	17,609	(9,127)	0	(318)	0	(57)	0	73,761
Railway rolling stock	101,428	5,470	(3,964)	0	0	(518)	(4,150)	0	98,267
Rolling stock	348	13	(159)	0	0	0	0	(15)	187
Infrastructure	38,279	1,010	(2,039)	0	0	(227)	(256)	(4,556)	32,212
Other tangible assets	3,941	1,949	(830)	0	(61)	(670)	(287)	(1)	4,041
	0								0
Total changes in tangible assets	**213,383**	**26,164**	**(16,192)**	**0**	**(379)**	**(1,415)**	**(4,750)**	**(5,079)**	**211,732**

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

The "Rolling stock buses/trolley buses" included in the item "Rolling Stock" for an amount, net of depreciation, equal to Euro 73.8 million, is used as part of the Bologna and Ferrara TPL contract. Its useful life is estimated on the basis of the residual maturity of the service agreements, and the depreciable amount is estimated on the basis of the difference between the historical cost and the takeover value that it is presumed will be paid to Tper by the new contractor in application of the criteria identified by the Transport Regulatory Authority (ART) resolution no. 49 of 17/06/2015, with reference to UNI 11282/2008.
It should be noted that the company commissioned an independent expert to estimate the takeover value relating to 74 buses, of which 51 new and 23 used, registered in 2019.

Note that as regards "Railway rolling stock in progress", the amount relates to the purchase of four 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. The 2019 amount is shown net of infrastructures which are part of the transfer of the railway business unit to the company Trenitalia Tper.

Finally, it should be noted that as at 31 December 2019, the tangible assets are not encumbered by mortgages, liens or other real guarantees that limit their availability.

2. Intangible assets

Thousands of Euros 23,626 (24,119)

Intangible assets - TPER GROUP

Thousands of Euros	31/12/2019			31/12/2018		
	cost	accumulated amortisation	net value	cost	accumulated amortisation	net value
Concession rights	23,097	- 510	22,587	23,614	- 517	23,097
Other intangible assets	1,022	17	1,039	1,090	- 68	1,022
Total	**24,119**	**- 493**	**23,626**	**24,704**	**- 585**	**24,119**

The table below shows the amounts at the beginning and at the end of the year as well as the relative changes occurred in 2019.

Thousands of Euros	31/12/2018	Changes in the financial year					31/12/2019
	net value	investments	amortisation	write-downs	disposals	other reclassifications or adjustments	net value
Concession rights	23,097		- 510				22,587
Other intangible assets	1,022	564	- 594		- 26	73	1,039
Total	**24,119**	**564**	**- 1,104**	**-**	**- 26**	**73**	**23,626**

"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 in 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 is 14 July 2064. It should be noted that the Dinazzano and Guastalla freight railway stations are managed by the Tper Group with effect from 1 February 2012, as part of the partial demerger of the transport branch carried out by FER S.r.l. to FER Trasporti S.r.l. which, on the same date, was merged into the company TPER S.p.A.

3. Assets for rights of use and liabilities for leased assets

Assets for rights of use   Thousands of Euros 13,289 (0)

The right of use of leased assets is analysed below:

Thousands of Euros	TPL Bol	Company vehicles	Business unit rental fees	Car sharing	Transport of goods	Other	Total
IFRS 16 FTA	1,847	448	4,605	2,233	6,628	51	15,811
Opening balance as at 01.01.2019	**1,847**	**448**	**4,605**	**2,233**	**6,628**	**51**	**15,811**
Increases	44	107		**2,518**			2,670
Amortisation/depreciation	(407)	(286)	(867)	(970)	(2,632)	(30)	(5,192)
Closing balance as at 31.12.19	**1,484**	**269**	**3,738**	**3,781**	**3,996**	**21**	**13,289**

The first-time application of IFRS 16 is commented on in the paragraph 'Change of accounting policies' in these explanatory notes.

The right of use of leased assets ("RoU") of Euro 13,289 thousand essentially relates: (i) for Euro 1,484 thousand to contracts relating to management of Local Public Transport of the Municipality of Bologna. The contract originally set to expire on 29 February 2020 was extended until 31 August 2024 (ii) for Euro 269 thousand to the rental of company cars (iii) for Euro 3,738 thousand to the right of use relating to the business unit rental contract (Bologna TPL) stipulated between TPER, via the TPB consortium and the granting body SRM, in-house company of the Municipality of Bologna on 4 March 2011, and to the concession contract for use of the assets functional to the TPL service of the Municipality of Ferrara, (iv) for Euro 3,781 thousand to the rental of cars for provision of the car sharing service and (v) for Euro 3,996 thousand to the contracts relating to the rental of rolling stock for the performance of goods transport by the subsidiary Dinazzano Po.

Liabilities for leased assets Thousands of Euros 12,975 (0)

Liabilities for leased assets amounting to Euro 12,975 thousand as at 31 December 2019 are analysed as follows:

Thousands of Euros	TPL Bol	Company vehicles	Business unit rental fees	Car sharing	Transport of goods	Total
Liabilities for leased assets	**1,646**	**378**	**3,774**	**3,823**	**3,354**	**12,975**
of which						
Current liabilities	492	167	847	1,438	1,664	4,608
Non-current liabilities	1,154	211	2,927	2,385	1,690	8,367

4. Equity investments

Thousands of Euros 15,021 (15,340)

The table below shows the main equity investments held by the Tper Group as at 31 December 2019, 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.

Equity investments								
Thousands of Euros	31/12/2019				31/12/2018			
	% ownership	Cost	Revaluations (write-downs)	Closing value	% ownership	Cost	Revaluations (write-downs)	Closing value
Equity investments measured at cost or at fair value		4,041	- 700	3,341		4,041	- 700	3,341
Start Romagna S.p.A.	14%	4,036	- 700	3,336	14%	4,036	- 700	3,336
Consorzio Esperienza Energia S.c.a.r.l. in liquidation	1%	0	-	0	1%	0	-	0
Consorzio Acquisti dei Trasporti S.c.a.r.l.		5	-	5		5	-	5
Equity investments measured using the equity method		13,695	- 2,017	11,680		13,695	- 1,697	11,998
Marconi Express S.p.A.	25%	2,000	- 1,076	925		2,000	- 592	1,408
Consorzio Trasporti Integrati S.c.a.r.l.	26%	3	-	3	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	- 940	10,452		11,393	- 1,106	10,287
Total Equity Investments		**17,736**	**- 2,717**	**15,021**		**17,736**	**- 2,397**	**15,339**

The change relating to Marconi Express concerns the sum of the effect in the income statement and the effect on shareholders' equity.

5. Financial assets

Non-current portion Thousands of Euros 8,014 (8,675)

Current portion Thousands of Euros 5,225 (5,902)

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

Thousands of Euros	31/12/2019			31/12/2018		
	financial statement value	current portion	non-current portion	financial statement value	current portion	non-current portion
Financial assets for contributions	*4,248*	*4,103*	*145*	*6,920*	*5,250*	*1,670*
Emilia-Romagna Region	3,929	3,876	54	5,130	5,023	107
Municipality of Bologna	-			-		
Ministry of Transport	-			-		-
Municipality of San Lazzaro	227	227		227	227	
Other	91		91	1,563		1,563
Other financial assets	*8,991*	*1,122*	*7,869*	*7,657*	*652*	*7,005*
Loan to investee Marconi Express S.p.A.	7,869		7,869	7,005		7,005
Other	1,122	1,122		652	652	
Total	13,239	5,225	8,014	14,577	5,902	8,675

The receivables from the Emilia-Romagna Region, equal to Euro 3,876 thousand, refer to Euro 1,327 thousand for contributions to be collected on the Stimer regional electronic ticketing system, to Euro 1,921 thousand for bus purchase, to Euro 205 thousand for trolleyway 14 extension and to Euro 422 thousand for the installation of Intelligent Transport Systems (ITS) on board buses and at Local Public Transport (TPL) bus stops.

The receivable from the Municipality of San Lazzaro, amounting to Euro 227 thousand, 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 provision for doubtful debts, 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 Euro 820 thousand following the first-time application of the impairment criteria provided for by IFRS 9. This provision was then adjusted in 2018 to Euro 175 thousand.

6. Deferred tax assets

Deferred tax assets Thousands of Euros 3,377 (2,346)

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

Thousands of Euros	31/12/2019	31/12/2018
Deferred tax assets IRES	3,880	2,752
Deferred tax assets IRAP	198	273
Deferred tax assets	**4,078**	**3,025**
Deferred tax liabilities IRES	- 643	- 566
Deferred tax liabilities IRAP	- 58	- 113
Deferred tax liabilities	**- 701**	**- 679**
Net deferred tax assets	**3,377**	**2,346**

The changes in 2019 in prepaid and deferred taxes based on the nature of the temporary differences that gave rise to them are summarised in the following table. Deductible temporary differences in subsequent years were not significantly different from the Euro 47.5 million of the parent company Tper.

Thousands of Euros	31/12/2018	changes in the financial year					31/12/2017
	Opening balance	Provisions	(Releases)/(Uses)	Allocations to (releases from) OCI	Changes in A.P. estimate	Other reclassifications or adjustments	Closing balance
Allocations to non-deducted provisions	2,195	845					3,040
Other temporary differences	830			208			1,038
Deferred tax assets	**3,025**	**845**	**0**	**208**	**0**	**0**	**4,078**
Differences between tax value and book value of F	(679)	(22)	0	(0)	0	0	(701)
Other temporary differences	0	0	0	0	0	0	0
Deferred tax liabilities	**(679)**	**(22)**	**0**	**(0)**	**0**	**0**	**(701)**
Net deferred tax assets	**2,346**	**823**	**0**	**208**	**0**	**0**	**3,377**

7. Other assets

Current portion Thousands of Euros 5,245 (6,461)

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

- Decrease in prepaid expenses on charges due after 2019;

The receivables recorded are attributable for the following amounts to:

- Euro 2,285 thousand for receivable from Ferrovie Emilia Romagna, for government grants;

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

8. Non-current assets/liabilities and groups of assets/liabilities held for sale and discontinued operations

Non-current assets and groups of assets held for sale and discontinued operations - Thousands of Euros 7,177 (0)
Non-current liabilities and groups of liabilities held for sale and discontinued operations - Thousands of Euros 4,177 (0)

The following table shows the breakdown of non-current assets and liabilities and groups of assets/liabilities held for sale and discontinued operations.

	31/12/2019	31/12/2018	Change
Non-current assets and groups of assets held for sale and discontinued operations	**7,177**		**7,177**
Real estate	506		506
Rolling stock	15		15
Infrastructure	4,557		4,557
Other tangible assets	1		1
Inventories	100		100
Trade receivables	1,998		1,998
Non-current liabilities and groups of liabilities held for sale and discontinued operations	**4,177**		**4,177**
Trade liabilities	296		296
Funds for employee benefits	3,203		3,203
Other current liabilities	678		678

Non-current assets and groups of assets held for sale and discontinued operations and non-current liabilities and groups of assets and liabilities held for sale and discontinued operations include all assets and liabilities that were involved in the transfer of the business unit to the investee Trenitalia Tper S.c.a.r.l. on 5 December 2019 belonging to regional rail transport in Emilia-Romagna, effective from 1 January 2020, date of the start of full operations of the new company. For more details on the transaction, please refer to the paragraph "Significant events after the close of the year" in these explanatory notes.

9. Trade assets

Thousands of Euros 99,928 (86,101)

The item, mainly consisting of trade receivables, increased by Euro 13,827 thousand compared to the balance as at 31 December 2018. This increase is attributable mainly to an increase in trade receivables due from associates (Euro 9,509 thousand) and from third-party commercial companies (Euro 6,146 thousand) mostly relating to invoices to be issued to Trenitalia.

As at 31 December 2019, trade assets included:

a) inventories, amounting to Euro 22,391 thousand (Euro 22,724 thousand as at 31 December 2018), consisting of inventories and spare parts for the maintenance of rolling stock:

Thousands of Euros	31/12/2019	31/12/2018
Raw materials (railway parts)	18,147	18,731
Raw materials (automotive parts)	15,050	14,456
Provision for obsolete goods	- 10,806	- 10,463
Total	22,391	22,724

The provision for obsolete goods includes the value of the engines and other complex subsystems used and overhauled as well as a provision on slow-moving parts. This provision is adjusted annually, as regards the automotive sector based on indexes regarding the changes in individual parts, while in relation to railway parts based on the obsolescence of parts. There were no uses of the provision in 2019.

b) trade receivables, equal to Euro 77,537 thousand (Euro 63,377 thousand as at 31 December 2018), the breakdown of which is detailed in the table below.

Trade receivables - TPER GROUP

Thousands of Euros	**31/12/2019**	**31/12/2018**
Trade receivables from:		
Associates	23,502	14,010
Owner entities	964	980
Customers/Other receivables for different services	53,072	48,388
Trade receivables (net)	**77,537**	**63,377**

Trade receivables due from associates, amounting to Euro 23,502 thousand, mainly refer to the receivable from railway companies that managed the railway services, Consorzio Trasporto integrati from 01/01/2019 to 31/05/2019; Società Ferroviaria Provvisoria S.F.P. scarl from 01/06/2019 until 31/12/2019. The full collection of these items normally happens by the end of September of the following year.

The item "Customers/Other receivables for different services", amounting to Euro 53,072 thousand, is attributable to receivables for the sale of travel and parking tickets (Euro 3,679 thousand), receivables from Italian customers (Euro 41,419 thousand), 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 for railway goods transport services.

The receivables have been recognised net of the provision for doubtful debts which as at 31 December 2019 totalled Euro 5,539 thousand for the Group. The following table shows the changes in the provision for doubtful debts related to trade receivables.

Thousands of Euros	31/12/2018	Reclassifications	uses	provisions	31/12/2019
Provision for doubtful debts on trade receivables	4,072	846	- 507	1,128	5,539
Total	4,072				5,539

10. Cash and cash equivalents

Thousands of Euros 55,441 (68,807)

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 2019 financial year, please refer to the cash flow statement.

11. Current tax assets

Current tax assets Thousands of Euros 2,576 (139)

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

Thousands of Euros	31/12/2019	31/12/2018
Current tax assets - IRES	3,815	3,872
Current tax assets - IRAP	(289)	(1,306)
Direct tax assets	**3,526**	**2,566**
Current tax liabilities - IRES	(950)	(2,427)
Current tax liabilities - IRAP		
Direct tax liabilities	**(950)**	**(2,427)**
Current tax assets	**2,576**	**139**

12. Shareholders' equity

Thousands of Euros 162,051 (160,340)

As at 31 December 2019:

a) the outstanding shares are equal to 68,492,702 (68,492,702 as at 31 December 2018);

b) the treasury shares amount to 11,480 (11,480 as at 31 December 2018).

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

The shareholders' equity pertaining to the Group, amounting to Euro 158,984 thousand, increased by Euro 1,685 thousand compared to 31 December 2018. 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 Euro 6,871 thousand;
b) the negative result of the other components of the statement of comprehensive income, equal to Euro 660 thousand, determined entirely by the negative "Profit/(loss) from actuarial valuation of funds for employee benefits";
c) the distribution of dividends for 2018 equal to Euro 4,140 thousand.

The shareholders' equity attributable to minority interests amounted to Euro 3,067 thousand and showed an increase of Euro 25 thousand compared to 31 December 2018 (Euro 3,042 thousand), essentially due to the combined effect of the following main changes:

a) the profit for the year attributable to minority interests, amounting to Euro 83 thousand;
b) the distribution of dividends for 2018 equal to Euro 57 thousand.

The profit attributable to minority interests is mainly attributable to the minority shareholders SST Srl (Euro -130 thousand) and Omnibus (Euro 20 thousand).

13. Funds for provisions

Non-current portion Thousands of Euros 48,959 (48,408)

Current portion Thousands of Euros 5,186 (5,498)

Funds for provisions

Thousands of Euros	31/12/2019			31/12/2018		
	financial statement values	current portion	non-current portion	financial statement values	current portion	non-current portion
Funds for employee benefits	22,311	1,964	20,347	26,926	1,606	25,320
Provision for restoration and replacement of rolling stock	8,123		8,123	8,123		8,123
Other provisions	23,711	3,223	20,488	18,857	3,891	14,965
Total	**54,145**	**5,186**	**48,959**	**53,906**	**5,498**	**48,408**

The table below shows the amounts at the beginning and end of the year for funds for provisions and the related changes for 2019 compared with the changes for 2018.

Thousands of Euros	31/12/2018	changes in 2019							31/12/2019
	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	26,926	541	275	- 3,096	-	868	-	- 3,203	22,311
Provision for restoration and replacement of rolling stock	8,123	-	-	-	-	-	-		8,123
Insurance deductibles provision	3,191	1,416		(1,819)	-				2,789
Provision for work disputes in progress	6,612	5,557	13	(178)	(554)	-	(23)		11,427
Provision for Revenue Agency disputes Tax wedge	6,312			-					6,312
Expropriation litigation provision	2,370	-	-	(378)					1,992
Other provisions	372	1,002		(183)					1,191
Total Changes in Funds for Provisions	**53,906**	**8,516**	**288**	**- 5,654**	**- 554**	**868**	**- 23**		**54,145**

Funds for employee benefits

As at 31 December 2019, the fund for employee benefits, amounting to Euro 22,311 thousand, refers entirely to employee severance indemnity (TFR) for employees subject to Italian legislation, to be paid upon termination of employment.

The changes in the fund for employee benefits in 2019 is as follows:

Thousands of Euros	2019 opening balance
Balance as at 1 January 2019	**26,926**
Current service cost	541
Financial component	275
Effect of actuarial (profits)/losses	868
Uses in the year	-3,096
Reclassification - IFRS 5	-3,203
Balance as at 31 December 2019	**22,311**

The main assumptions made for the actuarial estimate process of the employee severance indemnity provision as at 31 December 2019 are summarised below.

	31/12/2019	31/12/2018
Annual discounting rate	0.37%	1.13%
Annual inflation rate	1.20%	1.50%
Annual rate of inflation - TFR	**2.400%**	**2.625%**
Frequency of advances	**2%**	**2%**
Annual turnover rate	**1.50%**	**1.50%**

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 total workers evaluated;

- the annual rate of increase in employee severance indemnity pursuant to Article 2120 of the Civil Code, is equal to 75% of inflation plus 1.5 percentage points.

The list of statistical sources used is shown below.

Mortality	RG48 mortality tables published by the State General Accounting Office 0.88%
Disability	INPS tables distinguished by age and gender
Retirement age	100% upon reaching the AGO requirements in accordance with Decree Law no. 4/2019

Future estimated benefits years	*Thousands of Euros*
1	2,170
2	1,727
3	743
4	1,436
5	1,560

The "Provision for restoration and replacement of rolling stock", amounting to Euro 8,123 thousand, are determined on the basis of the wear and age of the rolling stock subject to cyclical maintenance programmes which provide for the replacement of components of significant value existing at year-end. Agreements are in the course of being defined between the newly formed company Trenitalia Tper, which will manage the new railway service contract in 2020, for the definition of the obligations relating to the replacement of rolling stock in the near future.

The "Insurance deductibles provision", equal to Euro 2,789 thousand, represents the probable liability for the excesses paid by Tper still to be paid on motor vehicle accidents occurring before 31 December 2019.

The "Provision for work disputes in progress", amounting to Euro 11,427 thousand, has been created to cover the foreseeable liabilities, expressed at current values, relating to disputes with employees. The provision also includes an estimate of legal fees and other potential ancillary costs.

