Financial statements 2015 Tper SpA

English version

TPER SPA

Shareholding structure

The share capital of TPER SpA, fully paid-in, is composed of 68,492,702 shares, with a value of EUR 1 each, broken down in the following shareholding structure:

Shareholders	no. of shares	percentage
Emilia-Romagna Region	31,595,101	46.13%
Municipality of Bologna	20,625,542	30.11%
City of Bologna	12,872,013	18.79%
Azienda Consorziale Trasporti - A.C.T. Reggio Emilia	2,096,887	3.06%
Province of Ferrara	688,737	1.01%
Municipality of Ferrara	447,202	0.65%
Province of Mantua	27,870	0.04%
Province of Modena	27,870	0.04%
Province of Parma	27,870	0.04%
Province of Reggio Emilia	27,870	0.04%
Province of Rimini	27,870	0.04%
Ravenna Holding SpA	27,870	0.04%
	68,492,702	100.00%

Ravenna Holding SpA took the place of Province of Ravenna, in ownership of 27,870 TPER shares on 23 December 2015.

Introduction

The year 2015 confirmed a trend of strong, ongoing growth as compared to previous years. The financial statement results, which show a net profit of EUR 7.4 million, after calculating EUR 9.7 million in taxes, is an even more important result, considering the economic and environmental context, which is still affected by the difficult economic trend and the specific indicators that will be illustrated in the report on operations.

The economic crisis which has been harshly impacting the global economy since 2008 reduced employment and earning capacity also at local level, reducing the demand for mobility in some cases (even though a portion of transport moved from private cars to public transport), and resulted in a decrease in terms of lower real availability of government resources, both in terms of lower fees for services and of support to investments to overhaul wheeled rolling stock. An issue of national significance which was only partially attenuated by the effort to maintain the resources from local and regional institutions.

It must also be stated that the partial introduction of bonus systems in the transfer of resources allowed regional institutions to obtain the most from the incentives envisaged, a result that was also made possible due to the performance of the companies: TPER made a significant contribution to the result, also in relation to the required indicators.

TPER's revenues from fares in 2015 confirmed the values of the previous year (increase of 1.2% on 2014), after a period of sustained growth (+21% in the period 2012-2014), a significant figure if one considers the difficulty recorded for Bologna urban mobility due to the construction sites in the central avenues of the city regarding the construction of the Bologna – San Lazzaro mass transit system. These construction sites required detours of transport for over 10 months in 2015.

The increase level of revenues from fares was also consolidated by maintaining an extreme focus on the quality of services – to cover the main local mobility needs – and the repression of fare evasion in compliance with the service agreements in force.

Combating fare evasion was also one of the most important actions for the company in 2015. This actually involves a complex system of actions, accompanied by a massive communications campaign focused on respecting the rules for everyone and an extensive effort in ticket checking on board vehicles. The company's purpose, which is also socially relevant, is to consider paying for tickets as an act of civic duty to support the service quantity and quality. The positive returns for the company were both economic and connected to a more accurate understanding of the market and its specific characteristics, and produced better coordination of the company functions, focused on customers' real needs.

The outcome of years of combating evasion led to 2 important results in 2015: the increase in customer loyalty and, for the first time, the reduction in proceeds from fines to passengers without a valid ticket by 16% (EUR 3.6 million), while increasing the number of passengers verified.

Due to the changes in the scope of the businesses managed by the company (2015 was the first full year of the parking management business, and, in the same year, the freight railway service activities were transferred to the direct management of the subsidiary Dinazzano Po), it is not possible to make an immediate, direct comparison with the 2014 and 2015 final figures.

The company paid particular attention to revising expenditure, with a view to guaranteeing ever-increasing efficiency, without, however, decreasing costs essential to the quality of the service. All expenditure items were reviewed, not just the most significant ones. From the point of view of costs, it must be noted that in 2015 TPER benefited from the favourable trend in the fuel market (EUR 1.9 million in savings on the cost of diesel for buses).

In 2015, certain non-recurring revenues were recorded and a positive contribution from extraordinary operations (EUR +10.7 million). The specific characteristics shown above did not harm the positive value of operations or of the final results. Management of the company is in line with the management criteria based on the utmost attention to judicious verifications carried out over the years. This approach resulted in the posting of prudential provisions and write-downs in 2015 for EUR 14.2 million. It is also important to note that at the end of its first three years of life and the termination of the first Board of Directors' term, in 2015 the company saw a change by the shareholders of the Articles of Association, with a view to improved compliance with the rules of operation of corporations. At the same time, the shareholders decided to reduce the members of the new Board of Directors from 5 to 3 for the period 2015-2017.

Vision and Mission

TPER is an integrated mobility company that operates in local automobile and railway public transport, both directly and through subsidiaries and investees.

The company was created through the 2012 merger of ATC (a Bologna and Ferrara public transport company) and FER (a regional railway company) and over the years has developed various activities at group level, which include railway maintenance, freight railway service, direct and indirect participation, also in the role of operator, in the creation and implementation of important local mobility projects, up to the management of accessory services, such as parking and car/bike sharing.

The company operates in the scenario of local public transport, which, as is known, is a service that meets needs of general interest. Therefore, it has the duty of combining sustainable management in economic and financial terms with that in social and environmental terms.

In that sense, the company complies with the regulations regarding local public services, government-owned companies and tenders, as well as rules regarding corporations.

To pursue the objectives of sustainability and quality, TPER has set up its strategic positioning from an industrial point of view, creating a well-structured company in terms of assets, resources and organisation, while focusing on operational efficiency and the quality of services for travellers, with the goal of growing its services and areas covered.

The company carries out services in the local areas as a result of being awarded European public tender procedures, thus operating in competing market systems. TPER is thus a corporation that operates on the market.

TPER’s mission is to be a competitive company that strictly uses the resources available and offers differentiated, reliable services that can be easily accessed, to best meet users’ expectations, improving the quality of the environment and users’ lives, supporting responsible and sustainable development for the community.

The company’s vision, in line with the objectives of its mission, is focused on the value of the service to people. TPER intends to “decrease distance and make connections on the territory, and be selected due to its integration of services, comfort, low cost and sustainability".

Regulatory framework

The local public transport service is a service of general interest. Therefore, it is necessary to consider logics of efficiency and low cost as well as the specific characteristics of the sector in terms of sustainability and accessibility of the services in relation to users.