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

The "Expropriation Litigation Provision", amounting to Euro 1,992 thousand, is set up to cover the outcome of the disputes pending before the Court of Appeal, concerning the calculation of compensation for expropriation of land on which the Dinazzano railway station insists.

14. Financial liabilities

Non-current portion Thousands of Euros 103,260 (110,122)

Current portion Thousands of Euros 5,331 (5,427)

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

Financial liabilities

Thousands of Euros	31/12/2019				31/12/2018			
	nominal value	financial statement value	current portion	non-current portion	nominal value	financial statement value	current portion	non-current portion
Bond issues	95,000	94,648	-	94,648	95,000	94,428	-	94,428
Medium/long-term loans	13,393	13,393	5,331	8,062	19,671	19,671	5,319	14,352
Derivatives	-	100	-	100	-	202	-	202
Current account overdrafts	-	-	-	-	-	-	-	-
Short-term loans	-	-	-	-	-	-	-	-
Other financial liabilities	364	449	-	449	364	1,248	108	1,140
Total Financial liabilities	**108,757**	**108,591**	**5,331**	**103,260**	**115,035**	**115,549**	**5,427**	**110,122**

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

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

The item "Long-term loans" refers for Euro 26.7 million 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 loans, 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 shareholders' equity of 1 and between net financial debt and EBITDA of 3.5;
- Unsecured loan: provides for compliance with a minimum threshold for the ratio between net financial debt and shareholders' equity of 1.5.

The level of return on the Tper bond as at 31/12/2019 is estimated at roughly 1.325% (compared to 1.98% on the bond at the issue phase in September 2017). Based on said rate of return, the nominal value of the loan as at 31/12/2020 is equal to Euro 96,784,100 (compared to Euro 95,000,000 on issue).

15. Other liabilities

Non-current portion Thousands of Euros 21,335 (20,887)

Current portion Thousands of Euros 33,099 (31,048)

The most significant part of the non-current portion consists of amounts due to SRM Società Reti e Mobilità S.p.A., equal to Euro 19,871 thousand, corresponding to the balance due on the reference date in relation to the rental agreement of the business unit underwritten on 4 March 2011 between the mobility agency SRM Società Reti e Mobilità 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, currently extended until 31/08/2024.

Among the most significant items of the "Other liabilities" we note: Euro 13 million for deferrals on ticketing revenues pertaining to the next few years, Euro 13.4 million for payables due to personnel and Euro 3.3 million for payables due to social security institutions for salary expenses.

16. Trade liabilities

Non-current portion Thousands of Euros 0 (0)

Current portion Thousands of Euros 53,964 (49,542)

Most of these consisted of payables to suppliers of Euro 51.6 million, and recorded an increase of Euro 3.6 million compared to 2018. There were no payments past due involving a significant amount not paid.

INFORMATION ON THE INCOME STATEMENT ITEMS

The analysis of the main balances of the income statement is shown below.
For details on the balances of the income statement items deriving from transactions with related parties, please refer to the section "Transactions with related parties".

17. Revenues for TPL line services

Thousands of Euros 202,605 (198,366)

The revenues for TPL line services amounted to Euro 202,605 thousand and showed an increase of Euro 4,240 thousand (+2.13%) compared to 2018 (Euro 198,366 thousand).

Thousands of Euros	2019	2018	CHANGE
TRAVEL TICKETS	80,476	77,164	3,312
REMUNERATION SUPPLEMENTS	105,200	104,220	980
CLA CONTRIBUTIONS	12,187	12,187	0
PASSENGER FINES	3,799	3,870	-71
OTHER REVENUES	943	924	19
TOTAL REVENUES FOR TPL LINE SERVICES	**202,605**	**198,366**	**4,240**

The only substantial change in 2019 was the increase in revenues connected with travel tickets as a result of the increase in passengers transported.

18. Revenues for railway line services

Thousands of Euros 92,273 (89,143)

Revenues for railway line services amounted to Euro 92,273 thousand and increased by Euro 3,131 thousand (+3.51%) compared to 2018 (Euro 89,143 thousand).

Thousands of Euros	2019	2018	CHANGE
TRAVEL TICKETS	17,092	13,906	3,186
REMUNERATION SUPPLEMENTS	50,176	47,858	2,318
CLA CONTRIBUTIONS	1,151	2,763	-1,612
PASSENGER FINES	270	353	-83
OTHER REVENUES	23,584	24,262	-678
TOTAL REVENUES FOR RAILWAY LINE SERVICES	**92,273**	**89,143**	**3,131**

The railway sector recorded an increase in revenues from passenger traffic in 2019, as did the automotive service. Higher supplements deriving from the new service contract were partially offset by the lower CLA contributions included in said contract.

19. Revenues for parking and car sharing

Thousands of Euros 16,934 (16,078)

The revenues for parking and car sharing amounted to Euro 16,934 thousand, an increase of Euro 855 thousand (+5.31%) compared to 2018 (Euro 16,078 thousand).

Thousands of Euros	2019	2018	CHANGE
STOPPING AND PARKING	15,058	13,882	1,176
ACCESS TO THE HISTORIC CENTRE	1,797	1,764	33
CAR SHARING	78	432	-354
TOTAL REVENUES FOR PARKING AND CAR SHARING	16,934	16,078	855

In 2019, parking revenues relating to the contract stipulated with the Municipality of Bologna for the management of parking and car parks in the Municipal territory increased by 8.4% compared to 2018.

20. Other income

Thousands of Euros 16,859 (13,789)

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

Thousands of Euros	2019	2018	CHANGE
VEHICLE MAINTENANCE AND OTHER SERVICES RENDERED TO THIRD PARTIES	1,807	2,084	-277
RAILWAY MAINTENANCE	3,682	3,651	31
INSURANCE AND OTHER REIMBURSEMENTS	1,591	1,585	6
FINES	731	388	343
OTHER	9,048	6,081	2,967
TOTAL OTHER INCOME	16,859	13,789	3,070

The increase compared to 2018 recorded in the item "Other" is attributable to the activities of the new Car Sharing service called "Corrente" and preliminary activities carried out for the opening of the new mono-rail transport service called "People Mover" which will connect the airport of Bologna with the FS Central Station.

21. Personnel costs

Thousands of Euros 131,921 (128,155)

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

Thousands of Euros	2019	2018	*CHANGE*
Salaries and wages	101,348	98,261	3,087
Social security contributions	24,235	23,642	593
Pension provisions	5,522	5,419	103
Other personnel costs	816	833	-17
Total	131,921	128,155	3,766

Personnel costs amounted to Euro 131,921 thousand (Euro 128,155 thousand in 2018) and were substantially in line with what was incurred in the previous year bearing in mind the overall increase of staff (+75 units as at 31 December) with respect to 2018.

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

	2019	*2018*	*Change*
Executives	13	13	-
Middle managers	59	58	1
White-collar staff	328	324	4
Blue-collar staff	2,228	2,249	- 21
Apprentices	233	143	90
Associates	7	6	1
Total	2,868	2,793	75

22. Costs for services

Thousands of Euros 99,566 (95,539)

The financial statement balance is detailed in the following table.

Costs for services

Thousands of Euros	**2019**	**2018**	***CHANGE***
Transport services	39,188	39,108	80
Rail tolls	10,718	10,353	365
Maintenance	17,795	18,271	-476
Cleaning	5,295	5,060	235
Insurance	6,561	4,464	2,097
Electric power	1,708	1,350	358
Canteen service	2,124	1,936	188
Other utilities	1,624	1,654	-29
Consultancy	1,212	1,302	-90
Other	13,341	12,041	1,300
Total	**99,566**	**95,539**	**4,027**

In 2018 it was reclassified to the item Electric power with the elimination of the costs for electric power for traction brought to the cost item Fuels of Euro 3,111 thousand, in the row Raw materials and materials.
The decrease in maintenance costs is almost entirely attributable to the railway sector, having recorded higher rolling stock maintenance costs.

23. Raw materials and materials

Thousands of Euros 44,719 (41,319)

This item includes the costs for the purchases of materials:

Raw materials and materials

Thousands of Euros	2019	2018	*CHANGE*
Fuels	24,367	22,758	1,609
Lubricants	437	485	-48
Tyres	832	862	-31
Spare parts	16,972	15,058	1,914
Various materials	1,584	1,419	165
Other	527	737	-210
Total	44,719	41,319	3,400

In 2018, it was reclassified to the item Fuels with the insertion of the costs for Electric power for traction of Euro 3,111 thousand.

24. Costs for use of third-party assets

Thousands of Euros 7,997 (9,822)

The item includes:

Costs for use of third-party assets

Thousands of Euros	**2019**	**2018**	***CHANGE***
Stopping and parking management fee	7,835	6,050	1,785
Other rentals and leasing	162	2,858	-2,696
Company rentals	0	915	-915
Total	**7,997**	**9,822**	**-1,826**

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

The item "Company rentals" referred to:

- the mobility agency SRM Società Reti e Mobilità S.p.A. in relation to the lease agreement for a business unit signed on 4 March 2011 between SRM Società Reti e Mobilità S.p.A. and the company Trasporto Pubblico Bolognese Scarl 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 S.r.l.; and
- Agenzia Mobilità e Impianti in relation to the concession contract in use of the assets functional to the TPL signed on 23 December 2010 between Agenzia Mobilità e Impianti and the company Trasporto Pubblico Ferrarese Scarl at the same time as the signing of the service agreement for the management of public transport on the local roads in the Ferrara area.

In 2019, these contracts were included in the application of IFRS 16.

25. Other operating costs

Thousands of Euros 4,952 (5,810)

The item includes:

Other costs

Thousands of Euros	2019	2018	*CHANGE*
Taxes and fees	2,348	1,906	442
Audits and inspections	131	163	-31
Membership fees	243	245	-1
Other	2,230	3,497	-1,268
Total	**4,952**	**5,810**	**-858**

The decrease recorded in Tper of Euro 1,191 thousand in losses from the disposal of buses represents the most significant change.

26. Write-downs and reversals of impairment

Thousands of Euros 1,798 (2,264)

Thousands of Euros	31/12/2019	31/12/2018	*Change*
Write-downs of tangible assets	0	-1,844	1,844
Reversals of impairment of tangible assets	0	0	
Write-downs/(reversals) of impairment of financial assets	-1,798	-420	-1,378
Total	**-1,798**	**-2,264**	**466**

27. Change in funds for provisions

Thousands of Euros 6,104 (2,184)

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 Euro 6,104 thousand, relates to the net increase of Euro 4,411 thousand in releases from the provision for labour disputes.

28. Financial income

Thousands of Euros 501 (421)

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

Financial income

Thousands of Euros	2019	2018	*Change*
Dividends			
Other financial income			
		-	
of which interest income on receivables	501	420	81
		-	
of which interest income on bank accounts	-	1	-1
		-	
of which other interest income	-	0	0
		-	
Financial income	501	421	80

29. Financial charges

Thousands of Euros 2,428 (2,424)

Financial charges

Thousands of Euros	**2019**	**2018**	***Change***
Charges on bonds	1,978	1,973	5
			-
Charges on loans	82	301	219
Other financial charges	368	150	218
			-
Financial charges	**2,428**	**2,424**	**4**

30. Share of profit (loss) on equity investments accounted for using the equity method

Thousands of Euros 66 (843)

The "Share of profit (loss) on equity investments accounted for using the equity method" for 2019 includes a net income of Euro 66 thousand, attributable to the pro-quota results for the year in associates, and refers to:

- for Euro 165 thousand to the profit attributable to the Group and minority interests of the associate Seta S.p.A.;
- Euro -99 thousand for the loss attributable to the Group of the associate Marconi Express S.p.A..

31. Tax charges

Thousands of Euros -313 (-1,673)

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

Tax charges (income)

Thousands of Euros	**2019**	**2018**	***Change***
IRES	1,163	3,264	-2,102
IRAP	869	889	-20
Current income taxes	**2,032**	**4,153**	**-2,121**
Income taxes for previous years	930	3,427	-2,497
Differences on income taxes for previous years	**930**	**3,427**	**-2,497**
Provisions			
Releases	-789	946	-1,735
Prepaid taxes	**-789**	**946**	**-1,735**
Provisions			
Releases		0	0
Deferred taxes	**0**	**0**	**0**
Prepaid and deferred taxes	**-789**	**946**	**-1,735**
Tax charges (income)	**313**	**1,673**	**-1,360**

The total tax charges were substantially in continuity with the previous year.

Description	**Reconciliation of amount**	**Tax rate**	**Tax effect**
Pre-tax profit			***7,266***
Tax rate			***24.00%***
Total expected taxes			**1,744**
<u>Items subject to reconciliation</u>			
IRAP			869
Contingent assets from 2019 tax return for 2018 income			(930)
Super-amortisation	***(7,272)***	24.00%	(1,745)
Other movements	***1,565***	24.00%	376
Total current, prepaid and deferred taxes			**313**
Total current, prepaid and deferred taxes in the financial statements			***313***
Difference			**0**
Actual tax rate for the period			**4%**

Earnings per share

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

	2019	2018
Weighted average number of shares issued	68,492,702	68,492,702
Weighted average number of treasury shares in portfolio	111,480	111,480
Weighted average number of shares outstanding for the purpose of calculating basic earnings	68,381,222	68,381,222
Profit for the year (thousands of euros)	6,871	13,083
Basic earnings per share (euros)	0.10	0.19

It should be noted that, as at 31 December 2019, there were no shares that could potentially be outstanding and, therefore the diluted earnings per share coincided with the earnings per share.

OTHER FINANCIAL INFORMATION

Information on the cash flow statement

The 2019 financial trend shows a reduction in net cash and cash equivalents of Euro 13,366 thousand compared to an increase in net cash and cash equivalents in 2018 of Euro 5,181 thousand.

The net cash flow generated by operating activities amounted to Euro 24,131 thousand in 2019, and decreased by Euro 162 thousand compared to the previous year. The decrease is attributable to the combined effect of the following factors:

a) the increase in net cash flow absorbed by changes in working capital and other changes for Euro 4,540 thousand, mainly due to the increase in trade receivables for Euro 15,926 thousand, current tax assets for Euro 2,437 thousand, partially offset by the decrease in trade liabilities for approximately Euro 4,719 thousand and other liabilities for Euro 3,019 thousand;
b) the reduction in the economic performance, with a result for the year of Euro 6,954 thousand compared to the previous year amounting to Euro 13,374 thousand (Euro -6,420 thousand), offset by the increase in amortisation/depreciation (Euro +6,412 thousand compared to the previous year) and the increase in the operating change in provisions (Euro +4,559 thousand compared to the previous year).

The cash flow absorbed by investing activities amounted to Euro 20,461 thousand and mainly originated from investments in tangible assets for Euro 24,979 thousand, for which the Group collected Euro 4,750 thousand in contributions.

The net cash flow absorbed by financing activities is equal to Euro 17,035 thousand and was essentially due to the combined effect of:

a) dividends paid to shareholders for a total of Euro 4,198 thousand;
b) the repayment of medium/long-term loans, amounting to Euro 6,058 thousand;
c) the reimbursement of liabilities for leased assets amounting to Euro 2,619 thousand;
d) net change in other financial assets, a negative Euro 1,334 thousand;
e) net change in other financial liabilities, a negative Euro 900 thousand.

Financial risk management

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

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

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

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

a) the liquidity risk, with reference to the availability of adequate financial resources to meet its short-term commitments;
b) the risk of non-compliance with bond covenants;
c) the risk of fluctuation of interest rate risks deriving from the exposure to variable interest rates;
d) the risk deriving from fluctuations in the commodity price;
e) the credit risk, connected both to normal commercial relations and to the possibility of default of a financial counterparty.

The Group is not exposed to exchange rate risk.

Liquidity risk

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

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

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

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

Thousands of Euros	Financial statement value	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	After 5 years
As at 31 December 2019					
Bond issues	94,648	1,757	1,757	98,514	
Loans	13,843	5,419	5,409	2,723	
Derivatives	100	80	29		
Liabilities for leased assets	12,997	4,961	3,660	5,022	-
Trade liabilities	53,964	53,964			
As at 31 December 2018					
Bond issues	94,428	1,757	1,757	68,020	32,252
Loans	20,919	7,341	5,398	8,032	
Derivatives	202	91	80	29	
Trade liabilities	49,542	49,542			

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

Risk of default and non-compliance with covenants

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

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

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

- the loan granted by BNL for the purchase of seven trains makes provision for the obligation to respect, for the entire duration of the loan, the following financial covenant:
  - (i) the ratio between the consolidated net financial position and consolidated shareholders' equity must not exceed 1.5 until full repayment of the loan;
- the bond envisages the obligation of respecting, for the entire duration of the debt:
  - (i) the ratio between the consolidated net financial position and consolidated shareholders' equity must not exceed 1;
  - (ii) the ratio between the consolidated net financial position and consolidated EBITDA must not exceed 3.5.

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

Respect for these covenants is monitored by the Group and, at the current state of play, all covenants have been observed.

Interest rate risk

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

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.

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

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

Thousands of Euros	31.12.19	Contractual cash flows	current portion	Between 1 and 2 years	Between 2 and 5 years	After 5 years
Variable rate	13,843	13,550	5,419	5,409	2,723	-
Fixed rate	94,648	102,028	1,757	1,757	98,514	-
Total	**108,491**	**115,579**	**7,176**	**7,166**	**101,237**	**-**

Thousands of Euros	31.12.18	Contractual cash flows	current portion	Between 1 and 2 years	Between 2 and 5 years	After 5 years
Variable rate	20,919	20,771	7,341	5,398	8,032	-
Fixed rate	94,428	103,785	1,757	1,757	68,020	32,252
Total	**115,347**	**124,556**	**9,098**	**7,155**	**76,051**	**32,252**

Commodity price risk

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

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

Credit risk

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

The Tper Group's counterparties are primarily composed of:

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

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

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

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

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

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

The table below shows the Company's exposure to credit risk as at 31 December 2019.

Thousands of Euros	Receivables 31/12/19	not past due	0-30	31-60	past due 61-90	91-180	over 180
Trade assets	85,733	79,377	1,878	359	646	343	3,130
Financial assets	19,662	19,662	-	-	-	-	-
Other assets	8,778	4,028	-	-	-	-	4,750
Total	114,173	103,067	1,878	359	646	343	7,880

Additional disclosures on financial instruments

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

Thousands of Euros	notes	Fair value °level	Amortised cost 31/12/2019	Amortised cost 31/12/2018	Fair value recognised in the income statement 31/12/2019	Fair value recognised in the income statement 31/12/2018	Total 31/12/2019	Total 31/12/2018
NON-CURRENT ASSETS								
Equity investments	4	3	51,353	51,353	3,336	3,336	54,689	54,689
Financial assets	5		19,679	14,005			19,679	14,005
CURRENT ASSETS								
Trade receivables	8		78,684	67,118			78,684	67,118
Financial assets	5		4,103	5,250			4,103	5,250
Assets for current income taxes	10		2,505	2,952			2,505	2,952
Other assets	11		3,927	5,714			3,927	5,714
NON-CURRENT LIABILITIES							-	-
Bond issues	14		94,648	94,428			94,648	94,428
Medium/long-term loans	14		7,978	13,297			7,978	13,297
Derivatives	14	2			100	202	100	202
Other financial liabilities	14		409	364				
Long-term liabilities for leased assets	3		6,531					
Other liabilities	15		21,335	20,887			21,335	20,887
								-
CURRENT LIABILITIES							-	-
Trade liabilities	16		48,578	44,358			48,578	44,358
Financial liabilities	14		5,319	5,319			5,319	5,319
Liabilities for leased assets - short term portion	3		2,944				2,944	-
Other liabilities	15		30,812	28,742			30,812	28,742

Determination of the fair value

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

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

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

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

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

Thousands of Euros	31/12/2019	fair value at the reporting date		
		level 1	level 2	level 3
Equity investments	3,336			3,336
Financial liabilities				
Derivatives	100		100	

In accordance with the provisions of IFRS 13, the fair value of the financial liabilities as at 31 December 2019 is reported, among which the bond issue is measured at amortised cost.