Specifically considering the structural difficulty in self-financing the service, also demonstrated by all the international analysis, not just for the Italian situation, given the social nature of the service as well, it is necessary to also consider the rule of public financing that impact the disbursement of grants to cover costs.

Moreover, these are services assigned by the interested institutions, mainly regional and local institutions, which must comply with the principle of competition envisaged in EU law and set out in national and regional regulations. Effectively, there are many layers of particularly complex regulations that act on the public transport system. In 2015 the sector saw a renewed, significant attention to regulatory reform, both with indirect effects (regulations on government-owned companies, laws on transparency and tenders), and on specific regulatory aspects (from the revision of EU rules to new rules on public services and, specifically, on local public transport). In terms of the method of assignment and management, the local public transport sector, just as other services of general interest, is the subject of a reform that intends to create a single system of reference rules (Consolidated Law on Government-Owned Companies and Consolidated Law on Local Public Services – known as the Madia reform – approved by the government in 2016 and still in the discussion stage).

The new rules regard the sector as well as companies with government investment and control, rules which directly concern the TPER Group. The decrees cited above did not see the light in 2015 and, therefore, in the financial year in question, there were no significant changes.

Thus, the main reference rules in the sector for 2015 remain Italian Legislative Decree no. 422 of 18 November 1997 (known as the Burlando Decree) and EU Regulation 1370/2007.

In terms of financing the service, with the establishment of the National Fund for Government Contribution to Local Public Transport Costs (art. 16-*bis* of Law Decree

95/2012, as replaced by art. 1, paragraph 301 of the Stability Law 2013), fuelled by the co-participation in the proceeds deriving from excise duties on transport diesel and on petrol, it was intended to provide stability and cover 75% of the sectors needs, leaving the remaining 25% to be covered by the Regions, also by using a portion of the equalisation fund that they benefit from.

Specifically, Emilia-Romagna Regional Law 30 of 1998 organically governs the regional and local public transport systems in line with the responsibilities assigned by the Constitution.

The principles underlying the regional rules include reducing energy consumption, reducing causes of environmental pollution and protection from atmospheric pollution, also to safeguard individuals.

The regional principles intend to ensure that individuals and businesses have the best accessibility and usability of the services performed in the local areas, promote a central role of regional local public transport as a driver for economic development and social cohesion, provide incentives for the rational organisation of traffic and circulation and promote the culture of sustainable mobility.

As regards the railways of regional interest, the same Law 30/1998 began the implementation of the mandates set out in Italian Legislative Decree no. 422 of 1997 and the subsequent transfer from the State to the Region of the railway lines formerly under Government Commission Management, assigning to the Emilia-Romagna Region the railway services pertaining to the Region.

The objectives are pursued using planning and participation instruments.

As regards the trolleybus sector and urban mobility, the main instrument used to concretely implement the planning and organisation objectives of the service is the "Programme Agreement", which generally covers a 3-year period (for 2015, following an addition in 2014, the effects of the 2011-2013 Plan were extended), which defines the two main lines of financing:

1) regional resources for minimum local public transport services, mainly deriving from excise duties on transport fuel, for the purpose of financing the quantity (vehicle*km) of services offered in the various provincial areas;

2) regional resources and other sources (European, government, provincial, municipal and also private) for investments and infrastructure works, which are used to purchase buses and trolleybuses, for bicycle and pedestrian mobility and, more generally, for sustainable mobility and air quality. Specifically, as previously illustrated, TPER manages its businesses following the execution of public tender procedures, in compliance with the principles of fair treatment, non-discrimination and transparency dictated by EU and national law.

The reference scenario

At international level, during 2015 the outlook for growth in global economic activity was weakened due to the slowdown in demand of large emerging economies, the collapse of the prices of raw materials, the growing impact of geopolitical tensions, especially in the Middle East, and a rising volatility in the financial market.

As in the rest of industrialised countries, also in the Eurozone, the economy grew at a moderate pace in 2015 (average GDP +1.5%), in a scenario subject to uncertainty also due to the general weakness of the international context.

In Italy, however, 2015 was the first year where, following a long phase of recession, there was improvement in the gross domestic product in relation to the previous year.

Though weak, there was an overall increase in the GDP of around 0.7%, which could be motivated, at like-for-like conditions, by a reduction in the price of raw materials (price of oil), by an improvement in the exchange rate, which was also stimulated by the monetary decisions of the ECB and, lastly, by the growth, though very weak, in internal demand and investments.

In line with the recessive trend of the last few years, and consistent with the average European figure, 2015 also saw a slowdown in consumer prices, with minimum growth in the inflation rate (+0.1%).

In the specific sector of transport, the slight recovery in the national economy had positive impacts in 2015. There was an overall increase in the mobility of travellers and goods in the various transport segments (air, motorway and sea).

With regard to the local public transport sector, the reduction in the price of fuel had a positive impact, at least as regards wheeled transport.

This advantage was partly offset by the trend in government grants, which recorded, in the meantime, at least with regard to local public transport, a trend of reduction in resources, due to reasons relating to general public finance, the intention to incentivise the share of self-financing in the sector and, lastly, to a general national policy decision which in previous years had resulted in greater investment in the “high speed” sector rather than in local public transport.

Lastly, with regard to mobility habits, at national level there has been gradual growth over time in use of the train as a means of transport. The Italian National Statistics Institute (ISTAT) proposed a historical series of data on Italians' mobility habits, breaking down the routine use of means of transport among workers (over 15 years of age) and students (up to 34 years of age) for the purpose of greater significance of the data.

It can be noted that in 2015, 74.1% of students used means of transport, compared to 25.5% that travel on foot (decreasing compared to 2014 and the three previous years). The most commonly-used means still include automobiles, as passengers and as drivers, comprising 44% (up compared to the previous three years), followed by the use of carriers and coaches for 16.8% (up compared to the previous three years) and buses and trams for 12% (figure quite stable over the last three years, but dropping since 2006). Travel by train stood at 6.3% of the sample and showed growth both on the last three years and considering the period from 2006 to date.

As regards workers' mobility, in this case the use of public transport for commuting totals 87.3% compared to 11.8% of people that travel on foot (figure growing in any event since 2006). The use of private automobiles is overriding: cars are used by around 74.2% of the sample, with an increase on 2014 but a dropping trend since 2006, the first year of observation.

Following automobiles, the most commonly used means of transport at national level is buses/trams, used by 5.2% of the sample, down compared to the three previous years and with variable fluctuations over the last ten years (with a peak of 6% and a minimum of 4.7%), followed by motorcycles (4.1%) and bicycles (3.5%).

More generally, the analysis of demand, especially at regional and local levels, aims to assess the market dynamics in order to verify the effectiveness of the supply and, over time, contribute to improving the services and habits of using the mobility systems available.

Organic management of the transport service must primarily consider strategies aimed at minimizing road congestion and improving traffic conditions, also reducing possible accidents, taking account of a minimization of the environmental impact due to the use of alternative energy sources and reducing CO_2 in the atmosphere. Lastly, it must continue to guarantee high quality standards and sustainable levels of costs for individuals.

Main events of 2015

Returning to TPER’s work in 2015 in the scenario outlined, a summary of the most significant and important operations in 2015 is provided below.

Anti-Evasion Campaign “Io vado e non evado” (Travel without Evading)

In 2015, the extraordinary campaign of ticket checking at stops and onboard buses continued.

The ordinary, systematic ticket checking was reinforced through direct checks, while, during certain periods of the year, the involvement of a significant number of TPER employees on a voluntary basis also continued as part of the campaign entitled “Io vado e non evado” (Travel without Evading).

The “Io vado e non evado” project, launched by TPER as one of the first in Italy, is based on closeness and mutual respect between the public service and its users, with the goal of contributing to a positive relationship of loyalty between the company and users, capable of strengthening the capacity of listening and increasing awareness of respect of the rules.

The checks on users, active participation of personnel and the communication/information campaign contributed to reducing the rate of fare evasion, an indispensable condition to maintain service levels, accompanied by stabilisation of ticket sales, which significantly increased over the last few years.

During 2015 TPER checked the tickets of approximately 3.3 million passengers (around 3 million in 2014 and around 1.9 million in 2013), as a tangible sign of the company’s attention to good management.

Guided Transport System Project (GTS) – updates

The project to create a mass passenger transport system to connect the municipalities of Bologna and San Lazzaro, known as the GTS project, was approved in 2002.

Having overcome the extremely critical issues of the last few years and obtained – on 17 December 2013 – the technical permit from the Ministry of Infrastructure and Transport for the purposes of safety and the confirmation of the project's economic framework, recalculating the grant from the Ministry assigned to the project at EUR 104.8 million, it was possible to restart the works pertaining to the infrastructure works and launch the process for supplying the new Crealis vehicles.

Following the reopening of the construction sites on 9 June 2014 to repair Strada Maggiore, the works continued in 2015 with a specifically complex effort, as the works are carried out in the historic city centre and the areas of public transport hubs of Bologna. The stone paving was completely rebuilt, including the original paving in the most central streets of Bologna, and the platforms for Crealis vehicles to come to precision stops were built.

The construction sites were managed within the planned timeframes and costs, despite the multiple complexities, especially regarding the section in the historic centre with flagstone paving. Due to the positive results achieved, the project continued its progress and the planning of the phases expected for 2016.

For the entire duration of the construction works with the greatest impact in the city centre of Bologna, TPER managed the necessary, complex phases of closing streets, with the related temporary modifications to the public transport network, in order to offer a service that best met users' needs, limiting difficulties despite the critical issues also in the trolleybus system, while constantly remaining in contact with the municipal administration.

In addition to the detours of buses to alternative routes, services were also introduced to expand public transport to the heart of the historic city centre, an area where the construction sites had the greatest impact.

A massive operation was concurrently undertaken for information and assistance to users and the community, also through the use of temporary information points InfoBobo, opened in the city centre, and services of assistance to persons with reduced mobility and for loading/unloading goods.

TPER as the party implementing the project to complete the Bologna metropolitan railway service and setting up trolleybus network lines

The project consists of the following interventions:

- *completion of the Bologna Metropolitan Railway Service (MRS)*
- *setting up trolleybus network lines*, reorganising and expanding the urban public transport network by developing the existing trolleybus system, for the purpose of integrating it with the railway system;
- *equipping the railway trains* dedicated to passenger transport of the MRS in the Bologna hub.

The Integrated Bologna Mobility Project to complete the Metropolitan Railway Service and setting up trolleybus network lines for urban public transport was completed based on the project plan in 2014. The long consultations with the competent institutions also in the phase of reorganisation of the reference Ministerial structures resulted in extensive, complex technical work throughout 2015. During the period of reference, additions to the technical documentation required by the new scenario were made, and all the deeds required to involve the various interested parties were drawn up. The final version of the project was approved at the CIPE (Interministerial Economic Planning Committee) meeting of 1 May 2016, reconfirming the financing already assigned on the Preliminary Project with CIPE Resolution no. 102/2012 (sent to the Ministry of Infrastructure and Transport on 29 May 2012). The project has an economic framework of EUR 372.6 million.

Of the 5 sub-works comprising the Project, the supply and commissioning of the 7 Stadler electric trains is being completed. The contract for these trains was signed on 26 March 2014 with the expected completion time of 26 months. TPER purchased from the Temporary Association of Companies comprised of Stadler Bussnag AG and AnsaldoBreda SpA the lot of trains relating to options already existing following an initial tender which resulted in the supply of 12 electric trains that are currently in service.

Tender for railway services of the Emilia-Romagna Region

During 2015 the tender by negotiated procedure was carried out to assign the concession for the public transport service of passengers by railway pertaining to the Emilia-Romagna Region, which concluded with final awarding, effective 24 August 2015, of the tender to the Temporary Company Consortium being formed by Trenitalia S.p.A. (group leader) and TPER S.p.A. Following the definitive assignment, the complex procedures began that will result in the establishment of the new company and the signing of the new service agreement. According to that set out in the tender, the new company will begin operating with the new service agreement in 2019. In 2015 the process was also begun to define the contractual methods for continuing the regional railway service during the transitional period, a service that will be carried out through CTI, the consortium currently in operation.

Extension of the Service Agreement for Local Public Transport in the Ferrara Area

On 22 May 2015 the memorandum of understanding was signed with the Mobility Agency AMI, which established the extension of the service agreement on local public transport to all of 2019.

According to the agreement, the contractual conditions and offer to the public of services realised in 2014 will be maintained. The agreement was reached following significant work by and between Institutions, the Agency and TPER in order to achieve the extension of the contract, searching for solutions consistent with the objective of guaranteeing the quality of the service and the need for economic equilibrium.

The expiry of the contract was thus adjusted to that in force in the Bologna area.