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

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

Guarantees

Thousands of Euros	31/12/2019	31/12/2018	Change
Guarantees given to third parties			
Sureties granted	20,219	26,423	-6,204
Risks			
Third-party assets at the company	4,042	1	4,041
SRM rented assets at the company	27,990	28,939	- 949
SRM assets at the company	19	19	-
Total	**52,270**	**55,382**	**-3,112**

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 Trenitalia) 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 book value of the company rented by SRM for public transport in the Bologna basin.

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

Transactions with related parties

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

Amounts in thousands of euros:

Thousands of Euros		**Sales to related parties**	**Purchases from related parties**	**Receivables from related parties**			**Payables to related parties**		
				trade	**financial**	**total**	**total**	**trade**	**financial**
Associates									
SETA S.P.A.	2018	1,450	203	508		508	60	60	
	2019	1,300	258	635		635	125	125	
CONSORZIO TRASPORTI INTEGRATI	2018	47,858	30	13,281		13,281	0	0	
	2019	18,366	341	3,319		3,319	312	312	
TRENITALIA TPER SCARL	2018	42	0	42		42	225	225	
	2019	31,880		18,541		18,541	0	0	
MARCONI EXPRESS S.p.A.	2018	579	0		7,651	7,651	0	0	
	2019	826	80	1,008	8,559	9,568	80	80	
Total	2018	**49,929**	**233**	**13,831**	**7,651**	**21,482**	**285**	**285**	**0**
	2019	**52,372**	**679**	**23,503**	**8,559**	**32,062**	**517**	**517**	**0**

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

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

(income statement)	2019				2018			
	SETA	MARCONI EXPRESS	TRENITALIA TPER	CTI	SETA	MARCONI EXPRESS	TRENITALIA TPER	CTI
Value of Production	108,630	6,862	78,067	62,281	109,025	21,622	0	146,206
Costs of Production	-107,792	-4,381	-78,150	-62,281	-108,101	-19,432	-70	-146,206
Financial income and charges	-49	-2,887	-108	0	-70	-2,621	-107	0
Taxes	-125	11	20	0	166	4	24	0
PROFIT/LOSS FOR THE YEAR	664	-395	-171	0	1,020	-427	-153	0

(balance sheet)	2019				2018			
	SETA	MARCONI EXPRESS	TRENITALIA TPER	CTI	SETA	MARCONI EXPRESS	TRENITALIA TPER	CTI
Fixed assets	48,888	111,492		0	50,062	83,063		
Working capital	38,115	5,773	42,521	26,514	45,137	10,992	947	46,459
Accruals and deferrals	2,286	3,107		0	1,901	2,935		
Total assets	**89,289**	**120,372**	**42,521**	**26,514**	**97,100**	**96,990**	**947**	**46,459**
Shareholders' equity	-17,237	-14,567	-490	-14	-16,217	-16,549	-661	-14
Provisions for risks and charges	-2,595	-3,663		0	-543	-987		0
Employee severance indemnity	-9,860	0		0	-11,642	0		0
Payables	-35,300	-68,682	-42,031	-26,500	-42,248	-54,694	-286	-46,445
Accruals and deferrals	-24,297	-33,460		0	-26,450	-24,760		0
Total Liabilities	**-89,289**	**-120,372**	**-42,521**	**-26,514**	**-97,100**	**-96,990**	**-947**	**-46,459**

Compensation to directors and statutory auditors and independent auditors

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

Thousands of Euros	31/12/2019	31/12/2018	*Change*
Directors' fees	315	265	51
Statutory auditors' fees	151	167	-16
Independent auditors' fees	95	45	50
Total	**561**	**477**	**84**

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 segments

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

TPER GROUP

2019

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

2018

MILLIONS OF EUROS	LOCAL PUBLIC TRANSPORT	TRANSPORT OF GOODS	URBAN PARKING AND MOBILITY	TOTAL
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
Total operating revenues	**273.6**	**26.9**	**16.9**	**317.4**
EBITDA	**32.7**	**2.1**	**1.9**	**36.7**
Amortisation/depreciation, write-downs and reversals of impairment	-16.7	-1.4	-0.3	-18.3
Provisions and other adjustment allocations	-2.2		0.0	-2.2
EBIT	**13.9**	**0.7**	**1.6**	**16.2**
Financial income/(charges)				-2.0
Share profit (Loss) equity method				0.8
Profit before tax from operating assets				**15.0**
Tax income/(charges)				-1.6
Profit for the year				**13.4**
CFO - Cash flow from operations	**21.4**	**-0.7**	**1.6**	**22.3**
Operating investments	**29.9**	**1.7**	**0.3**	**31.9**

Orders for investments

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

Thousands of Euros	31/12/2019	31/12/2018	Change
Asset orders in place			
Tangible assets	26,150	12,377	13,772
Intangible assets	101	281	-180
Total	**26,250**	**12,657**	**13,592**

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

Grants, contributions, paid offices and economic benefits Law 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:

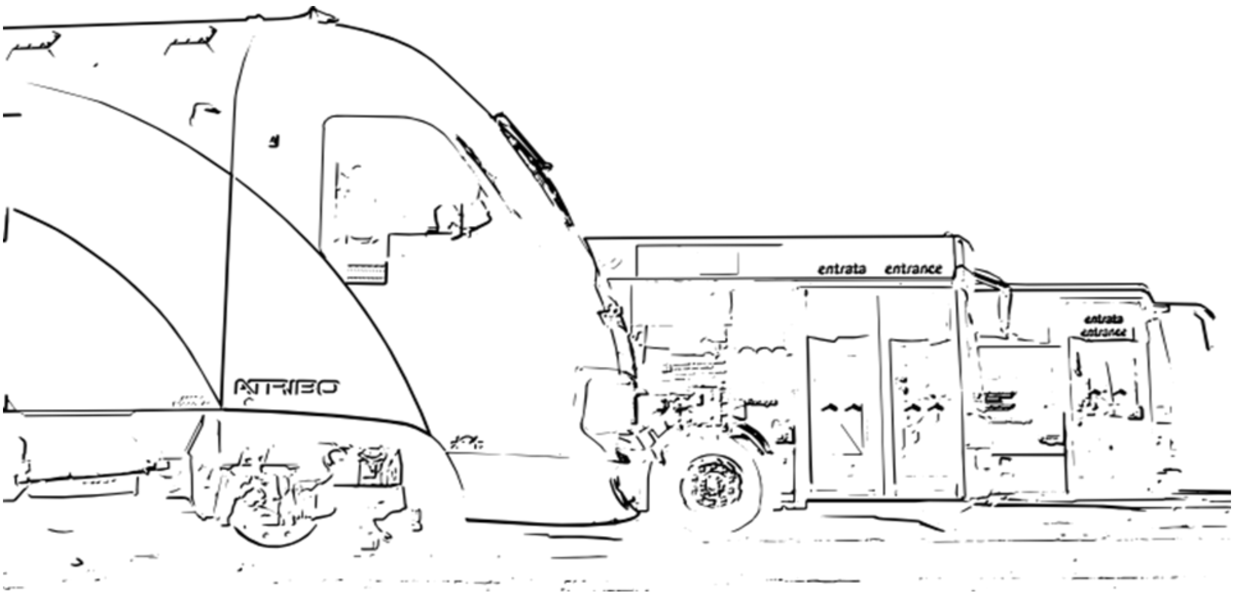
AMOUNT RECEIVED EUR	ISSUING ENTITY	DESCRIPTION
2,132,811	Customs Agency	Excise duties on transport diesel
641,501	MIT	Grant for Decree 570/2017 training
16,464	Emilia Romagna Region	Grant for the transport of goods Regional Law 10/2014
11,755,039	SRM Srl / AMI Srl / FER Srl	Contribution to the higher costs for the NCLA pursuant to Laws 47/04, 58/05, 296/06
229,871	MIT	Grant for the implementation of the guided public transport system Bologna City Centre - San Lazzaro (BO)
61,901	Emilia Romagna Region	Grant for the 80% Stimer assembly on the bus
1,887,955	Emilia Romagna Region	Grant for the purchase of new buses and systems for the local public transport service
4,150,000	Emilia Romagna Region	Grant for the purchase of new train
1,418,881	ML	Contribution to sick pay Law 266/2005
22,294,422	**TOTAL RECEIVED IN 2019**	

IMPORTO INCASSATO Euro	ENTE EROGANTE	CAUSALE
2.132.811	Agenzia delle Dogane	Accise sul gasolio autotrazione
16.464	Regione Emilia Romagna	Contributo al trasporto merci L.R. 10/2014
641.501	MIT	Contributo norma merci Decr.Dir. 61 29/12/2016
11.755.039	SRM Srl / AMI Srl / FER Srl	Contributo sui maggiori costi per CCNL ex L 47/04, L 58/05, L 296/06
229.871	MIT	Contributo per la realizzazione del sistema di trasporto pubblico a guida vincolata Bologna Centro - San Lazzaro (BO) - L.211/92
61.901	Regione Emilia Romagna	acconto 80% montaggi STIMER sui bus subconcessionari
1.887.955	Regione Emilia Romagna	Contributo per l'acquisto di autobus nuovi - Fondi POR-FESR 2014-2020
4.150.000	Regione Emilia Romagna	acconto 10% n°7 treni Stadler (1° contratto) - fondi FSC 2014/2020
1.418.881	ML	Contributo su oneri di malattia L 266/2005
22.294.422	**TOTALE INCASSATO NEL 2019**	

Tper SpA

2019 Financial Statements

Trasporto Passeggeri Emilia-Romagna



Statement of Financial Position

	notes	31/12/19	31/12/18
ASSETS			
NON-CURRENT ASSETS			
Tangible Assets	**1**	**199,170,299**	**199,235,123**
Real estate		3,263,401	3,731,020
Rolling stock		162,395,521	156,648,138
Infrastructure		32,206,581	38,273,120
Other tangible assets		1,304,796	582,846
Intangible assets	**2**	**991,705**	**1,091,183**
Goodwill and other intangible assets with an indefinite useful life			-
Concession rights			-
Other intangible assets		991,705	1,091,183
Assets for rights of use	**3**	**5,463,998**	**-**
Equity investments	**4**	**54,688,706**	**54,688,706**
Financial assets	**5**	**19,679,028**	**14,005,156**
Financial assets for contributions			
Other financial assets		19,679,028	14,005,156
Deferred tax assets	**6**	**3,611,584**	**2,543,305**
Other assets			
Non-current assets and groups of assets held for sale and discontinued operations	**7**	**7,177,488**	**-**
TOTAL NON-CURRENT ASSETS		**290,782,808**	**271,563,474**
CURRENT ASSETS			
Trade assets	**8**	**90,368,926**	**78,542,695**
Inventories		11,684,639	11,424,614
Trade receivables		78,684,287	67,118,081
Cash and cash equivalents	**9**	**38,230,593**	**51,721,507**
Financial assets	**5**	**4,102,755**	**5,249,807**
Financial assets for contributions		4,102,755	5,249,807
Other financial assets		-	-
Assets for current income taxes	**10**	**2,504,880**	**1,830,743**
Other assets	**11**	**3,927,412**	**5,713,637**
TOTAL CURRENT ASSETS		**139,134,566**	**143,058,389**
TOTAL ASSETS		**429,917,374**	**414,621,863**

LIABILITIES			
Shareholders' equity	**12**	**150,659,550**	**150,238,050**
Capital issued		68,492,702	68,492,702
Reserves		54,721,139	50,581,049
Profit/(loss) carried forward		23,128,737	23,128,737
Actuarial profit/(loss)		(896,343)	(244,619)
Profit/(loss) for the year		5,213,314	8,280,182
TOTAL SHAREHOLDERS' EQUITY		**150,659,550**	**150,238,050**
NON-CURRENT LIABILITIES			
Funds for provisions	**13**	**51,239,343**	**51,106,830**
Funds for employee benefits		18,164,851	23,113,722
Other provisions		33,074,492	27,993,107
Financial liabilities	**14**	**103,135,370**	**108,291,547**
Bond issues		94,648,081	94,427,907
Medium/long-term loans		7,978,481	13,297,468
Derivatives		100,185	202,347
Other financial liabilities		408,624	363,825
Long-term liabilities for leased assets	**3**	**6,530,999**	**-**
Other liabilities	**15**	**21,334,970**	**20,887,385**
TOTAL NON-CURRENT LIABILITIES		**182,240,681**	**180,285,761**
CURRENT LIABILITIES			
Trade liabilities	**16**	**48,578,141**	**44,539,598**
Funds for provisions - current portion	**13**	**5,186,193**	**5,497,806**
Funds for employee benefits		1,963,538	1,606,479
Other current provisions		3,222,655	3,891,328
Financial liabilities	**14**	**5,318,987**	**5,318,987**
Medium/long-term loans - short-term portion		5,318,987	5,318,987
Long-term liabilities for leased assets - short-term portion	**3**	**2,944,361**	**-**
Other current liabilities	**15**	**30,811,973**	**28,741,660**
Liabilities associated with disposal groups	**7**	**4,177,488**	**-**
TOTAL CURRENT LIABILITIES		**97,017,143**	**84,098,052**
TOTAL LIABILITIES		**279,257,824**	**264,383,813**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**429,917,374**	**414,621,863**

Trasporto Passeggeri Emilia-Romagna

Income Statement

		2019	2018
Revenues		**261,049,129**	**252,102,248**
TPL line services	**17**	173,743,625	170,609,697
Railway line services	**18**	70,100,207	65,389,278
Parking and car sharing	**19**	17,205,296	16,103,273
Other income	**20**	**9,819,815**	**8,919,294**
Operating costs		**241,000,842**	**232,395,955**
Personnel costs	**21**	117,917,352	114,715,628
Cost for services	**22**	74,530,854	69,379,172
Raw materials and materials	**23**	35,098,322	34,076,473
Use of third-party assets	**24**	9,705,683	9,275,968
Other operating costs	**25**	3,748,632	4,948,715
Amortisation/depreciation	**26**	**17,234,533**	**14,441,294**
Depreciation of tangible assets		15,099,842	13,902,981
Amortisation of intangible assets		634,022	538,313
Amortisation of assets for right of use		1,500,669	0
Write-downs/(reversals of impairment)	**27**	**1,243,960**	**1,941,390**
Change in funds for provisions	**28**	**5,675,436**	**2,175,819**
Operating result		**5,714,172**	**10,067,084**
Financial income	**29**	**550,458**	**465,149**
Dividends		58,931	54,096
Other financial income		491,527	411,052
Financial charges	**30**	**2,230,459**	**2,343,408**
Charges on bonds		1,977,673	1,973,133
Charges on loans		41,816	229,011
Other financial charges		210,969	141,264
Total financial income (charges)		**(1,680,001)**	**(1,878,259)**
Profit before tax		**4,034,171**	**8,188,824**
Tax charges	**31**		
Current income taxes		(316,672)	(968,254)
Prepaid and deferred taxes		(862,471)	876,897
Net profit/(loss) for the year		**5,213,314**	**8,280,182**

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Statement of comprehensive income

	2019	2018
Profit for the year	**5,213,314**	**8,280,182**
Profit/(loss) from the fair value measurement of cash flow hedges		
Tax effect on profit/(loss) from the fair value measurement of cash flow hedges		
Profit/(loss) from the fair value measurement of available-for-sale assets		
Tax effect on profit/(loss) from the fair value measurement of available-for-sale assets		
Other components of the statement of comprehensive income for the year that can be reclassified to the income statement	**0**	**0**
Profit/(loss) from actuarial valuation of funds for employee benefits	(857,532)	661,326
Tax effect on profit/(loss) from actuarial valuation of funds for employee benefits	205,808	(158,718)
Other components of the statement of comprehensive income for the year that cannot be reclassified to the income statement	**(651,724)**	**502,608**
Reclassifications from other components of the statement of comprehensive income to the income statement for the year		
Tax effect related to reclassifications from other components of the statement of comprehensive income to the income statement for the year		
Total other components of the statement of comprehensive income for the year	**(651,724)**	**502,608**
Comprehensive income for the year	**4,561,590**	**8,782,790**

Statement of changes in shareholders' equity

	Share capital	Reserves									Shareholders' equity
		Valuation reserves	Other reserves								
		Reserve for actuarial valuations for employee benefits	Treasury shares	Legal reserve	Share premium reserve	Capital contributions reserve	Accumulated merger surplus reserve	Other reserves	Profit/(loss) carried forward	Result for the year	
Balance as at 1 January 2018 - Restated	**68,492,702**	**(747,227)**	**(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**
Transactions with shareholders and other changes											
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**
											0
Comprehensive income for the year		502,608									**502,608**
										8,280,182	**8,280,182**
Balance as at 31 December 2018	**68,492,702**	**(244,619)**	**(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**
Balance as at 1 January 2019	**68,492,702**	**(244,619)**	**(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**
Transactions with shareholders and other changes											
Distribution of dividends										(4,140,091)	**(4,140,091)**
Allocation of the previous-year result				414,009				3,726,082		(4,140,091)	**0**
Purchase of treasury shares											**0**
Other minor changes and reclassifications											**0**
											0
Comprehensive income for the year		(651,724)								5,213,314	**4,561,590**
Balance as at 31 December 2019	**68,492,702**	**(896,343)**	**(188,536)**	**4,749,171**	**272,058**	**32,716,499**	**1,515,984**	**15,655,963**	**23,128,737**	**5,213,314**	**150,659,549**

Cash flow statement

	2019	2018
Profit/(loss) for the year	**5,213,314**	**8,280,182**
Amortisation/depreciation	17,234,533	14,441,294
Operating change of funds	5,675,436	2,175,819
Value write-downs/(revaluations) of financial assets	1,243,960	97,240
Value write-downs/(revaluations) of non-financial assets		1,844,150
Losses/(gains) from disposal of non-current assets	**226,275**	1,420,469
Financial income/(charges)	1,680,001	1,878,259
Net change in deferred taxation		
Change in working capital and other changes	(10,919,763)	(15,215,930)
Income taxes paid	(186,995)	(1,571,337)
Net cash flow provided by/(used in) operating activities	**20,166,762**	**13,350,147**
Investments in tangible assets	(25,870,265)	(29,060,498)
Investments in intangible assets	(560,544)	(415,400)
Equity investments		0
Investments gross of contributions	**(26,430,809)**	**(29,475,898)**
Contributions to tangible assets	**4,750,000**	24,066,948
Contributions to intangible assets		0
Contributions	**4,750,000**	**24,066,948**
Disposals of tangible assets	1,232,922	1,506,383
Disposals of intangible assets	26,000	0
Disposals of equity investments		350
Disposals	**1,258,922**	**1,506,733**
Net cash flow provided by/(used in) investing activities	**(20,421,887)**	**(3,902,219)**
Issue/(repayment) of bonds	0	0
Disbursement/(Repayment) of medium/long-term loans	(5,318,987)	(8,080,428)
Disbursement/(Repayment) of short-term loans	0	0
Reimbursement of financial liabilities for leased assets	(2,533,356)	
Change in financial assets	283,040	(800,853)
Change in financial liabilities	(57,363)	(2,656,371)
Financial income	491,527	411,052
Interest expense	(2,019,490)	(1,986,511)
Other financial charges		(141,264)
Purchase of treasury shares		0
Dividends paid	(4,140,091)	(4,800,000)
Dividends received	58,931	54,096
Net cash flow provided by/(used in) financing activities	**(13,235,790)**	**(18,000,279)**
Net cash flow for the period	**(13,490,915)**	**(8,552,351)**
Cash and cash equivalents at the start of the year	51,721,508	60,273,859
Cash and cash equivalents at the end of the year	38,230,593	51,721,508

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.