Success of the TPER fast regional train for Expo 2015

For the Expo 2015, starting on Friday 1 May 2015 the Stadler ETR 350, TPER’s most modern, high performance electric train was added to the Bologna-Milan regional connections for the entire six months of the Universal Exposition.

Financed with regional assistance, the ETR (five carriages, 270 seats, seats and restrooms equipped for passengers with motor disabilities, areas for bicycle transport) was operational every day of the Expo, with three outward trips and three return trips:

the first morning train trip of each day stopped at all the stops from Bologna to Milan, then carried out two shuttles on the Milan-Parma and Parma-Milan route, to return definitively to Bologna in the evening.

The service, which was highly appreciated and used by commuters in the Emilia-Romagna Region, was confirmed also after the end of the Expo and is still operational.

<u>Purchase of new ETR 350 trains</u>

On 9 November 2015 TPER signed a purchase contract with the Temporary Association of Companies comprised of Stadler Bussnag AG and AnsaldoBreda SpA for an additional 7 ETR 350 electric railway trains, thus expanding the fleet, which once the supply is concluded, will count 26 ETR 350 electric trains in the local and regional railway service.

These are 5-carried electric trains with 270 seats and standing room for 350 people, with areas for bicycles and high speed performance.

The new trains include an on board information system equipped with voice and visual announcements for each communication important to users, such as connections, announcing the next stop and delays.

TPER made this purchase, finalised at the end of 2015, in view of the obligations to invest in rolling stock set out in the upcoming service agreement for regional railway transport in Emilia–Romagna, illustrated in the following point.

From 2019, with the start of the new service agreement, these trains will be part of the fleet managed by the company being set up, which was assigned the local public transport service. Before this, as soon as they are available the new trains will enter into operation to rejuvenate the existing fleet of trains and immediately increase the quality of the service. To support this modernisation of the trains and the resulting improvement in the service in advance of 2019 (the date set for the start of the next agreement for the regional railway service), the Emilia-Romagna Region has planned financial assistance of around EUR 8 million to cover the higher costs incurred by TPER for the transitional period up to 2019.

New 18-metre hybrid buses for connection with the FICO Agro-Food Park

At the end of November 2015, a new model of bus joined the TPER fleet, in the search for eco-compatibility and comfort in travel: the Urbanway 18-metre Full Hybrid manufactured by Iveco.

The total investment for 9 Urbanways came to EUR 4.3 million, made possible by the Emilia-Romagna Region - through co-financing of 70% in implementation of the European pilot project “Mi Muovo Elettrico-Free Carbon City” (Travel Electrically - Free Carbon City) using resources from the Regional Operational Plan (FESR ROP 2007-2013) - and by TPER, which contributed its own resources for the remaining 30% of the expenditure.

Pending the opening of the FICO Eataly World city of food and the launch of the dedicated connection services, the vehicles are being used on the main lines of the Bologna urban service, where they replaced vehicles with greater seniority of service.

Continuation and expansion of parking management in Bologna

Since 5 May 2014, after being awarded the tender, TPER has carried out all the activities regarding the management of road parking or parking in parking structures, the car-sharing service, the vehicle pass service and the management of passes for occasional access to the historic city centre.

In 2015 this business grew significantly, both due to its operation over the entire year (compared to 8 months in 2014), and due to the expansion of the area subject to parking regulations in the city of Bologna.

The main activities of the company division dedicated to parking are those of verifying parking and maintaining signage and supporting technological equipment.

As at 31 December 2015 these activities were carried out with regard to over 46 thousand parking spaces.

The high fines imposed by TPER for illegal parking came to around EUR 213 thousand in 2015, with a significant increase year-over-year.

As regards car sharing, a service which requires an overall verification in agreement with the contracting party and local institutions, the fleet of automobiles as at 31 December 2015 came to 42 automobiles compared to 38 in the previous year. During 2015 the subscribers to the service increased from 1,154 to 1,251. The number of trips made rose from 4,442 to 7,547.

The bike sharing service has a total of 21 bicycle racks, which hold a total of 196 spots.

It is important to note the commitment to making new investments in automobiles for car sharing, already undertaken at the start of 2016. TPER intends to expand the service, bringing the fleet up to 60 vehicles, of which 41 new vehicles that will be purchased using a grant that the Municipality of Bologna disburses through funds from the Ministry of the Environment. Thus, in 2016 we will see massive renewal of the vehicle fleet, which is already currently fully environmentally compatible: 78% are dual fuel (petrol/methane or petrol/LPG); the remaining automobiles are Euro VI emission class. Among the new purchases and disposals of vehicles with greater seniority of service, dual fuel automobiles will reach 85% of the vehicle fleet by the end of the year.

Dispute on the ATC SpA tax wedge

For 2015 it is important to note that the pending tax disputes regarding the rejection of the IRAP tax break on the "tax wedge" – which were lost in the second instance for the years 2007-2010 and in the first instance for 2011 – of ATC SpA's operations (company whose demerger contributed to the creation of TPER in 2012) continued in the various stages of the proceedings for the various years subject to adjustment. The process of the dispute has not yet been concluded or rendered final.

To date, however, the tax judges that have so far ruled have agreed with the arguments of the Italian Revenue Agency.

For the assessments in this regard, we shall wait for the conclusion of the tax dispute.

TPER deems that it is entitled to benefit from the reduction of regional tax on productive activities (known as the tax wedge) set out in Law no. 296 of 27 December 2006 (Budget Law for 2007) in art. 1, paragraphs 266-270, as amended.

In consideration of several disputes of the Italian Revenue Agency with local public transport companies (where, moreover, the majority of rulings known to date, in both the first and second instances, confirm the applicability of the tax wedge to local public transport companies), TPER has prudently paid IRAP in full – without deductions in the period 2012-14, at the rate of 4.20% since 2012 – and applied for a refund for the portion it deems not due (for the tax break on the "tax wedge" 2012-14 and for the difference with the ordinary IRAP tax rate of 3.90% since 2012).

In 2015, as a result of the risk deriving from joint auxiliary liability following the demerger/merger in 2012 and the current situation of ATC, which has been placed in liquidation, in relation to the liabilities which could potentially arise from the above-mentioned disputes, TPER recorded provisions of EUR 5.6 million in the 2015 income statement.

Figures on operating activities

TPER conducts its core business in a system of competition – and has since it was established – fully under service agreements entered into following the assignment of services through public tenders (local wheeled public transport in the areas of Bologna and Ferrara, railway local public transport in the Emilia-Romagna Region and – since 2014 – parking services in the municipality of Bologna).