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

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

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

The present financial statements as at 31 December 2019 were approved by the Board of Directors of Tper at the meeting of 27 May 2020, considering that the Board of Directors of Tper dated 4 March 2020, as the conditions set forth in Article 2364, paragraph 2 of the Italian Civil Code were satisfied, resolved to defer the ordinary deadline for approval of the company's financial statements from 120 days to 180 days from the end of the financial year.

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

Compliance with IFRS

Tper's financial statements for the year ended as at 31 December 2019, drafted on the basis of the going concern assumption, were prepared in accordance with articles 2 and 3 of Legislative Decree no. 38/2005, in compliance with the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board and approved by the European Commission, which include the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) as well as the previous International Accounting Standards (IAS) and previous interpretations of the Standard Interpretations Committee (SIC) still in force. For simplicity, the set of all the standards and interpretations is hereafter defined as the "IFRS".

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

Presentation of Financial Statements

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

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

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

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

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

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

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

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

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

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

For each item of the financial statements, the corresponding value of the previous year is shown for comparative purposes. It should be noted that with respect to what has already been published in the financial statements as at 31 December 2018, for the purposes of better accounting representation, certain reclassifications were made.

Measurement criteria

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

Equity investments

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

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

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

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

Impairment and reversal of impairment of equity investments - impairment test

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

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

The impairment losses are recorded in the income statement.

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

Accounting estimates and significant judgments

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

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

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

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

Going concern

The economic and operating impacts of the Covid-19 emergency on Tper's activities are currently being determined. As part of the evaluation of the correctness of the going concern assumption, the Directors have identified a series of areas of concern, linked to the restrictions and the subsequent reduction in ticketing revenues as well as their possible repercussions on expected profitability for the current year and on the related cash flows.

Despite a context which is extremely complex and unforeseeable at present, the Directors evaluated the significance of the circumstances linked to Covid-19 in relation to the company's capacity to fulfil its obligations. This evaluation included the consideration of the following elements:

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

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

Recently issued accounting standards

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

Change of accounting policies

IFRS 16 - Leases

The new accounting standard on leases, IFRS 16, entered into force on 1 January 2019. The main changes introduced relate to the regulation of passive lease agreements, with regards to which the new general criteria for accounting and representation in the financial statements are outlined below, as well as the impacts of the initial application on the Balance Sheet, in compliance with the simplified retrospective method, and the amounts booked to the financial statements as at 31 December 2019 of Tper Spa.

Pursuant to the new accounting regulation, on inception of the contract, Tper evaluates whether the contract is, or contains, a lease: the contract is, or contains, a lease if it confers the right to control the use of a specific asset for a given period of time, in exchange for a consideration. The asset is normally specified given explicitly indicated in the contract or at the moment in which the asset is available for use by the Company.

By contrast, the right of control is measured on the basis of the right to obtain substantially all economic benefits deriving from use of the asset and the right to decide its relative use.

Over the course of the contractual life, the initial measurement is only revised in response to changes in the contractual conditions, with a substantial impact on the right to control the underlying asset. If the lease also contains a non-lease component, the Company separates and treats this component according to the reference accounting standard (by way of example, in relation to property leases, the lease component is separate from the accessory/condominium charges or for utilities, classified for accounting purposes as costs for services and recognised on the basis of the accrual principle). Cases in which the separation is not possible based on objective criteria are an exception: in these cases, the Company does not separate the lease component and non-lease component and subjects them jointly to the lease accounting regulation.

Right of use

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

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

Lease liability

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

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

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

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

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

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

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

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

Impacts of first-time application of IFRS 16

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 assets), 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). 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 project for identifying the impacts of the adoption of the new standard on the accounting balances was marked out in several phases, including the mapping of the contracts potentially suited to containing a lease and the analysis of these for the purposes of applying IFRS 16. The Company was not shown to have significant leases as lessee and that these relate to operating property leases.

Tper made use of the simplified option provided for the transition to IFRS 16 for the purpose of not recalculating when a contract is or contains a lease. Therefore, the conclusion regarding the qualification of a contract as a lease in accordance with IAS 17 and IFRIC 4 will continue to be applied to contracts entered into or modified before 1 January 2019.

Therefore, at the moment of first-time adoption, Tper made use of:

- the modified retrospective application, with the recognition in the balance sheet as at 1 January 2019 of the effects of the application of the standard, with no impacts on shareholders' equity and without the modification of the comparative 2018 income statement;
- use of information available at the transition date for the determination of the duration of each lease, with particular reference to the exercise of the extension and early closure options;
- exclusion of the new accounting presentation method, in view of the irrelevance of leases with a residual duration of 12 months or less (from 1 January 2019) and those for low-value assets, relating essentially to computers, telephones and other electronic devices. For these assets, lease fees continue to be booked to the income statement, based on the duration of the respective contracts;
- exclusion of initial direct costs from the measurement of the right of use on 1 January 2019.

It should be noted that the leased assets recognised in application of IFRS 16 are included in the item

"Assets for rights of use" in the balance sheet as at 31 December 2019 and detailed in the individual items shown in the explanatory notes, to which reference should be made.

As at 1 January 2019, Tper recognised Assets for rights of use amounting to Euro 6,813 thousand, relating to leases previously classified as operating leases based on application of IAS 17 and Financial liabilities for leased assets totalling Euro 9,046 thousand. It should be noted that the difference between the initial value of Assets for rights of use and that of Financial liabilities for leased assets, equal to Euro 2,233 thousand, is attributable to the sub-lease in place between Tper and the subsidiary Omnibus S.c.a.r.l. for the rental of cars used in the car sharing service.

Financial lease liabilities as at 1 January 2019 can be reconciled with the amount of fees falling due as at 31 December 2018 as follows:

Thousands of Euros	Values
Commitments for operating leases as at 31/12/18	**9,547**
Effect of discounting at the incremental borrowing rate	- 501
Financial liabilities for leased assets as at 1/1/19	**9,046**
of which:	
current	1,969
non-current	7,077

The effects of the initial application on Tper's balance sheet are outlined hereunder.

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Balance sheet

	notes	31/12/18	IFRS 16 FTA	Restated 01/01/2019
ASSETS				
NON-CURRENT ASSETS				
Tangible Assets	**1**	**199,235,123**	**-**	**199,235,123**
Real estate		3,731,020	-	3,731,020
Rolling stock		156,648,138	-	156,648,138
Infrastructure		38,273,120	-	38,273,120
Other tangible assets		582,846	-	582,846
Intangible assets	**2**	**1,091,183**	**-**	**1,091,183**
Goodwill and other intangible assets with an indefinite useful life		-	-	
Concession rights		-	-	
Other intangible assets		1,091,183	-	1,091,183
Assets for rights of use	**3**	**-**	**6,813,343**	**6,813,343**
Equity investments	**4**	**54,688,706**	**-**	**54,688,706**
Equity investments at cost or at fair value		51,713,606	-	51,713,606
Equity investments measured using the equity method		2,975,100	-	2,975,100
Financial assets	**5**	**14,005,156**	**2,232,872**	**16,238,028**
Financial assets for contributions				
Other financial assets		14,005,156	2,232,872	16,238,028
Deferred tax assets	**6**	**2,543,305**	**-**	**2,543,305**
Other assets				
Non-current assets and groups of assets held for sale and discontir	**7**	**-**	**-**	**-**
TOTAL NON-CURRENT ASSETS		**271,563,474**	**9,046,214**	**280,609,688**
CURRENT ASSETS				
Trade assets	**8**	**78,542,695**	**-**	**78,542,695**
Inventories		11,424,614	-	11,424,614
Trade receivables		67,118,081	-	67,118,081
Cash and cash equivalents	**9**	**51,721,507**	**-**	**51,721,507**
Financial assets	**5**	**5,249,807**	**-**	**5,249,807**
Financial assets for contributions		5,249,807		5,249,807
Other financial assets		-		
Assets for current income taxes	**10**	**1,830,743**	**-**	**1,830,743**
Other assets	**11**	**5,713,637**	**-**	**5,713,637**
TOTAL CURRENT ASSETS		**143,058,389**	**-**	**143,058,390**
TOTAL ASSETS		**414,621,863**	**9,046,214**	**423,668,078**

Trasporto Passeggeri Emilia-Romagna

Balance sheet

	notes	31/12/18	IFRS 16 FTA	Restated 01/01/2019
LIABILITIES				
Shareholders' equity	**12**	**150,238,050**	**-**	**150,238,050**
Capital issued		68,492,702	-	68,492,702
Reserves		50,581,049	-	50,581,049
Profit/(loss) carried forward		23,128,737	-	23,128,737
Actuarial profit/(loss)		(244,619)	-	(244,619)
Profit/(loss) for the year		8,280,182	-	8,280,182
Shareholders' equity attributable to Minority interests				
Minority interests in capital and reserves				
Profit/(loss) attributable to minority interests				
TOTAL SHAREHOLDERS' EQUITY		**150,238,050**	**-**	**150,238,050**
NON-CURRENT LIABILITIES				
Trade liabilities	**11**	**-**	**-**	**-**
Funds for provisions	**13**	**51,106,830**	**-**	**51,106,830**
Funds for employee benefits		23,113,722	-	23,113,722
Other provisions		27,993,107	-	27,993,107
Financial liabilities	**14**	**108,291,547**	**-**	**108,291,547**
Bond issues		94,427,907	-	94,427,907
Medium/long-term loans		13,297,468	-	13,297,468
Derivatives		202,347	-	202,347
Other financial liabilities		363,825	-	363,825
Long-term liabilities for leased assets	**3**	**-**	**7,077,585**	**7,077,585**
Deferred tax liabilities	**6**	**-**	**-**	**-**
Other liabilities	**15**	**20,887,385**	**-**	**20,887,385**
TOTAL NON-CURRENT LIABILITIES		**180,285,761**	**7,077,585**	**187,363,346**
CURRENT LIABILITIES				
Trade liabilities	**16**	**44,539,598**	**-**	**44,539,598**
Funds for provisions - current portion	**13**	**5,497,806**	**-**	**5,497,806**
Funds for employee benefits		1,606,479	-	1,606,479
Provision for restoration and replacement of rolling stock		-	-	-
Other current provisions		3,891,328	-	3,891,328
Financial liabilities	**14**	**5,318,987**	**-**	**5,318,987**
Current account overdrafts		-	-	-
Short-term loans		-	-	-
Derivatives		-	-	-
Medium/long-term loans - short-term portion		5,318,987	-	5,318,987
Other financial liabilities		-		-
Long-term liabilities for leased assets - short-term portion	**3**	**-**	**1,968,630**	**1,968,630**
Liabilities for current income taxes	**10**	**-**	**-**	**-**
Other current liabilities	**15**	**28,741,660**	**-**	**28,741,660**
Liabilities associated with disposal groups	**7**	**-**		**0**
TOTAL CURRENT LIABILITIES		**84,098,052**	**1,968,630**	**86,066,682**
TOTAL LIABILITIES		**264,383,813**	**9,046,215**	**273,430,028**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**414,621,863**	**9,046,215**	**423,668,078**

In addition, the following also entered into force on 1 January 2019:

- the amendments to IAS 28 "Long-term interests in associates and joint ventures", endorsed by Regulation no. 2019/237 issued by the European Commission on 8 February 2019, aimed at clarifying that the provisions of IFRS 9, including therein those regarding impairment, also apply to loans granted to associates or joint ventures, whose reimbursement is not planned or is unlikely in the foreseeable future (long-term interest) which, essentially, are part of the net investment in the associate or joint venture. These new provisions did not generate effects;

- IFRIC 23 "Uncertainty over income tax treatments", endorsed by Regulation no. 2018/1595 issued by the European Commission on 23 October 2018, containing guidelines regarding the accounting of tax assets and tax liabilities (current and/or deferred) relating to income taxes in the presence of uncertainties in the application of tax legislation. In particular, in the presence of uncertainty in the application of the tax legislation, the company: (i) in cases where it is deemed likely that the tax authority will accept the uncertain tax treatment, determines the income taxes (current and/or deferred) to be recognised in the financial statements based on the tax treatment applied or that is expected to apply at the time of the income tax return; (ii) in cases where the tax authority is unlikely to accept the uncertain tax treatment, it reflects said uncertainty in the calculation of the income taxes (current and/or deferred) to be recognised in the financial statements. These new provisions did not generate significant effects on the criteria for the measurement of income taxes.

Significant events after the close of the year

The significant transactions which occurred after 31 December 2019 are summarised below.

Transfer of railway branch

Following the announcement by Ferrovie Emilia Romagna S.r.l., agent for the Emilia-Romagna Region, of the "Restricted procedure (CIG: 534746648A) for the award of the concession of the Public Transport Service for rail passengers pertaining to the Emilia-Romagna Region", Trenitalia and Tper were awarded the aforementioned service, as a Temporary Grouping of Companies, then going on to establish, in compliance with the call for tenders and the obligations set forth in regional law no. 30/1998, the "Società Ferroviaria Provvisoria Emilia - Romagna S.c.a.r.l." ("SFP Scarl"), which was assigned the new passenger transport Service Contract in Emilia-Romagna, signed with FER srl on 29.06.2016. The Service Contract started on 1 June 2019, albeit in indirect form - pending the Safety Certificate - through the award of the transport services to the shareholders.

Following the increase in share capital of SFP scarl, resolved at the shareholders' meeting on 5 December 2019, through the transfer by shareholders of the respective business units and with the adoption of new Articles of Association, the name of the company changed from SFP Scarl "Trenitalia Tper Scarl": a limited liability consortium jointly controlled by two shareholders (Trenitalia 70% and TPER 30%), with share capital of Euro 11 million.

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

From 1 January 2020, Trenitalia Tper Scarl therefore became the operating manager of the passenger transport Service Contract, consequently providing the transport services directly.

Coronavirus (COVID-19)

The new Coronavirus (COVID-19) epidemic started in Wuhan, China, and was reported for the first time by the national authorities to the World Health Organisation on 30 December 2019.
The World Health Organisation at first declared, on 30 January 2020, the COVID-19 epidemic a public health emergency of international significance and then declared it a pandemic on 11 March 2020.

Until the first few weeks of 2020, the epidemic appeared to be confined to just a few areas of south-east Asia and the Middle East, affecting solely certain regions of China, South Korea and Iran.
On 31 January 2020, the Council of Ministers declared a national state of emergency for six months, relating to the health risk connected with the onset of pathologies deriving from transmissible viral agents.

In the second half of February, the first sporadic confirmed cases of COVID-19 in Italy ushered in a second phase of the epidemic, with a rapid escalation in its spread in Europe. The World Health Organisation recently confirmed that the health emergency connected with COVID-19 has been classed as a pandemic and, just over two months after being initially reported, the number of cases identified outside China has exceeded, taken as a whole, those reported within the country in which the epidemic started.

Successive decrees from the President of the Council of Ministers have imposed restrictions to contain and manage the COVID-19 epidemiological emergency, at first applicable to certain areas of the country and then to the entire country. In particular, most recently, (i) all industrial production and commercial activities were suspended, except for those deemed essential and (ii) individuals were banned from travelling or moving to a different municipality using means of public or private transport, except for proven work requirements, absolute urgency or health reasons.

The COVID-19 pandemic was formally recognised by the Italian Government as an exceptional event causing serious turmoil in the economy.

In this regard, the Group issued guidelines to ensure respect for the provisions introduced locally and implemented a number of actions in order to adopt the procedures most suited to prevent and/or mitigate the effects of the virus on jobs.

Tper set up an internal company task force from the onset of the health crisis which is impacting our country. The task force has taken the decisions deemed necessary and practically feasible to combat the spread of the virus, defining and implementing a number of initiatives in the offices and fleet to ensure the protection of workers' health, in relation to the need to provide a continuous transport service, essential for the local community also during this phase of the emergency, nonetheless always adhering to the regulatory provisions issued by the competent authorities.

As part of administrative support activities, the Company allowed employees to go into smart working mode; a total of roughly 230 employees are working in this mode.

On all vehicles in the fleet with more than one door, we have banned access from the front door, we have installed posters and signs to mark out the area surrounding the driver's seat to guarantee a distance of at least 1.5 metres between the driver and the passengers.

We have employed, not without its difficulties during the period, the specialised companies available to constantly clean premises and depots on a daily basis, where we have set up hygiene stations and prepared disposable wipes for use by travelling personnel.

Each time buses return to the depot, they are disinfected using sodium hypochlorite based products or similar chlorine based products that are equally effective.

The provisions set forth in DPCM (Decree of the President of the Council of Ministers) of 26 April 2020, article 7, regarding the TPL, have also been acknowledged, through the issuing of specific Service Orders and the posting of signs and information for users.

In accordance with the Disability manager of the Municipality of Bologna and some associations, methods of access were redefined in order to guarantee accessibility to the service also for differently abled users during the emergency phase.

The canteens managed by the external company have reorganised the methods of distribution of food and supplies to further reduce the possibility of contact and contagion.

All employees who work in contact with users have received an individual kit composed of a mask, hand sanitiser and anti-bacterial wipes as well as disposable gloves, with quantities distributed based on actual usage needs.

Line changes procedures have also been defined for travelling personnel, guaranteeing the sanitisation of the driver's seat, and for the reporting of passenger conduct not in keeping with the provisions of the current directives.

Where possible, refresher training is in progress in e-learning mode or distance learning mode, again for the purpose of enabling staff professional development even during such a difficult time.

Tper set up the Bilateral Solidarity Fund on 8 April. In order to minimise the financial impact for workers as a result of the reduction and/or suspension of activities, any placement into the FIS (wage guarantee fund) will only occur when accrued holidays and leave not yet taken have been used up as at 31 December 2019.

From a business perspective, the entire people and goods transport sector recorded a heavy slump, as a result of the specific provisions of the Authorities adopted in response to the COVID-19 emergency.

During the emergency phase, Tper has continued to provide people and goods transport services, in line with the restrictions adopted by the Government and the local authorities which have had a profound impact on mobility.

As regards public transport activities, despite an extremely significant drop in passengers and revenues, which took hold as early as the first few days of the COVID-19 emergency (February 2020), reaching values that were

down 90% in the lockdown periods, the line service in the Bologna and Ferrara catchment areas were reduced by 20% and 30% respectively, as required by the regional institutions.
Ticket inspection activities were also reduced considerably in the period between the lockdown and 19 May, with the personnel used to record statistics to document the change in transport demand in the period.

Management is closely monitoring developments in the state of emergency and, as soon as it is possible to exit the current phase of uncertainty which makes any estimate of the effects unreliable, we will determine an accurate picture of the impacts of COVID-19 which also takes account of any potential extraordinary intervention by the national and European institutions to support companies and the sector.

As regards the evaluation of the effects of Covid-19 on the assessment of the correctness of the going concern assumption, please refer to the paragraph "Going concern".

INFORMATION ON THE BALANCE SHEET

The items in the balance sheet as at 31 December 2019 are commented on below. The values in brackets in the headings of the notes refer to the balances as at 31 December 2018. For the details of the balances of the balance sheet items deriving from transactions with related parties, please refer to the paragraph "Other information" in these explanatory notes.