Total kilometres travelled during the year for the passenger bus service came to approximately 43.8 million, broken down by type as follows:

Wheeled Automobile Services - Final Figures	2014	2015
Total kilometres travelled	**44,098,961**	**43,847,740**
- Bologna	**34,997,142**	**34,960,353**
- Bologna urban service	17,571,302	17,492,452
- Sundry Municipalities Services	704,565	705,674
- Suburban and Extra-urban services	16,666,640	16,705,265
- Specialised and reserved lines and rentals	54,635	56,962
- Ferrara	**9,101,819**	**8,887,387**
- Urban service	2,238,600	2,177,230
- Extra-urban service	5,641,686	5,557,404
- Extra-urban taxibus service	1,128,820	1,147,057
- Specialised and reserved lines and rentals	92,712	5,696

The table shows the figures of kilometres travelled (net of trips without passengers not accounted for) relating to the total services managed in the areas of Bologna and Ferrara by the respective companies TPB and TPF, subsidiaries of TPER.

The average age of the bus fleet at the end of 2015 was 13.5 years. During 2015 the company prepared to launch important investments necessary to partially replace the fleet of vehicles, pending, in agreement with the institutions, the allocation of the resources planned at national level. These are cofinancing grants to investments in new vehicles following years of total cuts in resources. During the year, in any event, TPER purchased 33 new buses and 17 used buses, in addition to redeeming 3 buses under financial lease. The process was also followed for the arrival and entry into operation of 49 new Crealis Neo trolleybuses as part of the GTS project.

The distance travelled by the railway during the year came to around 5.7 million kilometres, broken down as follows:

Railway service	2014	2015
Total kilometres travelled	**5,598,998**	**5,716,111**
- Kilometres - Passenger railways	**4,877,485**	**4,982,457**
- Services on the RFI network	2,226,928	2,339,354
- Service on the FER network	2,650,556	2,643,103
- Kilometres - Substitute buses	**461,093**	**467,798**
- Other/travel	**260,420**	**314,027**
- Services on the RFI network	56,827	62,272
- Service on the FER network	203,593	203,589

In 2015 the first 2 electric trains out of the 14 ordered were commissioned (7 in 2014 and 7 in 2015).

143.8 million passengers were transported during the year, broken down as follows:

	2014	2015
Total passengers transported	**141,877,030**	**143,760,662**
- Bologna	**123,283,537**	**125,190,336**
Urban service	104,455,241	105,800,154
Aerobus	1,018,830	1,034,989
Suburban/Extra-urban services	17,503,481	18,097,261
Specialised and reserved services	305,985	257,932
- Ferrara	**13,398,940**	**12,949,126**
Urban service	8,621,536	8,380,767
Extra-urban service	4,777,404	4,568,358
- Railway	**5,194,552**	**5,621,200**

(*) The table shows the figures of passengers transported relating to the total services managed in the areas of Bologna and Ferrara by the respective companies TPB and TPF, subsidiaries of TPER. For the railway service, only passengers of the services carried out by TPER on the FER network (not on the RFI network) were considered.

Below the numbers of annual and monthly passes sold in the two areas served are shown:

	2014				2015			
Annual Passes	**Total**	Bologna area	Ferrara area	Railway service	**Total**	Bologna area	Ferrara area	Railway service
Urban annual passes	**50,921**	45,358	5,563		**51,277**	45,695	5,582	
Extra-Urban annual passes	**22,785**	16,930	5,855		**21,749**	16,173	5,576	
Annual passes for the entire network	**7,246**	7,169	77		**6,445**	6,368	77	
TOTAL	**82,159**	**69,457**	**11,495**	**1,207**	**81,235**	**68,236**	**11,235**	**1,764**

	2014				2015			
	Total	Bologna area	Ferrara area	Railway service	**Total**	Bologna area	Ferrara area	Railway service
Monthly Passes	**574,013**	**490,316**	**42,842**	**40,855**	**620,378**	**512,621**	**45,459**	**62,298**

The overall stabilisation of sales confirms the importance of increasing user loyalty, which was also achieved through a travel pass campaign that provides considerable ease of use with respect to single tickets, as well as benefits and promotions for pass-holders. Sales of monthly passes increased significantly. The overall confirmation of the volume of annual passes is quite considerable given the growth of over 10% in the previous three years, and represents a substantial result with regard to the active population in the provinces of Bologna and Ferrara.

Human Resources

In 2015 TPER substantially maintained the previous year's employment levels (2,437 average FTE). Almost all employees have an unlimited-term contract.

EMPLOYEES AS AT	2014	2015	Change
Executives	13	12	-1
Middle managers	50	47	-3
Office staff	279	300	21
Workers	2,176	2,146	-30
Apprentices	12	2	-10
Freelance workers	1	1	0
TOTAL	**2,531**	**2,508**	**-23**

NUMBER OF PERSONNEL: FTE	2014	2014	Change
Average for the year	2,438	2,437	-1
As at 31/12	2,450	2,423	-27

The overall numeric figure is actually the summary of several processes which highlight the fact that after several years of stagnation, in 2015 TPER began hiring once again: 40 employees hired on unlimited-term contracts, 1 employee hired on a limited-term contract and 2 employees hired on apprenticeship contracts. The hiring process which begun in 2015 will also continue in 2016, specifically for engineers.

Also in 2015 TPER provided a significant amount of training, totalling almost 23 thousand man-hours, of which around 5.5 thousand in mandatory training on safety, involving around 800 employees.

The sessions implemented were designed and defined in relation to the priority objective in the area of personnel management policy, of promoting human capital and professional skills.

During 2015, following the appointment of the company boards for the period 2015-2017, also based on the new governance which involved the designation of the Managing Director, the Board of Directors resolved on a new organisational structure. The new Company Director and the Head Administration, Finance and Control have been designated. The new company organisation is aimed at better identifying and increasing the responsibilities of the various important company functions.

Main economic, equity and financial indicators

In compliance with art. 2428 of the Italian Civil Code, the reclassified balance sheet and income statement are shown below, as well as the main economic, equity and financial indicators, making reference to the explanatory notes for details.

Profit for the year 2015 came to EUR 7.4 million, after amortisation and depreciation – net of grants on investments – of EUR 7.4 million, provisions and write-downs of EUR 13.6 million, in addition to EUR 0.2 million in inventory write-downs (under costs for changes in inventory).