1. Tangible Assets

Thousands of Euros 199,170 (199,235)

Tangible assets as at 31 December 2019 showed a net value of Euro 199,170 thousand compared to the net value as at 31 December 2018 of Euro 199,235 thousand. The table below shows the initial and final amounts of the items of tangible assets, with evidence of the original cost and accumulated depreciation at the end of the year.

Thousands of Euros	31/12/2019			31/12/2018		
	cost	accumulated depreciation	net value	cost	accumulated depreciation	net value
Real estate	4,350	(1,274)	3,076	4,374	(1,224)	3,150
real estate under construction	188	0	188	581	0	581
REAL ESTATE			**3,263**			**3,731**
Rolling stock buses/trolley buses	295,357	(226,274)	69,083	293,418	(229,857)	63,561
Rolling stock buses/trolley buses in progress	4,679	0	4,679	2,094	0	2,094
Railway rolling stock	98,492	(12,714)	85,778	98,347	(9,195)	89,152
Railway rolling stock in progress	2,669	0	2,669	1,493	0	1,493
Vehicle rolling stock	2,738	(2,552)	187	2,942	(2,593)	348
ROLLING STOCK			**162,396**			**156,648**
Infrastructure	27,229	(25,735)	1,495	27,747	(20,602)	7,145
Infrastructure in progress	30,712	0	30,712	31,128	0	31,128
INFRASTRUCTURE			**32,207**			**38,273**
Other tangible assets	9,907	(8,602)	1,305	9,520	(8,937)	583
OTHER TANGIBLE ASSETS			**1,305**			**583**
Total tangible assets	**476,321**	**(277,150)**	**199,170**	**471,643**	**(272,408)**	**199,235**

The decrease in the net value of tangible assets compared to the balance as at 31 December 2018, equal to Euro 65 thousand, is analysed in the following changes.

Thousands of Euros	31/12/2017 net value	investments	depreciation	write-downs	disposals	other reclassifications or adjustments	grants on investments	Non-current assets and groups of assets held for sale and discontinued operations	31/12/2018 net value
Real estate	3,150	0	(74)	0	0	0	0		3,076
real estate under construction	581	113	0	0	0	0	0	(506)	188
Rolling stock buses/trolley buses	63,561	0	(9,127)	0	(318)	15,024	(57)		69,083
Rolling stock buses/trolley buses in progress	2,094	17,610	0	0	0	(15,024)	0		4,679
Railway rolling stock	89,152	3,436	(3,519)	0	0	859	(4,150)		85,778
Railway rolling stock in progress	1,493	2,035	0	0	0	(859)	0		2,669
Vehicle rolling stock	348	12	(159)	0	0	0	0	(15)	187
Infrastructure	7,145	666	(2,038)	0	0	304	(26)	(4,556)	1,495
Infrastructure in progress	31,128	345	0	0	0	(531)	(230)		30,712
Other tangible assets	583	940	(182)	0	0	253	(287)	(1)	1,305
						0	0		0
Total	199,235	25,156	(15,100)	0	(318)	26	(4,750)	(5,079)	199,170

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.

The "Rolling stock buses/trolley buses" is used as part of the Bologna and Ferrara TPL contract. Its useful life is estimated on the basis of the lower of the residual economic life of the asset and the residual maturity of the service agreements, and the depreciable amount is estimated on the basis of the difference between the historical cost and the takeover value that it is presumed will be paid to Tper by any future winner of a new tender in application of the criteria identified by the Transport Regulatory Authority (ART) resolution no. 49 of 17/06/2015, with reference to UNI 11282/2008.
It should be noted that the company commissioned an independent expert to estimate the takeover value.
The increases for the year refer to 74 buses, 51 of which new and 23 used, registered in 2019.
Note that as regards "Railway rolling stock in progress", the amount relates to the purchase of four 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 as at 31 December 2019, the tangible assets are not encumbered by mortgages, liens or other real guarantees that limit their availability.

2. Intangible assets

Thousands of Euros 992 (1,091)

Thousands of Euros	31/12/2019 cost	31/12/2019 accumulated amortisation	31/12/2019 net value	31/12/2018 cost	31/12/2018 accumulated amortisation	31/12/2018 net value
Intangible assets	7,034	(6,043)	992	6,279	(5,188)	1,091
Total Intangible assets	7,034	(6,043)	992	6,279	(5,188)	1,091

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

The table below shows the amounts at the beginning and at the end of the year as well as the relative changes occurred in 2019.

Thousands of Euros	31/12/2018 net value	investments	amortisation	write-downs	disposals	31/12/2019 net value
Intangible assets	1,091	561	(634)	0	(26)	992
Total Thousands of Euros	1,091	561	(634)	0	(26)	992

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

3. Assets for rights of use and liabilities for leased assets

Assets for rights of use   Thousands of Euros 5,464 (0)

The right of use of leased assets is analysed below:

Thousands of Euros	TPL Bol	Company vehicles	Business unit rental fees	Total
IFRS 16 FTA	1,847	362	4,605	6,813
Opening balance as at 01.01.2019	**1,847**	**362**	**4,605**	**6,813**
Increases	44	107		152
Amortisation/depreciation	(407)	(227)	(867)	(1,501)
Closing balance as at 31.12.19	**1,484**	**242**	**3,738**	**5,464**

The first-time application of IFRS 16 is commented on in the paragraph 'Change of accounting policies' in these explanatory notes.

The right of use of leased assets ("RoU") of Euro 5,464 thousand essentially relates: (i) for Euro 1,484 thousand to contracts relating to management of Local Public Transport of the Municipality of Bologna. The contract originally set to expire on 29 February 2020 was extended until 31 August 2024 (ii) for Euro 242 thousand to the rental of company cars (iii) for Euro 3,738 thousand to the right of use relating to the business unit rental contract (TPL Bologna) stipulated between TPER, via the TPB consortium and the granting body SRM, in-house company of the Municipality of Bologna on 4 March 2011 (Euro 2,308 thousand) and to the concession contract for use of the assets functional to the TPL service of the Municipality of Ferrara (Euro 2,297 thousand).

Liabilities for leased assets Thousands of Euros 9,475 (0)

Liabilities for leased assets amounting to Euro 9,475 thousand as at 31 December 2019 are analysed as follows:

Thousands of Euros	TPL Bol	Company vehicles	Business unit rental fees	Car sharing	Total
Liabilities for leased assets	**1,623**	**254**	**3,774**	**3,824**	**9,475**
of which					
Current liabilities	492	167	847	1,439	2,945
Non-current liabilities	1,131	87	2,927	2,385	6,530

4. Equity investments

Thousands of Euros 54,689 (54,689)

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

Thousands of Euros	31/12/2017	changes in the financial year					31/12/2018
	opening balance	acquisitions and capital contributions	Revaluations (write-downs)	Capital repayments	measurement using the equity method	other reclassifications or adjustments	closing balance
Equity investments	54,689	-	-	-	-	-	54,689
Total changes in equity investments	54,689						54,689

As at 31 December 2019, Tper holds direct equity investments in 12 companies, of which 7 are subsidiaries, 4 are associates and 1 is an investee. Details of these are shown below, with an indication of the percentage of ownership and the related carrying amount, net of any tenths to be paid, with evidence of the original cost and of the accumulated revaluations and write-downs at the end of the year.

Thousands of Euros	31/12/2019				31/12/2018			
	% ownership	cost	Revaluations (write-downs)	closing value	% ownership	cost	Revaluations (write-downs)	closing value
Subsidiaries								
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
Associates								
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
Equity investments in other companies								
START ROMAGNA S.p.A.	14%	4,036	-700	3,336	14%	4,036	-700	3,336
Total Equity Investments		**57,789**	**-3,100**	**54,689**		**57,789**	**-3,100**	**54,689**

5. Financial assets

Non-current portion Thousands of Euros 19,679 (14,005)

Current portion Thousands of Euros 4,103 (5,250)

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.

Thousands of Euros	31/12/2019			31/12/2018		
	financial statement value	current portion	non-current portion	financial statement value	current portion	non-current portion
Financial assets for contributions	***4,103***	***4,103***		***5,250***	***5,250***	
Emilia-Romagna Region	3,876	3,876		5,023	5,023	
Municipality of Bologna	-	-		-	-	
Ministry of Transport	-	-		-	-	
Municipality of San Lazzaro	227	227		227	227	
Other				-	-	
Other financial assets	***19,679***	***-***	***19,679***	***14,005***	***-***	***14,005***
Loan to subsidiary Mafer S.p.A.	7,000		7,000	7,000		7,000
Loan to investee Marconi Express S.p.A.	8,559		8,559	7,651		7,651
Receivable due from subsidiary Omnibus fleet rental - car sharing	4,810		4,810			
Other	-	-	-	-		-
Provision for the write-down of financial assets	- 690	-	- 690	- 646	-	- 646
Total Thousands of Euros	23,782	4,103	19,679	19,255	5,250	14,005

The receivables from the Emilia-Romagna Region, equal to Euro 3,876 thousand, refer to Euro 1,327 thousand for contributions to be collected on the Stimer regional electronic ticketing system, to Euro 1,921 thousand for bus purchase, to Euro 205 thousand for trolleyway 14 extension and to Euro 422 thousand for the installation of Intelligent Transport Systems (ITS) on board buses and at Local Public Transport (TPL) bus stops.

The receivable from the Municipality of San Lazzaro, amounting to Euro 227 thousand, 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 Euro 7,000 thousand, refers to an interest-bearing loan contract acquired with the extraordinary operation of 2012 which was disbursed for the purchase of the warehouse relating to railway spare parts material.

The loan to the investee company Marconi Express S.p.A., amounting to Euro 8,559 thousand, 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 Euro 820 thousand following the first-time application of the impairment criteria provided for by IFRS 9. This provision was then adjusted in 2018 to Euro 175 thousand and increased in 2019 by Euro 44 thousand.

6. Deferred tax assets and liabilities

Deferred tax assets 3,612 (2,543)

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

Thousands of Euros	31/12/2019	31/12/2018
Deferred tax liabilities IRES	(356)	(356)
Deferred tax liabilities IRAP	(58)	(58)
Deferred tax liabilities	**(414)**	**(414)**
Deferred tax assets IRES	3,830	2,611
Deferred tax assets IRAP	196	347
Offsettable deferred tax assets	**4,026**	**2,957**
Net deferred tax assets (liabilities)	**3,612**	**2,543**

The changes in prepaid and deferred taxes based on the nature of the temporary differences that gave rise to them are summarised in the following table. The total temporary differences deductible in subsequent years as at 31 December 2019 came to Euro 47.5 million, on which deferred tax assets were recognised up to the limits of those expected to be recovered over a reasonable period of time.

Thousands of Euros	31/12/2018	changes in the financial year					31/12/2019
	opening balance	Provisions	(releases)/ (uses)	Allocations to (releases from) OCI	changes in A.P. estimate	other reclassifications or adjustments	closing balance
Differences between tax value and book value of FTA adjustments	(414)		0				(414)
Other temporary differences	0						0
Deferred tax liabilities	**(414)**	**0**	**0**	**0**	**0**	**0**	**(414)**
Allocations to non-deducted provisions	2,340	0	963	0	0	0	3,303
Other temporary differences	617	0	(101)	206	0	0	722
Offsettable deferred tax assets	**2,957**	**0**	**862**	**206**	**0**	**0**	**4,026**
Net deferred tax assets (liabilities)	**2,543**	**0**	**(862)**	**(206)**	**0**	**0**	**3,612**

Thousands of Euros	31/12/2017	changes in the financial year					31/12/2018
	opening balance	Provisions	(releases)/ (uses)	Allocations to (releases from) OCI	changes in A.P. estimate	other reclassifications or adjustments	closing balance
Differences between tax value and book value of FTA adjustments	(6,838)		6,424				(414)
Other temporary differences	0						0
Deferred tax liabilities	**(6,838)**	**0**	**6,424**	**0**	**0**	**0**	**(414)**
Allocations to non-deducted provisions	3,082	0	(742)	0	0	0	2,340
Other temporary differences	911	0	(135)	(159)	0	0	617
Offsettable deferred tax assets	**3,993**	**0**	**(877)**	**(159)**	**0**	**0**	**2,957**
Net deferred tax assets (liabilities)	**(2,846)**	**0**	**7,301**	**159**	**0**	**0**	**2,543**

7. Non-current assets/liabilities and groups of assets/liabilities held for sale and discontinued operations

Non-current assets and groups of assets held for sale and discontinued operations - Thousands of Euros 7,177 (0)
Non-current liabilities and groups of liabilities held for sale and discontinued operations - Thousands of Euros 4,177 (0)

The following table shows the breakdown of non-current assets and liabilities and groups of assets/liabilities held for sale and discontinued operations.

	31/12/2019	31/12/2018	Change
Non-current assets and groups of assets held for sale and discontinued operations	**7,177**	**-**	**7,177**
Real estate	506	-	506
Rolling stock	15	-	15
Infrastructure	4,556	-	4,556
Other tangible assets	1	-	1
Inventories	100	-	100
Trade receivables	1,999	-	1,999
Non-current liabilities and groups of liabilities held for sale and discontinued operations	**4,177**	**-**	**4,177**
Trade liabilities	296	-	296
Funds for employee benefits	3,203	-	3,203
Other current liabilities	678	-	678

Non-current assets and groups of assets held for sale and discontinued operations and non-current liabilities and groups of assets and liabilities held for sale and discontinued operations include all assets and liabilities that were involved in the transfer of the business unit to the investee Trenitalia Tper S.c.a.r.l. on 5 December 2019 belonging to regional rail transport in Emilia-Romagna, effective from 1 January 2020, date of the start of full operations of the new company. For more details on the transaction, please refer to the paragraph "Significant events after the close of the year" in the explanatory notes.

8. Trade assets

Thousands of Euros 90,369 (78,543)

As at 31 December 2019, trade assets included:

- inventories, amounting to Euro 11,685 thousand (Euro 11,425 thousand as at 31 December 2018), consisting of fuel and lubricant stocks and spare parts for the maintenance of the rolling stock;

Thousands of Euros	31/12/2019	31/12/2018
Inventories:		
Raw materials	15,026	14,423
Provision for obsolete goods	(3,341)	(2,998)
Total	**11,685**	**11,425**

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

- trade receivables, equal to Euro 78,684 thousand (Euro 67,118 thousand as at 31 December 2018), the breakdown of which is detailed in the table below.

Thousands of Euros	31/12/2019	31/12/2018
Trade receivables from:		
Subsidiaries	30,818	33,441
Associates	23,503	13,809
Owner entities	964	980
Other receivables for different services	30,449	25,316
Total trade receivables (gross)	85,733	73,546
Provision for doubtful debts	(7,049)	(6,428)
Trade receivables (net)	**78,684**	**67,118**

Trade receivables from subsidiaries, amounting to Euro 30,818 thousand, 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 secondment and lease of the business unit (to Ma.fer S.p.A. and Dinazzano Po S.p.A.).

Trade receivables due from associates, amounting to Euro 23,503 thousand, mainly refer to the receivable from Consorzio Trasporti Integrati S.c.a.r.l. for railway services.

The item "Other receivables for different services", amounting to Euro 30,449 thousand, is attributable to receivables for the sale of travel and parking tickets (6,070), receivables from Italian customers (24,379), and for the penalties charged to the manufacturers of rolling stock, for the repair and maintenance services of third party vehicles, for services related to mobility, for renting and the sale of advertising space.

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

The exposure to credit risk and expected losses relating to trade receivables was prepared on the basis of the internal ratings as follows:

Thousands of Euros	Performing loans						
	low risk	medium low risk	medium risk	medium high risk	high risk	default loans	Total
31/12/2019							
Intercompany	54,321						54,321
Public Administration	8,650						8,650
Third parties	16,406	1,878	359	646	343		19,632
Default loans						3,130	3,130
Gross value	**79,532**	**1,878**	**359**	**646**	**343**	**3,130**	**85,733**
Provision for doubtful debts	(3,128)	(245)	(72)	(237)	(237)	(3,130)	(7,049)
Net value	**76,403**	**1,633**	**287**	**409**	**106**	**-**	**78,684**

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

Thousands of Euros	31/12/2018	uses	provisions	31/12/2019
On Trade receivables	6,428	(507)	1,128	7,049
Total provision for doubtful debts	6,428	(507)	1,128	7,049

Thousands of Euros	01/01/2017	restated 01/01/2018 IFRS 9	uses	provisions	31/12/2018
On Trade receivables	7,376	(994)	(391)	436	6,428
Total provision for doubtful debts	7,376	(994)	(391)	436	6,428

9. Cash and cash equivalents

Thousands of Euros 38,231 (51,722)

The item includes:

a) bank deposits, amounting to Euro 37,078 thousand (Euro 50,877 thousand as at 31 December 2018);

b) postal current accounts, equal to Euro 73 thousand (Euro 97 thousand as at 31 December 2018);

c) company funds, amounting to Euro 14 thousand (Euro 16 thousand as at 31 December 2018);

d) ticketing machines and fines, amounting to Euro 1,066 thousand (Euro 732 thousand as at 31 December 2018);

For more details on the events that generated the increase in the item during the 2019 financial year, please refer to the cash flow statement.

10. Current tax assets

Current tax assets Thousands of Euros 2,505 (1,831)

The table below shows the amount of current tax assets at the beginning and end of the year.

Thousands of Euros	Assets for current income taxes	
	31/12/2019	31/12/2018
IRES	2,518	1,429
IRAP	- 14	402
	2,505	**1,831**

11. Other assets

Current portion Thousands of Euros 3,927 (5,714)

These total Euro 3,927 thousand, the main items contributing to the balance being analysed below:

Thousands of Euros	31/12/2019	31/12/2018
Tax: VAT	0	0
Receivables due from Ferrovie Emilia Romagna	2,292	2,865
Prepaid expenses	168	1,813
Other receivables	6,318	5,869
Total	8,778	10,548
Provision for doubtful debts	(4,851)	(4,834)
Total other assets	**3,927**	**5,714**

The receivable from Ferrovie Emilia Romagna, amounting to Euro 2,292 thousand, refers to public grants to cover the increased charges of the national collective labour agreement.

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

In particular, the changes of the provision for doubtful debts of other assets are as follows:

Thousands of Euros	31/12/2018	uses/releases	provisions	31/12/2019
On Other assets	4,834	(55)	72	4,851
Total provision for doubtful debts	**4,834**	**(55)**	**72**	**4,851**

Thousands of Euros	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
Total provision for doubtful debts	3,839	1,072	(78)	0	4,834

12. Shareholders' equity

Thousands of Euros 150,659 (150,238)

Description	31/12/2019	31/12/2018	Change
Capital issued	**68,493**	**68,493**	**0**
Reserves	**54,721**	**50,581**	**4,140**
Profits/(losses) carried forward	**23,129**	**23,129**	**0**
Actuarial profit/(loss)	**(896)**	**(245)**	**(651)**
Profit/(loss) for the year	**5,213**	**8,280**	**(3,067)**
Total	**150,660**	**150,238**	**422**

The fully subscribed and paid-up share capital of TPER as at 31 December 2019 consists of 68,492,702 ordinary shares with a par value of Euro 1 each, for a total of Euro 68,493 thousand, and did not change in financial year 2018.

As at 31 December 2019:

a) the outstanding shares are equal to 68,492,702 (68,492,702 as at 31 December 2018);

b) the treasury shares amount to 111,480 (111,480 as at 31 December 2018).