The breakdown of the write-downs and provisions is shown in the explanatory notes. It is important to note the write-downs of non-performing receivables and allocations to provisions for write-downs of inventory, fuel price fluctuations, railway spare parts inventory, pending tax disputes and for risks on TPL insurance allowances.

TPER - RECLASSIFIED INCOME STATEMENT (amounts in Euros)		
	2014	**2015**
Revenues from sales and fees for minimum services	207,729,567	213,026,008
Other revenues and income	41,324,371	42,484,999
Value of production	**249,053,939**	**255,511,007**
External operating costs	114,404,250	110,618,174
Personnel costs	112,400,142	110,122,949
EBITDA	**22,249,547**	**34,769,884**
Amortisation and depreciation net of grants	8,437,315	7,439,983
Provisions and write-downs	9,552,675	13,612,498
EBIT	**4,259,557**	**13,717,403**
Financial income/(charges)	8,964	25,216
Extraordinary income/(charges)	7,664,927	3,275,846
Profit (loss) before taxes	**11,933,447**	**17,018,465**
Taxes for the year	(9,320,774)	(9,650,000)

Profit (loss) for the year	**2,612,673**	**7,368,465**
Other information		
Shareholders' equity	***105,361,685***	***112,730,150***
Employees as at 31/12	***2,531***	***2,508***
Number of FTE average personnel for the year	***2,438***	***2,437***

The income statement tables above, reclassified in summary form as compared to the official income statement table shown below have several differences. In particular:

• the reclassified income statement introduces the “EBITDA”, which is not shown in the tables in the separate financial statements. That margin is determined starting with the value of production in the separate income statement - net of grants on investments and extraordinary operating income - and subtracting all costs with the exception of amortisation, depreciation, provisions and write-downs. More specifically, the item “External operating costs” includes the following cost items from the separate income statement: costs for raw materials, ancillary materials, consumables and merchandise, costs for services, leases and rentals, changes in inventories of raw materials, ancillary materials, consumables and merchandise and sundry operating expenses;

• subtracting amortisation, depreciation, provisions and write-downs and the net financial and extraordinary income from the EBITDA, the profit (loss) before taxes shown in the separate income statement table was determined.

The main equity and financial indicators are shown below.

TPER - BALANCE SHEET (amounts in Euros)

Assets	2014	2015	Liabilities	2014	2015
Fixed assets	**251,752,657**	**280,142,555**	**Own funds**	**105,361,685**	**112,730,150**
Intangible assets	1,466,093	1,341,776	Share capital	68,492,702	68,492,702
Tangible assets	173,611,905	206,997,599	Reserves and profits	36,868,983	44,237,448
Financial fixed assets	76,674,658	71,803,180	**Consolidated liabilities**	**180,435,336**	**200,852,302**
Current assets	**152,351,603**	**145,201,251**			
Inventory	9,989,951	10,371,730	**Current liabilities**	**118,307,239**	**111,596,618**
Deferred liquidity	0	0			
Immediate liquidity	142,361,653	134,664,785			
Invested capital	**404,104,260**	**425,179,070**	**Financing capital**	**404,104,260**	**425,179,070**

FINANCIAL INDICATORS		**2014**	**2015**
FINANCIAL-EQUITY STRUCTURAL RATIOS			
First structural ratio	Own funds/ Fixed assets	0.42	0.40
Second structural ratio	(Own funds + Consolidated liab.) / Fixed assets	1.14	1.12
INCOME RATIOS			
ROE	Net profit (loss)/Share Capital	2.48%	6.54%
ROI	EBIT/Invested capital	1.05%	3.23%
ROS	Profit (loss) before financial income (loss)/ Sales	5.74%	7.98%

The net financial position of the Company as at 31 December 2015 came to EUR 43.1 million.

<u>IRAP (Regional tax) rate</u>

In consideration of several disputes of the Italian Revenue Agency with local public transport companies, TPER prudently settled also 2015 IRAP at the rate of 4.20% – even though it deems that higher rate not due – and shall apply for a refund for the difference from the ordinary IRAP rate of 3.90%.

Deferred taxes

In compliance with the accounting standards adopted and illustrated in the introduction to the explanatory notes to the financial statements, in line with its conduct in drawing up the previous years' financial statements, for prudential purposes the Company did not record the tax credit for prepaid taxes in the accounts. In fact, it is not certain that a positive taxable base will arise in the next few years, considering that a significant portion of revenues are comprised of fees for minimum services, which cannot all be defined *a priori* in a specific amount. In any event, the table showing the detailed analysis of company deferred taxes is attached to the explanatory notes.

Other information

Development activities

- *Remote control of the TPER bus fleet*

  During 2015 the remote control system for real-time monitoring of the fleet was extended to the entire Ferrara area.

  In the Bologna and Ferrara areas over 1,000 buses are equipped with remote control systems connected with the operations centre where 4 operators work, carrying out the functions of assistance, checking regularity, providing supporting information and surveillance.

- *Online Aerobus ticket purchasing service using QR code technology*

  To improve the accessibility of the BLQ service connecting the airport with the city centre, an online service was developed for purchasing tickets. Tickets are issued using QR code technology, and are validated by the driver. The QR code ticket can be used only on the BLQ line. Said ticket may be converted to an equivalent magnetic ticket at the ticket machines at the airport and the train station, to be used on the entire urban service, within the 75 minutes of validity of the ticket.

- *Audio announcements with variable text onboard buses*

  On all urban buses, in addition to the internal announcement of the next stop, a service has been developed that provides passengers with information using messages with variable text. The service, which initially arose from the need to communicate the information regarding detours and changes in service related to the construction sites in the historical city centre for over 10 months for the Crealis, was seen to be functional and appreciated by passengers and was maintained, to communicate to users temporary limits to routes, detours and other announcements regarding the service.

Therefore, on urban vehicles, the following audio announcement services are operational:

- a voice system on the bus which announces the “next stop”,
- an announcement system external to the bus which states the number of the line,
- a service that provides onboard information announcements with variable text (ex. detours, limits to routes) whose frequency can be programmed.

- *Electronic ticketing system: topping up dematerialised passes*

The policy aimed at dematerialising tickets continued.

Annual passes may be topped up online using the TPER site or at Unicredit and Intesa San Paolo ATMs.

A growing trend has been recorded: in one year, around 17 thousand users renewed their annual passes using the dematerialised method.

Treasury shares and shares of parent companies

The Company does not directly or indirectly own treasury shares or shares or units of parent companies, nor were these purchased or sold during the financial year, even through trust companies.

Supervisory body

TPER continued aligning its organisation, management and control model for the purpose of preventing corporate offences, adopted back in 2013, with the new regulatory provisions. The Code of Ethics was adjusted. The Board of Directors taking office for the three-year period 2015-2017 appointed the new Supervisory Body in charge of monitoring compliance with and the updating of said model, envisaged pursuant to Italian Legislative Decree 231/2001. The updated manual was adopted and several procedures were revised. The Company continued its activity of increasing awareness regarding compliance with the Code of Ethics and Conduct, both among personnel, through Service Orders, and among third parties which enter into contact with the Company, by setting up a dedicated section on the intranet as well as the company website.

It should also be noted that in the initial months of 2016, the Organisation, Management and Control Model (OMCM) was revised, introducing the new predicate offences based on the new regulations.

Fulfilling regulatory obligations regarding transparency and anti-corruption

In 2015 TPER continued implementing Law 190/2012 and, on new appointment of the company's governance in the same year, appointed a new Head of Corruption Prevention and Transparency, in the person of the Company Director.

Also in 2015, TPER approved the Three-Year Corruption Prevention Plan 2015-2017.

Downstream of the publication of the Italian National Anti-Corruption Authority (ANAC), TPER started implementing the 2015-2017 Plan, also through internal audits and, as envisaged by ANAC, in January 2016 the Three-Year Corruption Prevention Plan 2015-2017 was approved, with the updates that were necessary.

As required by law, TPER fulfilled the obligations set out in the regulations on transparency, carrying out the publications required by law.

Lastly, in 2015 the top management was trained on preventing corruption and on transparency.

Relations with reference institutions

In 2015 the company adopted specific deeds to fully meet the various requirements set out by institutions, including national institutions, on company data to be recorded for the purpose of obligations and specific requests from the Control Agencies, for specific obligations of communication relating to the performance of public services.

The main reference institutions for the business carried out are: Ministry of Infrastructure and Transport; Ministry of the Economy and Finance, Transport Authorities; Italian Competition Authority; Italian National Authority for Anti-Corruption and Supervision of Tenders and Italian National Agency for Railway Safety.

Interactions with local institutions and local mobility agencies in the areas served and the sector were constant.

It is important to note the extensive effort made to provide feedback to all of the requests received even weekly from elected representatives of the local institutions, in terms of both questions asked through the institutions and through access to records.

In 2015 the relationships with user representatives were revised, also with a view to developing greater real attention to the needs of individuals who use the public transport service.

Branches

The Company conducts its business at the following locations: in Bologna (BO) in Via Saliceto 3, Via Battindarno 121, Via Due Madonne 10, Via Ferrarese 114 and Via delle Biscie 17; in Ferrara (FE) in Via Trenti 35 and Via Porta Reno 182; in Castel di Casio – Prati District (BO), Via Caduti di Nassirya 8; in Imola (BO) in Via Marconi 4; in Casalecchio di Reno (BO) in Via Don Minzoni 13; in Codigoro (FE) in Viale Papa Giovanni XXIII 45; in Comacchio (FE) in Via Provinciale 38; in Sermide (MN) in Via F.lli Bandiera; in Modena (MO) in Piazza A. Manzoni 21; in Reggio Emilia (RE) in Via Orazio Talami 7 and in Guastalla (RE) in Via F.da Volterra.

TPER Group

As TPER is a Group, it drew up consolidated financial statements based on the rules set out. The Group closed the year with a net profit of EUR 7.368 million.

In addition to the parent company TPER, the area of consolidation includes the subsidiaries as defined by art. 2359 of the Italian Civil Code, excluding SFP Soc. Cons. a r.l., as it is in liquidation.

Area of consolidation	% consolidated	% ownership	% minority interests
TPER SpA (parent company)	100%	100.00%	0%
MA.FER Srl	100%	100.00%	0%
TPF Soc.Cons.a r.l.	100%	97.00%	3.00%
Dinazzano Po SpA	100%	95.35%	4.65%
TPB Soc.Cons.a r.l.	100%	85.00%	15.00%
Herm Srl	100%	84.13%	15.87%
Omnibus Soc.Cons.a r.l.	100%	51.00%	49.00%
SST Srl	100%	51.00%	49.00%

TPER SpA’s business is primarily within the company Group. For this reason the report on operations is drawn up only for the separate financial statements, and not for the consolidated financial statements.

Some information on the subsidiaries is shown below.

MA.FER Srl

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

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

In 2013 a significant reorganisation of the company was launched – which is still being completed - resulting in the rationalisation of operating procedures and the definition of a new organisational structure for 2015.

TPF Soc.Cons.a r.l.

The corporate purpose of TPF, created in 2006 on start up of the service following the public tender, is local public transport and all accessory activities in the Ferrara area, where the Company manages a service agreement for urban and inter-urban bus transport, allocating the activities among the consortium members.

The other partner is FE.M. Soc. Cons. a r.l., which holds 3% of the share capital.

Dinazzano Po SpA

The corporate purpose of Dinazzano Po consists of freight railway service and carrying out railway services for freight transport, in addition to managing railway stops and integrated transport terminals.

The shareholders are Azienda Consorziale Trasporti ACT (RE), the Ravenna Port Authority and Porto Intermodale di Ravenna SAPIR SpA, which each hold 1.55% of the share capital.

TPB Soc.Cons.a r.l.

The corporate purpose of TPB, created in 2011 following the public tender for public transport in the Bologna area, is local public transport and all accessory activities in the Bologna area, where the Company manages a service agreement for urban and inter-urban bus transport, allocating the activities among the consortium members.

The other partners are Omnibus Soc. cons. a r.l., which holds 10% of the share capital, and Autoguidovie SpA, which holds 5% of the share capital.

HERM Holding Emilia-Romagna Mobility Srl

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

The other partners are AGI SpA, with 9.02%, Nuova Mobility Scarl, with 4.47% and CTT Nord Srl, with 2.38% of the share capital.

Omnibus Soc.Cons.a r.l.

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

The other partners are Cosepuri Scpa, with 17% of the share capital, Saca Scarl, with 17% of the share capital and Coerbus Scarl, with 15% of the share capital.

SST Srl

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

The other partner is FE.M. Soc. Cons. a r.l., which holds 49% of the share capital.