Shareholders' equity increased by Euro 422 thousand compared to 31 December 2018, mainly due to the combined effect of:

a) the overall economic result, positive for an amount of Euro 4,561 thousand, due to the profit for the year (equal to Euro 5,213 thousand) and the positive change in the other components of comprehensive income (equal to Euro 652 thousand);
b) the distribution of the dividend balance for 2018 (Euro 4,140 thousand);

The following is a summary table of the shareholders' equity items as at 31 December 2019 with an indication of the relative possibility of use and the evidence of the available quota.

Thousands of Euros Description	31/12/2019	Possibility of use (A,B,C,D)*	Available portion	in the period To cover losses	For other reasons
Capital issued	68,493				
Share premium reserve					
Legal reserve	4,749	B	4,749		
Extraordinary reserve	15,656	A, B, C	15,656		
Reserve from profits/(losses) from actuarial valuation of funds for employee benefits	- 896		- 896		
Other reserves	34,505	A, B, C	34,505		
Profits carried forward	23,129	A, B, C	23,129		
Reserves and profits carried forward	**145,635**		**77,142**		
Treasury shares	- 189				
Total	**145,447**				
of which:					
Non-distributable portion -	73,053				
Distributable portion	72,393				

* Key:	76,954
A: share capital increase	68,493
B: coverage of losses	145,447
C: distribution to shareholders	- 896
D: for other statutory/shareholders’ meeting restrictions	146,343

13. Funds for provisions

Current portion Thousands of Euros 5,186 (5,498)

Non-current portion Thousands of Euros 51,239 (51,107)

Thousands of Euros	31/12/2019 financial statement value	current portion	non-current portion	31/12/2018 financial statement value	current portion	non-current portion
Funds for employee benefits	20,128	1,964	18,165	24,720	1,606	23,114
Other provisions	36,297	3,223	33,074	31,884	3,891	27,993
Total Funds for provisions	**56,426**	**5,186**	**51,239**	**56,605**	**5,498**	**51,107**

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

Thousands of Euros	31/12/2018 opening balance	changes in the financial year Provisions	Financial charges	Decreases for uses	Decreases for releases	Allocations to (releases from) OCI	other reclassifications or adjustments		31/12/2019 closing balance
Funds for employee benefits	24,720	265	0	(2,512)	0	858	0	(3,203)	20,128
Provision for restoration and replacement of rolling stock	8,123	0	0	0	0	0	0		8,123
Insurance deductibles provision	3,192	1,416	0	(1,819)	0	0	0		2,789
MAFER warehouse onerous contract provision	7,465	0	0	0	0	0	0		7,465
Provision for work disputes in progress	6,612	5,557	13	(178)	(554)	0	(23)		11,427
Provision for Revenue Agency disputes Tax wedge	6,312	0	0	0	0	0	0		6,312
Other provisions	182	0	0	0	0	0	0		182
Total Changes in Funds for Provisions	**56,605**	**7,238**	**13**	**(4,508)**	**(554)**	**858**	**(23)**	**(3,203)**	**56,426**

Funds for employee benefits

As at 31 December 2019, the fund for employee benefits, amounting to Euro 20,128 thousand, refers entirely to employee severance indemnity (TFR) for employees subject to Italian legislation, to be paid upon termination of employment.

The main assumptions made for the actuarial estimate process of the employee severance indemnity provision as at 31 December 2019 are summarised below.

	31/12/2019	31/12/2018
Annual discounting rate	0.37%	1.13%
Annual inflation rate	1.20%	1.50%
Annual rate of increase of severance indemnity	**2.400%**	**2.625%**
Frequency of advances	**2%**	**2%**
Annual turnover rate	**1.50%**	**1.50%**

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 total workers evaluated;
- the annual rate of increase in employee severance indemnity pursuant to Article 2120 of the Civil Code, is equal to 75% of inflation plus 1.5 percentage points.

The list of statistical sources used is shown below.

Mortality	RG48 mortality tables published by the State General Accounting 0.88%
Disability	INPS tables distinguished by age and sex
Retirement age	100% upon reaching the AGO requirements

years	planned disbursements
1	2,170
2	1,727
3	743
4	1,436
5	1,560

The "Provision for restoration and replacement of rolling stock", amounting to Euro 8,123 thousand, 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 provision", equal to Euro 2,789 thousand, represents the probable liability for the excesses paid by Tper still to be paid on motor vehicle accidents occurring before 2019.

The "MAFER warehouse onerous contract provision", amounting to Euro 7,465 thousand, is intended to cover the obligation to repurchase the MAFER SpA spare parts warehouse, based on a contractual obligation between the parties.

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

14. Financial liabilities

Non-current portion Thousands of Euros 103,135 (108,292)

Current portion Thousands of Euros 5,319 (5,319)

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

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

Thousands of Euros	31/12/2019				31/12/2018			
	nominal value	financial statement value	current portion	non-current portion	nominal value	financial statement value	current portion	non-current portion
Bond issues	95,000	94,648	-	94,648	95,000	94,428	-	94,428
Medium/long-term loans	13,297	7,978	5,319	7,978	18,616	18,616	5,319	13,297
Derivatives	-	100	-	100	-	202	-	202
Current account overdrafts	-	-	-	-	-	-	-	-
Short-term loans	-	-	-	-	-	-	-	-
Other financial liabilities	409	409	-	409	364	364	-	364
Total Financial liabilities	**108,706**	**108,454**	**5,319**	**103,135**	**113,980**	**113,611**	**5,319**	**108,292**

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

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

The item "long-term loans" refers to a bridging loan for the purchase of a batch of 7 electric trains, contracted in 2016 and with expiry expected in 2022.

15. Other liabilities

Non-current portion Thousands of Euros 21,335 (20,887)

Current portion Thousands of Euros 30,812 (28,742)

The following table provides a detailed breakdown of the item.

Thousands of Euros	31/12/2019			31/12/2018		
	financial statement value	current portion	non-current portion	financial statement value	current portion	non-current portion
Payables to shareholders	575	61	514	854	238	616
Payables to Investee companies	95	95	-	95	95	-
Payables to associates	-	-	-	-	-	-
Payables to Pension and social security institutions	2,283	2,283	-	2,263	2,263	-
Tax payables	592	592	-	631	631	-
Payables to employees	13,389	13,389	-	12,313	12,313	-
Payables to SRM Mobility Agency	19,871	-	19,871	19,629	31	19,598
Other payables	15,342	14,392	949	13,844	13,171	673
Total Other liabilities	**52,147**	**30,812**	**21,335**	**49,629**	**28,742**	**20,887**

Payables to shareholders, equal to Euro 575 thousand, show the amount of contributions resolved upon and not yet paid.

The item "payables to employees", amounting to Euro 13,389 thousand, refers to wages accrued still to be paid and holidays accrued and not yet taken.

The amounts due to SRM Società Reti e Mobilità S.p.A., equal to Euro 19,871 thousand, essentially refers to the balance due on the reference date in relation to the rental agreement of the business unit underwritten on 4 March 2011 between the mobility agency SRM Società Reti e Mobilità 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.

The most significant items of "Other payables", amounting to Euro 15.4 million, include an amount of Euro 13.4 million for deferrals on ticketing revenues pertaining to future years.

16. Trade liabilities

Non-current portion Thousands of Euros 0 (0)

Current portion Thousands of Euros 48,578 (44,540)

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

Thousands of Euros	31/12/2019			31/12/2018		
	financial statement value	current portion	non-current portion	financial statement value	current portion	non-current portion
Trade payables	38,782	38,782	-	33,371	33,371	-
Payables to Subsidiaries	7,430	7,430		8,638	8,638	
Payables to Associates	517	517		60	60	
Payables to Shareholders	631	631		588	588	
Other payables	1,218	1,218		1,882	1,882	
Total Other liabilities	**48,578**	**48,578**	**-**	**44,540**	**44,540**	**-**

Trade payables recorded an increase of Euro 5,411 thousand.

INFORMATION ON THE INCOME STATEMENT ITEMS

The analysis of the main balances of the income statement is shown below.
For details on the balances of the income statement items deriving from transactions with related parties, please refer to the section "Transactions with related parties".

17. Revenues for TPL line services

Thousands of Euros 173,744 (170,610)

The revenues for TPL line services amounted to Euro 173,744 thousand and showed an increase of Euro 3,134 thousand (+1.84%) compared to 2018 (Euro 170,610 thousand).

Thousands of Euros	*2019*	*2018*	*CHANGE*
TRAVEL TICKETS	80,482	77,180	3,303
REMUNERATION SUPPLEMENTS	78,012	78,127	-115
CLA CONTRIBUTIONS	10,509	10,509	0
PASSENGER FINES	3,799	3,870	-71
OTHER REVENUES	942	924	18
Total	**173,744**	**170,610**	**3,134**

18. Revenues for railway line services

Thousands of Euros 70,100 (65,389)

Revenues for railway line services amounted to Euro 70,100 thousand and increased by Euro 4,711 thousand (+7.20%) compared to 2018 (Euro 65,389 thousand).

Thousands of Euros	*2018*	*2018*	*CHANGE*
TRAVEL TICKETS	17,092	13,696	3,396
REMUNERATION SUPPLEMENTS	50,176	47,858	2,318
CLA CONTRIBUTIONS	951	2,282	-1,331
PASSENGER FINES	270	353	-82
OTHER REVENUES	1,611	1,200	411
Total	**70,100**	**65,389**	**4,711**

19. Revenues for parking and car sharing

Thousands of Euros 17,205 (16,103)

The revenues for parking and car sharing amounted to Euro 17,205 thousand, an increase of Euro 1,102 thousand (+6.84%) compared to 2018 (Euro 16,103 thousand).

Thousands of Euros	*2019*	*2018*	*CHANGE*
STOPPING AND PARKING	15,058	13,882	1,176
ACCESS TO THE HISTORIC CENTRE	1,797	1,764	34
CAR SHARING	350	458	-108
Total	**17,205**	**16,103**	**1,102**

20. Other income

Thousands of Euros 9,820 (8,919)

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

Thousands of Euros	*2019*	*2018*	*CHANGE*
VEHICLE MAINTENANCE AND OTHER SERVICES RENDERED TO THIRD PARTIES	2,690	2,976	-286
INSURANCE AND OTHER REIMBURSEMENTS	2,291	2,523	-232
FINES	754	414	340
OTHER	4,084	3,006	1,079
Total	9,820	8,919	901

21. Personnel costs

Thousands of Euros 117,917 (114,716)

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

Thousands of Euros	*2019*	*2018*	*CHANGE*
Salaries and wages	87,344	84,821	2,523
Social security contributions	24,235	23,642	593
Pension provisions	5,522	5,419	103
Other personnel costs	816	833	-17
Total	117,917	114,716	3,202

Personnel costs amounted to Euro 117,917 thousand (Euro 114,716 thousand in 2018).

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

Employees as at 31/12	*2019*	*2018*	*CHANGE*
Executives	12	12	0
Middle managers	53	53	0
White-collar staff	292	290	2
Blue-collar staff	2,000	2,016	-16
Apprentices	226	143	83
Associates	0	0	0
Total	2,583	2,514	69

22. Costs for services

Thousands of Euros 74,531 (69,379)

The financial statement balance is detailed in the following table.

Thousands of Euros	*2019*	*2018*	*CHANGE*
Transport services	3,973	4,146	-173
Rail tolls	10,718	10,353	365
Maintenance	27,036	26,232	804
Cleaning	5,132	4,922	210
Insurance	6,555	4,461	2,094
Electric power	1,708	1,350	358
Canteen service	2,124	1,936	188
Other utilities	1,519	1,569	-50
Consultancy	1,226	1,291	-65
Other	14,539	13,118	1,421
Total	74,531	69,379	5,152

The increase in maintenance costs is almost entirely attributable to the increased maintenance costs of vehicle rolling stock (+800) and parking (+281), against a decrease in the cost of maintenance of railway rolling stock (-292).

23. Raw materials and materials

Thousands of Euros 35,098 (34,076)

This item includes the costs for the purchases of materials:

Thousands of Euros	*2019*	*2018*	*CHANGE*
Fuels	20,103	19,686	417
Lubricants	437	485	-48
Tyres	832	862	-31
Spare parts	11,616	10,897	719
Various materials	1,584	1,410	174
Other	527	737	-210
Total	35,098	34,076	1,022

24. Costs for use of third-party assets

Thousands of Euros 9,706 (9,276)

The item includes:

Thousands of Euros	*2019*	*2018*	*CHANGE*
Stopping and parking management fee	7,835	6,050	1,785
Other rentals and leasing	1,871	2,311	-440
Company rentals	0	915	-915
Total	9,706	9,276	430

The stopping 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" referred to:

- 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 SRM Società Reti e Mobilità SpA and the company Trasporto Pubblico Bolognese Scarl 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
- Agenzia Mobilità e Impianti in relation to the concession contract in use of the assets functional to the TPL signed on 23 December 2010 between Agenzia Mobilità e Impianti and the company Trasporto Pubblico Ferrarese Scarl at the same time as the signing of the service agreement for the management of public transport on the local roads in the Ferrara area.

25. Other operating costs

Thousands of Euros 3,749 (4,949)

The item includes:

Thousands of Euros	*2019*	*2018*	*CHANGE*
Taxes and fees	1,173	1,068	105
Audits and inspections	131	163	-31
Membership fees	243	245	-1
Other	2,201	3,473	-1,273
Total	3,749	4,949	-1,200

The decrease of Euro 1,191 thousand in losses from the disposal of buses represents the most significant change.

26. Amortisation/depreciation

Thousands of Euros 17,235 (14,441)

The item consists of the amortisation/depreciation charge for 2019, which amounts to Euro 17,235 thousand and refers to the following fixed assets (of which Euro 1,501 thousand due to the application of IFRS 16):

Thousands of Euros	*2019*	*2018*	*CHANGE*
Depreciation of tangible assets of which:	15,100	13,903	1,197
Real estate	74	75	- 0
Rolling stock buses/trolley buses	9,127	8,855	272
Railway rolling stock	3,519	3,456	63
Vehicle rolling stock	159	180	- 22
Infrastructure	2,038	1,193	845
Other tangible assets	182	143	39
Amortisation of intangible assets	634	538	96
Amortisation of assets for rights of use	1,501	0	1,501
Amortisation/depreciation	17,235	14,441	2,794

27. Write-downs and reversals of impairment

Thousands of Euros 1,244 (1,941)

The item consists of provisions for write-downs of receivables for Euro 1,244 thousand.

28. Change in funds for provisions

Thousands of Euros 5,675 (2,176)

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 Euro 5,675 thousand, relates to the net increase of Euro 4,979 thousand in releases from the provision for labour disputes, allocations to the provision for obsolete goods of Euro 343 thousand and the provision for risks with suppliers for Euro 353 thousand.

29. Financial income

Thousands of Euros 550 (465)

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

Thousands of Euros	*2019*	*2018*	*CHANGE*
Dividends	59	54	5
Other financial income			
of which interest income on receivables	468	403	65
of which interest income on bank accounts	1	1	-0
of which other interest income	23	7	16
Financial income	**550**	**465**	**85**

30. Financial charges

Thousands of Euros 2,230 (2,343)

Thousands of Euros	*2019*	*2018*	*CHANGE*
Charges on bonds	1,978	1,973	5
Other financial charges	253	370	-117
Financial charges	**2,230**	**2,343**	**-113**

The item "Other financial charges" includes interest calculated following the application of new international accounting standard IFRS 16 (Euro +131 thousand).

31. Tax charges

Thousands of Euros -1,179 (91)

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

Thousands of Euros	*2019*	*2018*	*CHANGE*
IRES	29	1,888	(1,859)
IRAP	585	571	14
Current income taxes	614	2,459	(1,845)
Income taxes for previous years	(930)	(3,427)	
Differences on income taxes for previous years	(930)	(3,427)	2,497
Current taxes	(317)	(968)	652
Provisions		877	(877)
Releases	(862)		(862)
Prepaid taxes	(862)	877	(1,739)
Provisions			
Releases			
Deferred taxes	0	0	0
Prepaid and deferred taxes	(862)	877	(1,739)
Tax charges (income)	(1,179)	(91)	(1,088)

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

Reconciliation of theoretical charge (amounts in thousands of euros)			
Description	**Reconciliation of amount**	**Tax rate**	**Tax effect**
Pre-tax profit			***4,034***
Tax rate			***24.00%***
Total expected taxes			**968**
Items subject to reconciliation			
IRAP			585
Contingent assets from 2019 tax return for 2018 income			(930)
Super-amortisation	*(7,272)*	24.00%	(1,745)
Other movements	*(235)*	24.00%	(56)
Total current, prepaid and deferred taxes			**(1,179)**
Total current, prepaid and deferred taxes in the financial statements			***(1,179)***
Difference			**0**
Actual tax rate for the period			**-29%**

Earnings per share

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

	31/12/2019	31/12/2018
Weighted average number of shares issued	68,492,702	68,492,702
Weighted average number of treasury shares in portfolio	111,480	111,480
Weighted average number of shares outstanding for the purpose of calculating basic earnings	68,381,222	68,381,222
Profit for the year (thousands of euros)	5,213	8,280
Basic earnings per share (euros)	0.08	0.12
Diluted earnings per share (euros)	0.08	0.12

Information on the cash flow statement

The financial trend for 2019 shows a reduction in net cash and cash equivalents of Euro 13,490 thousand.

Net cash flow from operating activities, equal to Euro 20,166 thousand, increased by Euro 13,350 thousand compared to 2018 (Euro 13,350 thousand) mainly due to the change in working capital due essentially to the combined effect of:

a) an increase in trade receivables, equal to Euro 11,566 thousand;
b) a decrease in other current assets, equal to Euro 1,786 thousand;
c) an increase in trade liabilities, equal to Euro 4,039 thousand;
d) the use/release of provisions for risks and charges, equal to Euro 5,675 thousand.

The net cash flow absorbed by investing activities, equal to Euro -20,422 thousand, is mainly generated by investments in tangible assets, equal to Euro 26,431 thousand, net of grants received for these investments, equal to Euro 4,750 thousand.

Cash flow generated by financing activities, amounting to a negative Euro 13,236 thousand, essentially derives from the combined effect of:

a) the repayment of medium and long-term loans, amounting to Euro 5,319 thousand;
b) the reimbursement of financial liabilities for leased assets amounting to Euro 2,533 thousand;
c) the payment of interest expense for Euro 2,019 thousand;
d) the dividends distributed to shareholders following approval of the 2018 financial statements for Euro 4,140 thousand.

Financial risk management

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

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

The strategies employed by Tper to manage and control financial risks are illustrated below.

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

a) the liquidity risk, with reference to the availability of adequate financial resources to meet its short-term commitments;
b) the risk of non-compliance with bond covenants;
c) the risk of fluctuation of interest rate risks deriving from the exposure to variable interest rates;
d) the risk deriving from fluctuations in the commodity price;
e) the credit risk, connected both to normal commercial relations and to the possibility of default of a financial counterparty.

The Company is not exposed to exchange rate risk.

Liquidity risk

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

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

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

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

Thousands of Euros	Financial statement value	Contractual flows			
		Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	After 5 years
As at 31 December 2019					
Bond issues	94,648	1,757	1,757	98,514	
Loans	13,706	5,398	5,364	2,668	
Derivatives	100	80	29		
Liabilities for leased assets	9,475	3,011	2,896	3,865	-
Trade liabilities	48,578	48,578			
As at 31 December 2018					
Bond issues	94,428	1,757	1,757	68,020	32,252
Loans	18,980	5,442	5,398	8,032	
Derivatives	202	91	80	29	
Trade liabilities	44,358	44,539			

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

Risk of default and non-compliance with covenants

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

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

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

- the loan granted by BNL for the purchase of seven trains makes provision for the obligation to respect, for the entire duration of the loan, the following financial covenant:
  - (i) the ratio between the consolidated net financial position and consolidated shareholders' equity must not exceed 1.5 until full repayment of the loan;
- the bond envisages the obligation of respecting, for the entire duration of the debt:
  - (i) the ratio between the consolidated net financial position and consolidated shareholders' equity must not exceed 1;
  - (ii) the ratio between the consolidated net financial position and consolidated EBITDA must not exceed 3.5.

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

Respect for these covenants is monitored by the Group and, at the current state of play, all covenants have been observed.

Interest rate risk

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

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.

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

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

Thousands of Euros	31.12.19	Contractual cash flows	current portion	Between 1 and 2 years	Between 2 and 5 years	After 5 years
Variable rate	13,706	13,430	5,398	5,364	2,668	-
Fixed rate	94,648	102,028	1,757	1,757	98,514	-
Total	**108,354**	**115,458**	**7,155**	**7,121**	**101,182**	**-**

Thousands of Euros	31.12.18	Contractual cash flows	current portion	Between 1 and 2 years	Between 2 and 5 years	After 5 years
Variable rate	18,980	18,872	5,442	5,398	8,032	-
Fixed rate	94,428	103,785	1,757	1,757	68,020	32,252
Total	**113,408**	**122,657**	**7,199**	**7,155**	**76,051**	**32,252**

Commodity price risk

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

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

Credit risk

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

Tper's counterparties are primarily composed of:

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

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

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

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

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

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

The table below shows the Company's exposure to credit risk as at 31 December 2019, compared with the corresponding figures as at 31 December 2018.

Euro	Receivables 31/12/2019	not past due	past due 0-30	31-60	61-90	91-180	over 180
Trade assets	85,733	79,377	1,878	359	646	343	3,130
Financial assets	24,472	24,472	-	-	-	-	-
Other assets	8,778	4,028		-	-	-	4,750
Total	**118,983**	**107,877**	**1,878**	**359**	**646**	**343**	**7,880**

Additional disclosures on financial instruments

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

Thousands of Euros	notes	fair value level	Amortised cost		Fair value recognised in the income statement		Total	
			31/12/2019	31/12/2018	31/12/2019	31/12/2018	31/12/2019	31/12/2018
NON-CURRENT ASSETS								
Equity investments	4	3	51,353	51,353	3,336	3,336	54,689	54,689
Financial assets	5		19,679	14,005			19,679	14,005
CURRENT ASSETS								
trade receivables	8		78,684	67,118			78,684	67,118
Financial assets	5		4,103	5,250			4,103	5,250
Assets for current income taxes	10		2,505	2,952			2,505	2,952
Other assets	11		3,927	5,714			3,927	5,714
NON-CURRENT LIABILITIES							-	-
Bond issues	14		94,648	94,428			94,648	94,428
Medium/long-term loans	14		7,978	13,297			7,978	13,297
Derivatives	14	2			100	202	100	202
Other financial liabilities	14		409	364				
Long-term liabilities for leased assets	3		6,531					
Other liabilities	15		21,335	20,887			21,335	20,887
								-
CURRENT LIABILITIES							-	-
Trade liabilities	16		48,578	44,358			48,578	44,358
Financial liabilities	14		5,319	5,319			5,319	5,319
Liabilities for leased assets - short-term portion	3		2,944				2,944	-
Other liabilities	15		30,812	28,742			30,812	28,742

Determination of the fair value

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

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

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

- the fair value of the financial assets and liabilities with standard conditions and terms, quoted on an active market is measured with reference to prices published in said market by leading market contributors;

- the fair value of other financial assets and liabilities is measured, where the conditions are met, by applying the discounted cash flow method, using the prices recorded for recent market transactions by leading market contributors for similar instruments as the reference balances.

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

Thousands of Euros	31/12/2019	fair value at the reporting date		
		level 1	level 2	level 3
Equity investments	3,336			3,336
Financial liabilities				
Derivatives	100		100	

In accordance with the provisions of IFRS 13, the fair value of the financial liabilities as at 31 December 2019 is reported, among which the bond issue is measured at amortised cost.

Thousands of Euros	31/12/2019
Financial liabilities	
Bond issues	
Derivatives	

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

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

OTHER INFORMATION

Guarantees and third-party assets at the company

As at 31 December 2019, there were personal and collateral guarantees issued by the Company and risks assumed in relation to third-party assets at the company, including the following by relevance:

Description	31/12/2019	31/12/2018	Change
Guarantees given to third parties			
Sureties granted	19,882,401	26,423,244	-6,540,842
Risks			
Third-party assets at the company	651	651	0
SRM rented assets at the company	27,990,298	28,938,931	-948,633
SRM assets at the company	19,102	19,102	0
Total	**47,892,452**	**56,564,530**	**-7,489,476**

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 book value of the company rented by SRM for public transport in the Bologna basin.

In addition to the guarantees summarised above, it should be noted that Tper had at the closing date of the financial year Euro 59 million of guarantees from third parties to cover the purchases of goods (mainly rolling stock) and services. The most significant items of guarantees from third parties consisted of guarantees on the construction of the Bologna-San Lazzaro bound public transport system (TPGV) (Euro 21.7 million), the purchase of new buses (Euro 8.7 million) and company canteens (Euro 3.5 million).

Management and coordination activities pursuant to Article 2497 et seq.

Article 2497 et seq. of the Civil Code is not applicable because Tper autonomously defines its strategic guidelines and is fully autonomous in terms of organisation, management and negotiation, as it is not subject to any management and coordination activity.

Transactions with related parties

The main relationships maintained by the Company with its related parties, identified according to the criteria defined by IAS 24, are described below.

The following tables show the economic and financial balances of a commercial and financial nature, deriving from transactions with related parties, including those relating to directors, statutory auditors and other executives with strategic responsibilities in the Company.

Thousands of Euros		Sales to related parties	Purchases from related parties	Receivables from related parties	Payables to related parties
Subsidiaries					
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
Total	2017	*90,069*	*14,861*	*47,847*	*6,777*
	2018	*90,598*	*19,997*	*40,536*	*8,742*
Associates					
SETA S.P.A.	2017	1,626	217	276	89
	2018	1,450	203	508	60
CONSORZIO TRASPORTI INTEGRATI Scrl	2017	41,127	192	12,054	192
	2018	47,858	30	13,281	0
TRENITALIA TPER Scrl	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
Total	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 as at 31 December 2019, the Company did not record any impairment loss of receivables contracted with related parties. This assessment is carried out annually, at each balance sheet date, taking into consideration the financial position of the related party and the market in which the related party operates.

Compensation to directors and statutory auditors and independent auditors

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

Thousands of Euros	31/12/2019	31/12/2018	*Change*
Directors' fees	128	135	-7
Statutory auditors' fees	92	92	0
Independent auditors' fees	45	45	0
Total	**265**	**272**	**-7**

Grants, contributions, paid offices and economic benefits Law 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 2019 the following grants/contributions were received from public administrations, including through consortia:

AMOUNT RECEIVED Euro	ISSUING ENTITY	DESCRIPTION
1,219,392	Customs Agency	Excise duties on transport diesel
11,459,322	SRM Srl / AMI Srl / FER Srl	Contribution to the higher costs for the CLA pursuant to Laws 47/04, 58/05, 296/06
229,871	MIT	Grant for the construction of the bound public transport system Bologna City Centre - San Lazzaro (BO) - Law 211/92
61,901	Emilia-Romagna Region	80% advance on STIMER assembly on buses - sub-concessionaires
1,887,955	Emilia-Romagna Region	Grant for the purchase of new buses - POR-FESR provisions 2014-2020
4,150,000	Emilia-Romagna Region	10% advance 7 Stadler trains (1 contract) - FSC provisions 2014/2020
1,375,937	ML	Contribution to sick pay Law 266/2005
20,384,378	**TOTAL RECEIVED IN 2019**	

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 Board of Directors' Report on Operations and the financial statements for the year ended 31 December 2019, which show a profit for the year of Euro 5,213,314.18;

b) allocate the profit for the year:

- Euro 260,665.71 to legal reserve,
- Euro 4,952,648.47 to the extraordinary reserve,

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

Bologna, 27/05/2020

for the Board of Directors

The Chairperson

Giuseppina Gualtieri

TPER S.p.A.
Registered office in Bologna - via di Saliceto n. 3
Share capital € 68.492.702,00 fully paid-up
Registered in the Register of Companies with Tax ID no. 031821612202

Statutory Auditors' Report on the Financial Statements ended 31 December 2019, prepared pursuant to Art. 2429, paragraph 2, of the Italian Civil Code

Dear Shareholders,
the Board of Statutory Auditors, pursuant to Article 2429, paragraph 2 of the Italian Civil Code, is asked to report to the Shareholders' Meeting, called to approve the financial statements, on the results for the year and on the activities carried out during the year in the performance of its duties, as well as on any omissions and reprehensible facts found. The Board of Statutory Auditors is also vested with the powers to make remarks and proposals concerning both the financial statements and their approval, and issues pertaining to its office.

During the year ended 31 December 2019, the Board monitored compliance with the Law and the Articles of Association and supervised the compliance with the principles of a correct administration. As in the approach taken in this report on the activities carried out and in the financial statements, activities were referred to law provisions and the Rules of Conduct of the Board of Statutory Auditors of listed companies, if and to the extent they were compatible, issued by the National Council of Chartered Accountants and Accounting Experts. The Board reports the following.

This report was approved jointly and in due time for its filing at the Company's registered office 15 days before the date in which the Shareholders' General Meeting was called for the approval of the financial statements for the year, together with other mandatory annexes accompanying it and the Report on Operations, in addition to financial disclosures as per Legislative Decree no. 254/2016. The Board of Directors made available the relevant documents approved on 27 May 2020 and related to the financial statements for the year (and the consolidated financial statements) ended 31 December 2019, in compliance with provisions set forth by Article 2429 of the Italian Civil Code.
This report does not concern the statutory audit activity, as the related functions are carried out by the Independent Auditing Company PricewaterhouseCoopers S.p.A., duly appointed therefor.
The functions of the Supervisory Body are assigned to other separate statutory body, pursuant to Legislative Decree 231/2001.

Introduction
The Financial Statements for the year were prepared in compliance with the international accounting standards (IAS/IFRS), issued by the IASB (International Accounting Standards Board) and endorsed by the European Union, as well as according to the related IFRIC interpretations, supplemented with the amendments that were endorsed and currently in force. Compliance was assessed also with respect to provisions set out by Legislative Decree 38/2005, as a result of the obligation imposed by the regulations in force and consequent to having acquired, from 2017, with the issue of the Bond Loan,

the status of Public Interest Entity (acronym EIP), as defined by Article 16 of Leg. Decree no. 39/2010.

It should be also noted that the current Board of Statutory Auditors is composed of Mr.Sergio Graziosi, Chairman, Mr. Fabio Ceroni, Standing Auditor and Mrs. Patrizia Preti, Standing Auditor. The Board was appointed pursuant to Article 25 of the Articles of Association by the Shareholders' Meeting held on 29 May 2018 for a tenure of three years. The Board will therefore end its office with the approval of the financial statements as at 31 December 2020.

Meetings of the Board of Statutory Auditors

In the period between the beginning of year 2019 and 31 December 2019, the Board of Statutory Auditors attended the Shareholders' Meetings and Board of Directors' Meetings. The Board of Statutory Auditors also met to carry out its individual activities, whose presence and importance is proven by the relevant minutes duly signed.
Within this context, the Board acknowledges that, during the term of office, no breaches to the law and articles of association, nor overtly imprudent, risky actions or in potential conflict of interest or such to jeopardise the integrity of the Company's equity are to be reported.
This Board has also met periodically with the Independent Auditing Company PricewaterhouseCoopers S.p.A.. No relevant data and information were noted that should be reported herein. The Board also met the Supervisory Board and the Internal Audit function.

Knowledge of the Company, risk assessment and reporting on the assignments entrusted

While acknowledging the information that the Board of Statutory Auditors declares to have in relation to the Company and to the following:
i) the type of business carried out;
ii) the accounting and organizational structure;
taking also account of the Company's size and critical issues, it is stated that the "planning" phase of the supervisory activity - in which it is necessary to assess the intrinsic risks and criticality with respect to the two parameters mentioned above - has been implemented through the positive feedback on what is already known on the basis of the information acquired over time.
The Board is therefore in a position to confirm the following:

- the core business carried out by the Company has not changed over the year under evaluation and it is consistent with the corporate purpose;
- the organizational structure, almost unchanged, is suited to allow for the drawing up of the financial statements according to the IAS/IFRS international accounting standards and within the business development rationale for an appropriate and effective functional reorganisation, therefore, not only from an accounting and administrative viewpoint;
- human resources dedicated to the Company's business remained almost unchanged (in average), from 2,514 people employed in 2018 to 2.583 people employed in 2019;
- it is also possible noting how the Company acted in 2019 in terms that are substantially comparable with the previous year. Therefore, our assessment was carried out based on these assumptions, having checked the substantial comparability of figures and results with those related to the previous year.

This report therefore summarises the activities related to disclosures, as provided for by Article 2429, paragraph 2, of the Italian Civil Code, namely:

- on the activities necessary for compliance with law;
- on the results of the financial year;
- on remarks and proposals with regard to the financial statements, with special reference to any use by the Board of Directors of the exemption as per Article 2423, paragraph 4 of the Italian Civil Code and Article 5, Legislative Decree no. 38/2005;
- on the reception of any claim by Shareholders, as per Article 2408 of the Italian Civil Code.

Relevance of main events occurred over the year

With regards to the main events occurred over the year ended 31 December 2019, reference is made to the Directors' Report on Operations, accompanying the Financial Statements and which, as far as the Board of Statutory Auditors is aware, thoroughly summarised the main events that concerned the Company TPER and the entire Group.

Intercompany transactions with related parties

Pursuant to Article 2427, paragraph 1, item 22 bis) of the Italian Civil Code, in the Explanatory Notes the Company duly reported intercompany transactions with related parties, while specifying the amount, the type of relation and any other information necessary to understand the financial statements. There transactions were carried out at arm's length.

Atypical or unusual transactions

During the assessment activities carried out by the Board of Statutory Auditors, no atypical or unusual/non-recurring transactions were reported.

Supervisory activities

During the financial year ended 31 December 2019, the Board of Statutory Auditors - as far as it had been possible to ascertain - was able to acknowledge the following:

- the decisions taken by the Shareholders and the Board of Directors were in compliance with the Law and the Articles of Association and were not manifestly imprudent or such as to compromise the integrity of the Company's assets;
- the Board obtained information from the Directors on the general performance of operations and on the business outlook, as well as on the more significant transactions in terms of extent or characteristics performed by the Company and its subsidiaries. Based on the directional organization chart, the information required by Article 2381, paragraph 5, of the Italian Civil Code, was provided and acquired by the Board of Directors both during scheduled meetings and any individual access by the members of the Board of Statutory Auditors to the Company's registered office and also through telephone and IT contacts/influxes with the members of the Board of Directors. From the above, it can be inferred that the Directors have, in substance and in form, complied with the requirements of the aforementioned regulation;
- transactions carried out were compliant with law and the articles of association and not in potential conflict with the resolutions passed by the Shareholders' Meeting or such to jeopardise the integrity of the Company's equity and were adequately evaluated;
- no specific remarks are to be made on the adequacy, during the year, of the Company's organizational structure or on the adequacy of the administration, accounting and internal control systems, as well as on the reliability of the latter

in fairly representing operational facts, also for the purposes and effects of disclosures required as per Leg. Decree 254/2016, mentioned below, concerning issues not necessary of the financial type;

- the Board became acquainted with and supervised the suitability and operation of the administrative and accounting system to the extent of our responsibility, as well as the reliability of the latter in correctly representing the operational transactions, by obtaining information from the function managers and from the Independent Auditors PricewaterhouseCoopers S.p.A., as well as by examining the Company's documents. No specific remarks are to be reported to this regard;
- during the periodic audits, as per Article 2403, paragraph 1 of the Italian Civil Code, the Board acknowledged the evolution of the activity performed by the Company. The Board also regularly met with the Independent Auditors, the Internal Audit function and the Supervisory Body, as well as with the professionals who assist the Company: the results were positive, with a profitable exchange of information. Relations with the persons working in the aforementioned structure were inspired by mutual collaboration in respect of the roles entrusted to each one, having clarified those of the Board of Statutory Auditors;
- the external consultants and professionals in charge of providing assistance on accounting, tax, corporate and labour law issues are substantially unchanged - except for persons in charge of extraordinary or non-recurring transactions - and therefore they have historical knowledge of the activities carried out and of the management issues, including extraordinary ones, that have affected the results of the financial statements;
- no omissions were reported by the Board of Directors, pursuant to Article 2406 of the Italian Civil Code;
- no reports were received pursuant to Article 2408 of the Italian Civil Code;
  no reports were filed pursuant to Article 2409, paragraph 7, of the Italian Civil Code;
- during the year, the Board of Statutory Auditors, also in its capacity as Internal Control and Audit Committee, issued an opinion pursuant to Article 19, lett. e) of Legislative Decree no. 39 of 27 January 2010, concerning the assignment, to a professional within the network of PricewaterhouseCoopers, of a consultancy service to be carried out in 2020. The service has not a significant economic value and is related to the supply of regulatory general guidelines. The Board expressed favourable opinion thereon, inasmuch as it did not deem that the appointment of such an engagement could compromise the independence of the Independent Auditors PricewaterhouseCoopers S.p.A..

To this purpose, the Board of Statutory Auditors, in its office of committee of internal audit and control, performed its activities as per Article 19 of Legislative Decree no. 39/2010, due to the Company's qualification of Public Interest Body - E.I.P.. The Board shall therefore:
i) inform the Company's Board of Directors on the outcome of the statutory audit, by sending to the same the additional Report addressed to this Body as committee of internal audit and control, as per Article 11 of the European Regulation no. 537/2014, prepared by the Independent Auditors and accompanied by remarks;
ii) monitor the financial reporting process and submit recommendations or proposals aimed at ensuring its integrity;
iii) check the effectiveness of the internal quality control and risk assessment systems of the audited entity and, if applicable, the internal audit, with regard to the financial reporting of the audited entity, without violating its independence;
iv) supervise the independent audit of the financial statements for the year and the

consolidated financial statements, also taking account of any outcome and conclusions of quality assessments performed pursuant to Article 26, paragraph 6, of the European Regulation, where available;
v) assess and monitor the independence of the Statutory Auditors or the Independent Auditors, pursuant to articles 10, 10-bis, 10-ter, 10-quater and 17 of Legislative Decree no. 39/2010 and Article 6 of the European Regulation, especially concerning the suitability of services, other than auditing services, rendered to the audited entity, pursuant to Article 5 thereof;
vi) comply with the procedure for the selection of Statutory Auditors or Independent Auditors and recommend the Statutory Auditors or the Independent Auditors to be appointed in accordance with Article 16 of the European Regulation.

From the supervisory activity, performed by the Board of Statutory Auditors, the following results are reported:
i) Remarks to the additional Report as per Article 11 of the European Regulation
The Board of Statutory Auditors has examined the report issued, as per Article 11 of the European Regulation (EU) 537/2014, by the auditing company PricewaterhouseCoopers S.p.A. on 18 June 2020.
The document adequately illustrates the results of the statutory audit activity as well as the mandatory information referred to in the second paragraph of the aforementioned Article 11 of Regulation (EU) 537/2014.
ii) Monitoring of the financial disclosure process
The Board of Statutory Auditors, as part of the audits scheduled during the year, has obtained feedback on the existence of adequate rules and processes aimed at monitoring the process of formation and dissemination of financial information, obtaining evidence of the process of formation of financial reporting, administrative and accounting procedures that are adequate with respect to the activity currently carried out by TPER;
iii) Supervisory activities on the effectiveness of internal control systems, internal audit and risk assessment
The Board of Statutory Auditors periodically met the heads of the control functions and in particular with the Internal Audit function of TPER to exchange information on the activities carried out, obtaining updates on the execution of the audit plan and, in this context, on the verification interventions carried out and the related outcome, also in line with the plan and the outlook.
In light of the results of the activity carried out, of what has been learned from the control functions, also taking into account the contents of the above mentioned additional report, pursuant to Art. 11 of Regulation (EU) 537/2014 prepared by the Independent Auditors, which contains the reassurance that there are no deficiencies in the Internal Control System (ICS) and comforted by the discussions with the same, the Board of Statutory Auditors, in relation to the Company's operations as at 31 December 2019, deems that the control system is adequate.
iv) Supervisory activities on the statutory audit of annual and consolidated accounts
The Board of Statutory Auditors met the representatives of the Independent Auditing Company (PricewaterhouseCoopers S.p.A.), with whom the expected exchange of information occurred.
In the Report as per Art. 11 of the European Regulation (EU) 537/2014 and the Report as per Art. 14 of Leg. Decree no. 39/2010, issued by the independent auditors on 18 June 2020, the same certified that, on the basis of the controls carried out, as mentioned above, no significant deficiencies in the internal control system were found in relation to the financial reporting process. Moreover, the "key aspects" of the statutory audit were highlighted with the related description, both with reference to the statutory and consolidated financial statements.

v) Supervisory activities on the independence of the auditing company, especially concerning the non-audit services rendered

The Board of Statutory Auditors monitored the independence of the Auditing Company and obtained the annual certification of independence as per Article 6, paragraph 2, lett. a) of the European Regulation no. 537/2014.

In particular, on 18 June 2020 the Independent Auditors PricewaterhouseCoopers S.p.A. confirmed, with special statement, that all ethic principles had been complied with, as per Articles 9 and 9-bis of Legislative Decree no. 39/2010. Moreover, no situations were detected that would impair the independence of the auditing company, pursuant to Articles 10 and 17 of Legislative Decree no. 39/2020 and Articles 4 and 5 of the European Regulation no. 537/2014, thus confirming the compliance with provisions set forth in Article 6, paragraph 2, lett. a) of the European Regulation (EU) no. 537/2014.

Lastly, the Board certifies that TPER, due to its qualification of EIP, pursuant to law provisions, is bound to supply adequate information, also by virtue of its size requirements. Such information of the non-financial type (the so-called "Non financial Statement - DNF") is pursuant to provisions set out by Legislative Decree no. 254/2016, both at individual and consolidated level. In this regard, this Control Body reports that the following checks were performed: a) compliance with the obligations set forth by regulations on the preparation and publication of the non-financial statement; b) the adequacy of the methodologies/systems and processes used for this purpose; c) the presentation of the conformity certification issued by the Independent Auditors PricewaterhouseCoopers S.p.A. on 18 June 2020, pursuant to Article 3, paragraph 10, of Legislative Decree 254/216.

Based on financial statements documents, the Board of Statutory Auditors acknowledges that the Group has put in place every initiative following the pandemic to ensure the health and safety of its staff in the workplace. Moreover, always as a consequence of the state of health emergency, from the Explanatory Notes to the Consolidated Financial Statements and the Report on Operations, the Board of Statutory Auditors acknowledges that the Tper Group has carried out an analysis on the effectiveness and efficiency of the reorganisation of passenger and freight transport based on the restrictive measures adopted by the regulatory bodies.

As a conclusion, we are therefore in a position to confirm that, during the supervisory activities carried out by this Board, no events and/or material elements emerged that are to be reported herein.

Statutory (separate) and consolidated financial statements

First of all, we would like to point out to Shareholders that the Board of Statutory Auditors acknowledged that the Board of Directors has not considered the mandatory preparation of both the financial statements and the explanatory notes based on the so-called "XBRL taxonomy". This by reason of the fact that the financial statements were prepared in accordance with international accounting standards.

With regard to the statutory financial statements and the consolidated financial statements as at 31 December 2019, it is understood that the tasks relating to the statutory audit and, therefore, the opinion on the respective financial statements are assigned exclusively to the independent auditors PricewaterhouseCoopers S.p.A.. It should be however noted that the draft financial statements for the year ended 31 December 2019 and the consolidated financial statements for the year ended 31 December 2019 were approved by the Board of Directors and consist of the balance sheet, the income statement, the statement of comprehensive income, the statement of changes in shareholders' equity, the cash flow statement for the year ended 31 December

2019 and the explanatory notes (to the separate and consolidated financial statements) which include, in summary, the accounting standards adopted for the individual items in the financial statements.

Furthermore:

- the Board of Directors also prepared the Report on Operations as per Article 2428 of the Italian Civil Code;

- these documents were delivered to the Board of Statutory Auditors in due time to be lodged at the Company's registered office, together with these report. This in compliance with the term set out by Article 2429, paragraph 1 of the Italian Civil Code;

- the statutory audit is assigned to the Independent Auditors PricewaterhouseCoopers S.p.A., which prepared their report in compliance with Article 14 of Legislative Decree no. 39 of 27 January 2010 and Article 10 of the European Regulation no. 537/2014 on both the separate and the Group consolidated financial statements. These reports do not highlight any significant deviations, negative opinion or impossibility of expressing an opinion or requests for information and, therefore, the opinion issued is, for both, positive;

- the Auditing Company also prepared, for the exclusive use of this body and for the purposes of Art. 19 of Legislative Decree 39/2010, the additional Report for the internal control committee and the audit as per Article 11 of the European Regulation no, 537/2014

- the valuation criteria adopted, which are the same for both the statutory and consolidated financial statements (with the exception of the recognition and measurement of investments in subsidiaries, joint ventures and associates), are reported in the explanatory notes to the consolidated financial statements only.

  The Board of Statutory Auditors also supervised the compliance by Directors with law provisions regarding the preparation of both the statutory and consolidated financial statements and it monitored their overall presentation, general compliance with law in relation to their format and structure, and to this respect no specific comments are to be reported;

- the statutory and consolidated financial statements as at 31 December 2019 were prepared in compliance with the IAS/IFRS international accounting standards, issued by the International Accounting Standards Board (IASB) and endorsed by the European Commission as provided for by the EU Regulation no. 1606/2002, currently in force, as well as provisions set out by Legislative Decree no. 38/2005;
- there is a consistency between the statutory financial statements and the consolidated financial statements, on the one hand, and the facts and information of which the Board of Statutory Auditors became aware by attending meetings of the Board of Directors and in carrying out its control activities, on the other.

The draft financial statements were therefore examined and further information thereon are supplied hereunder:

- attention has been paid to the approach given to the draft budget, and the documents accompanying it, on its general compliance with the law as regards its formation and structure. In this respect no remarks should be reported herein;
- compliance with the laws governing the preparation of the Report on Operations has

been assessed. In this respect no remarks should be reported herein;
the Board of Directors, in drawing up the financial statements, has not derogated from the provisions of the law pursuant to Art. 2423, paragraph 4 of the Italian Civil Code and Art. 5 of Legislative Decree No. no. 38/05;
- the financial statements have been checked to ensure that they are consistent with the facts and information of which we became aware following the performance of the typical duties of the Board of Statutory Auditors and no further remarks are highlighted in this regard;
- pursuant to Article 2426, paragraph 5 of the Italian Civil Code, the Board of Statutory Auditors certifies that, merely for the sake of disclosure, "other intangible assets" do not refer to "start-up and expansion costs" nor to "development costs" with long-term utility still to be amortised;
- the correctness of the information included in the explanatory notes to the financial statements was assessed with regard to the absence of any financial and monetary assets and liabilities that were originally generated in currencies other than the Euro;
- disclosures required by Article 2427-bis of the Italian Civil Code were supplied in the explanatory notes, concerning any financial instruments, where recorded, at a value higher than their fair value;
- with regard to the proposal of the Board of Directors concerning the allocation of the net result for the year and which will be discussed below, the Board of Statutory Auditors has nothing to remark. It should be however noted that the decision on this matter is the responsibility of the Shareholders' Meeting.

The net result assessed by the Board of Directors in relation to the financial statements ended 31 December 2019, as it can be also clearly inferred from the financial statements, is positive by 5,213,314 euros (8,280,182 euros in the previous year).

After receiving, on 18 June 2020, the reports from the Independent Auditors on the separate and consolidated financial statements as at 31 December 2019, the Board acknowledged the following:
- the opinions on the financial statements for the year and consolidated financial statements reported therein. From these reports it can be inferred that the same provide a true and fair view of the equity and financial position, as well as of the economic results and cash flows for the year ended 31 December 2019, prepared pursuant to the International Financial Reporting Standards endorsed by the European Union for both the separate and consolidated financial statements.
- the absence of recalls on disclosures;
- key aspects of the audit;
- the opinions on the consistency and compliance with regulations in force of the Directors’ Report on Operations included in the financial statements;
- the other opinions required by regulations in force and other information to be disclosed in compliance with regulations (Leg. Decree 39/2010 and EU Regulation 537/2014), as due.

Report on Operations

The Board of Statutory Auditors checked the contents of the Report on Operations prepared by the Board of Directors in relation to both the separate and consolidated financial statements. It also assessed that the Independent Auditors carried out all procedures aimed at expressing a positive opinion on the consistency of the Report on Operations with the financial statements and its compliance with regulations in force.

As far as we are aware, while preparing the financial statements, the Directors did not avail of the exceptions to law, pursuant to Article 2423, paragraph 4, of the Italian Civil Code and to Article 5, paragraph 1, of Legislative Decree no. 38/2005.

Opinions and proposals for the approval of the financial statements, conclusions

The above being said, to the extent of information received by the Board of Statutory Auditors and acknowledged by the periodic assessments performed, it is unanimously deemed, also in light of the report drawn up by the Independent Auditors and related opinion on the financial statements, that there are no reasons to the contrary for your approval to the separate financial statements ended 31 December 2019, as prepared and submitted for the approval by the Board of Directors, as well as for the proposal expressed by your Board of Directors for the allocation of the profit for the year to the legal reserve (as provided by Law) and, for the exceeding amount, to the extraordinary reserve.

At the end of the work carried out, we express our sincere thanks to the Board of Directors, the employees and all staff, as well as to the Collaborators for their active participation and the helpful support received, wishing the Company a profitable future.

Bologna, 18.06.2020

The Board of Statutory Auditors

Sergio Graziosi, Chairman

Patrizia Preti, Standing Auditor

Fabio Ceroni, Standing Auditor

Independent auditor's report

in accordance with article 14 of Legislative Decree 39 of 27 January 2010 and article 10 of Regulation (EU) 537/2014

To the shareholders of
Tper SpA

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Tper SpA (the "Company") and its subsidiaries (hereinafter, the "Tper Group" or the "Group"), which comprise the consolidated statement of financial position as of 31 December 2019, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in shareholders' equity, the consolidated cash flow statement for the year then ended, and explanatory notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as of 31 December 2019, and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree 38/05.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of this report. We are independent of the Company pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters	*Auditing procedures performed in response to key audit matters*
Going Concern	
The assessments made on the ability of the company to continue as a going concern are illustrated in the paragraph 'Going Concern', of the Notes to the consolidated financial statements. The measures issued by the competent authorities to contain the epidemic spread of Covid-19 and to ensure the protection of national health, have resulted in a reduction in citizens' mobility affecting the operation of local public transport and the Group's turnover which, starting from second half of February 2020, suffered a significant contraction. This critical element has required detailed assessments by the Directors regarding the company's ability to continue as a going concern with a prospective of at least 12 months. Management has carried out an assessment of the risk factors relating to going concern, considering the risk mitigation factors identified and illustrating the considerations regarding the Group's ability to fulfill its obligations with a prospective of at least 12 months. We have identified an area of attention in this context in consideration of the exceptional nature of the impact of the health emergency on the Group and the fact that the management evaluation process entails a high level of professional judgment in the formulation of prospective assessments on financial sustainability in a particularly dynamic and uncertain scenario.	We carried out an understanding of the approach adopted by the management in identifying the main risks and critical issues inherent in the company's ability to continue as a going concern and the assumptions defined in the assessment process. We discussed the cash flow projections used in order to evaluate the Group's ability to fulfill its obligations over a period of at least 12 months and we carried out testing on the reasonableness of the estimates made. We conducted a detailed analysis of the loan agreements in place to understand the main conditions and we verified that these conditions were respected and sustainable in accordance with the assumptions defined by the management. We have carried out review procedures on subsequent events to identify those intended to mitigate or influence the company's ability to continue as a going concern. Eventually, we verified the accuracy and completeness of the information presented in the note "Going Concern" included in the Notes to the consolidated financial statements at 31 December 2019.

Responsibilities of the Directors and the Board of Statutory Auditors for the Consolidated Financial Statements

The Directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree 38/05 and, in the terms prescribed by law, for such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

The Directors are responsible for assessing the Group's ability to continue as a going concern and, in preparing the consolidated financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the consolidated financial statements, the Directors use the going concern basis of accounting unless they either intend to liquidate Tper SpA or to cease operations, or have no realistic alternative but to do so.

The Board of Statutory Auditors is responsible for overseeing, in the terms prescribed by law, the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

As part of our audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- we identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- we obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- we evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- we concluded on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to

continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;

- we evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- we obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion on the consolidated financial statements.

We communicated with those charged with governance, identified at an appropriate level as required by ISA Italia regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

We also provided those charged with governance with a statement that we complied with the regulations and standards on ethics and independence applicable under Italian law and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We described these matters in our auditor's report.

Additional Disclosures required by Article 10 of Regulation (EU) 537/2014

We were appointed by the shareholders of Tper SpA at the general meeting held on 29 May 2018 to perform the statutory audit of the Company's and the consolidated financial statements for the years ending 31 December 2018 through 31 December 2026.

We declare that we did not provide any prohibited non-audit services referred to in article 5, paragraph 1, of Regulation (EU) 537/2014 and that we remained independent of the Company in conducting the statutory audit.

We confirm that the opinion on the consolidated financial statements expressed in this report is consistent with the additional report to the Board of Statutory Auditors, in its capacity as audit committee, prepared pursuant to article 11 of the aforementioned Regulation.

Report on Compliance with other Laws and Regulations

Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree 39/10

The Directors of Tper SpA are responsible for preparing a report on operations a of the Tper Group as of 31 December 2019, including its consistency with the relevant consolidated financial statements and its compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) 720B in order to express an opinion on the consistency of the report on operations, with the consolidated financial statements of the Tper Group as of 31 December 2019 and on their compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations mentioned above is consistent with the consolidated financial statements of Tper Group as of 31 December 2019 and is prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree 39/10, issued on the basis of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

Statement in accordance with article 4 of Consob's Regulation implementing Legislative Decree 254 of 30 December 2016

The Directors of Tper SpA are responsible for the preparation of the non-financial statement pursuant to Legislative Decree 254 of 30 December 2016.

We have verified that the Directors approved the non-financial statement.

Pursuant to article 3, paragraph 10, of Legislative Decree 254 of 30 December 2016, the non-financial statement is the subject of a separate statement of compliance issued by ourselves.

Parma, 18 June 2020

PricewaterhouseCoopers SpA

Signed by

Christian Sartori
(Partner)

This report has been translated into English from the Italian original solely for the convenience of international readers

Independent auditor's report

in accordance with article 14 of Legislative Decree 39 of 27 January 2010 and article 10 of Regulation (EU) 537/2014

To the shareholders of
Tper SpA

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Tper SpA (the "Company"), which comprise the statement of financial position as of 31 December 2019, the income statement, the statement of comprehensive income, the statement of changes in shareholders' equity, the cash flow statement for the year then ended, and explanatory notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as of 31 December 2019, and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree 38/05.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of this report. We are independent of the Company pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters	Auditing procedures performed in response to key audit matters
Going Concern	
The assessments made on the ability of the company to continue as a going concern are illustrated in the paragraph 'Going Concern', of the Notes to the financial statements. The measures issued by the competent authorities to contain the epidemic spread of Covid-19 and to ensure the protection of national health, have resulted in a reduction in citizens' mobility affecting the operation of local public transport and the Company's turnover which, starting from second half of February 2020, suffered a significant contraction. This critical element has required detailed assessments by the Directors regarding the company's ability to continue as a going concern with a prospective of at least 12 months. Management has carried out an assessment of the risk factors relating to going concern, considering the risk mitigation factors identified and illustrating the considerations regarding the Company's ability to fulfill its obligations with a prospective of at least 12 months. We have identified an area of attention in this context in consideration of the exceptional nature of the impact of the health emergency on the Company and the fact that the management evaluation process entails a high level of professional judgment in the formulation of prospective assessments on financial sustainability in a particularly dynamic and uncertain scenario.	We carried out an understanding of the approach adopted by management in identifying the main risks and critical issues inherent in the company's ability to continue as a going concern and the assumptions defined in the assessment process. We discussed the cash flow projections used in order to evaluate the Company's ability to fulfill its obligations over a period of at least 12 months and we carried out testing on the reasonableness of the estimates made. We conducted a detailed analysis of the loan agreements in place to understand the main conditions and we verified that these conditions were respected and sustainable in accordance with the assumptions defined by the management. We have carried out review procedures on subsequent events to identify those intended to mitigate or influence the company's ability to continue as a going concern. Eventually, we verified the accuracy and completeness of the information presented in the note "Going Concern" included in the Notes to the financial statements at 31 December 2019.

Responsibilities of the Directors and the Board of Statutory Auditors for the Financial Statements

The Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree 38/05 and, in the terms prescribed by law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Directors are responsible for assessing the Company's ability to continue as a going concern and, in preparing the financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the financial statements, the Directors use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The Board of Statutory Auditors is responsible for overseeing, in the terms prescribed by law, the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of our audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised our professional judgement and maintained professional scepticism throughout the audit. Furthermore:

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

We communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

We also provided those charged with governance with a statement that we complied with the regulations and standards on ethics and independence applicable under Italian law and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We described these matters in our auditor's report.

Additional Disclosures required by Article 10 of Regulation (EU) 537/2014

We were appointed by the shareholders of Tper SpA at the general meeting held on 29 May 2018 to perform the statutory audit of the Company's and consolidated financial statements for the years ending 31 December 2018 through 31 December 2026.

We declare that we did not provide any prohibited non-audit services referred to in article 5, paragraph 1, of Regulation (EU) 537/2014 and that we remained independent of the Company in conducting the statutory audit.

We confirm that the opinion on the financial statements expressed in this report is consistent with the additional report to the Board of Statutory Auditors, in its capacity as audit committee, prepared pursuant to article 11 of the aforementioned Regulation.

Report on Compliance with other Laws and Regulations

Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree 39/10

The Directors of Tper SpA are responsible for preparing a report on operations of the Company's as of 31 December 2019, including its consistency with the relevant financial statements and its compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) 720B in order to express an opinion on the consistency of the report on operations, with the financial statements of Tper SpA as of 31 December 2019 and on their compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations is consistent with the financial statements of Tper SpA as of 31 December 2019 and is prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree 39/10, issued on the basis of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

Parma, 18 June 2020

PricewaterhouseCoopers SpA

Signed by

Christian Sartori
(Partner)

This report has been translated into English from the Italian original solely for the convenience of international readers