Significant subsequent events

Accesses and audits

On 20 January 2016 the Emilia-Romagna Regional Division of the Italian Revenue Agency launched an audit regarding income taxes, IRAP, VAT and other taxes, on the tax period 2013, which was then extended to 2012.

On conclusion of the audit on 30 March 2016, the company was served with a report on findings.

Almost all of the findings of the Italian Revenue Agency set out in that report regard issues of form and interpretation on circumstances that occurred prior to establishment of TPER.

With the support of a lawyer, TPER is preparing the suitable briefs and observations on the findings to submit to the Italian Revenue Agency by the deadlines set out by law.

As things stand, no notice of assessment has been served, and no provisions have been allocated for said report.

On 24 May 2016, ATC Spa and TPER SpA (as beneficiary company of the demerger/merger of 2012 and jointly with the former) were served with a notice of assessment for amortisation and depreciation recorded by ATC in 2011 for EUR 2.9 million, higher than the amount the Italian Revenue Agency deemed admissible.

As for the other issues in TPER’s dispute with the Italian Revenue Agency, this assessment also regards issues of form on circumstances that occurred prior to establishment of TPER.

TPER deems the Italian Revenue Agency’s motivations to be unfounded and, in any event, the calculations made by the auditors seem incomplete, probably also due to the lack of any cross-examinations prior to issuing the notice of assessment.

Also for this situation, TPER deems it unnecessary to allocate additional specific provisions for risks and charges for the cited report, also because it is subordinately obliged.

The debut of Crealis route service

Pending completion of the civil works of the GTS Project, which are still to be finalised as per the works schedule, on 2 February 2016 the first 3 Crealis Neo vehicles delivered to Bologna entered into operation on the trolleybus line. The first Crealis vehicles were gradually joined by others, which have already passed all the tests for entry into operation. The Crealis vehicles are currently in service temporarily on the Bologna trolleybus line 13.

In 2016, functional tests will be conducted on all the remaining vehicles to be included in the fleet of 49 Crealis vehicles in service on the four lines of the optical guided public transport system, to which the vehicles will be assigned.

Now TPER's Crealis vehicles also have a new, entirely local name: the children of the Bologna elementary schools renamed the new trolleybus "Emilio" in a competition held by the company, in agreement with the Municipality of Bologna. The competition was participated in by 109 classes and involved over 2,700 students.

Developments of the regional railway service with TPER's new ETR 350 electric trains

The seven Stadler ETR350 electric trains, whose purchase was finalised in 2014 as part of the Integrated Metropolitan Mobility Plan, increase the quality of service on the regional lines, replacing the oldest, less performing rolling stock in terms of both service and the ecology:

- 2 entered into operation on the Porrettana line in spring 2016;

- 2 are allocated to the Bologna-Portomaggiore line (one has been operating since December 2015, the other will be operational at the end of 2016);

- 2 will enter into operation during the year on the Bologna-Vignola line;

- 1 will be used as a spare vehicle.

Purchase of new wheeled transport vehicles

TPER is the group leader of a tender by negotiated procedure, launched on 29 March 2016, for the joint purchase of buses by local public transport companies in the region (TPER, Seta, Tep, Start and Saca) through which TPER may purchase, through 2018, over 150 new buses to be used in bus line services in the areas in which it operates.

The investment is 50% financed by the Region, through funds from the Ministry recently allocated through government measure, and 50% self-financed by the company.

Business Plan

On 18 May 2016 the Board of Directors approved the new 2016-2018 Business Plan which includes a significant investment plan and actions for the three years.

Business Outlook

There are still many unknowns regarding the future, both in the global arena and with regard to the national scenario.

The permanent volatility of fuel costs (subject to allocations to reserves of EUR 1.7 million in 2015, as illustrated in greater detail in the explanatory notes) and the uncertainties on the regulatory developments in the local public transport market are only some of the problems the company must handle on a daily basis.

In the 4 years since its establishment, TPER has faced a challenging process of reorganisation and strengthening, working on the area of costs and well as revenues, to render company operations sustainable, keeping adequate service levels.

The company business plan for the next three years sees TPER involved in a challenging investment plan. If operations is able to confirm, also in the next few years, its capacity for growth and resource generation, TPER intends to focus the utmost effort on investments and, specifically, on replacing vehicles. A priority objective is to increase the quality of service, also by decreasing the average age of rolling stock, and thus increasing the comfort of travel, but also decreasing polluting emissions, consumption and maintenance costs.

Main risks and uncertainties

In conducting its ordinary operations, TPER is mainly exposed to:

a) liquidity risk, with regard to the availability of financial resources adequate to cover its operational activities and repay liabilities assumed;
b) credit risk, connected with both normal trade relationships and the possibility of the default of a financial counterparty.

The Company’s strategy to manage financial risks complies and is consistent with the company objectives defined by the Board of Directors.

Liquidity risk

Liquidity risk is the possibility that financial resources available may be insufficient to cover obligations falling due, also in relation to possible critical issues regarding the disbursement of grants due, deriving from transfers of the Public Administration. The Company is actively committed to overseeing the risk in question, both by taking action on its capacity to generate cash flows and attempting to diversify the sources of financing to cover its needs for operational management and for investments.

Credit risk

TPER provides public services through subsidiaries, in conjunction with institutions, and the ticketing revenues are primarily managed in cash.

In any event, there are several non-performing receivables, positions which have been individually assessed, and an overall estimate of the risk of outstanding credit positions has been made, for which bad debt provisions have been created, which take account of the estimated recoverable flows.

Operating and market risks

New risk assessment methods are being developed, which ensure effective data management to prevent operating risks. The Company is not subject to market risk, as it carries out a public service which, though managed under conditions of economic loss, also determined by the low fares which, as known, are not decided by the company, is carried out in the interest of the mobility agencies in the various areas based on specific service agreements.

The Company is a party in legal proceedings connected with the normal course of its operations. Based on the information currently available, the Company deems that these proceeding and lawsuits have been suitable assessed and covered by specific provisions for risks and charges in the financial statements, and will not have significant negative effects on the balance sheet and cash flow or income statement of the Company.

Proposal on the allocation of profit for the year

Dear Shareholders,

To complete the summary of operational data and company events illustrated above, the TPER’s Board of Directors submits for your examination and approval the draft financial statements for 2015 and recommends allocating the profit for the year of EUR 7,368,464.77 as follows:

- EUR 368,423.24 to the legal reserve,

- EUR 6,118,565.91 to close the remaining losses recorded in 2012, and

- EUR 881,475.62 to the extraordinary reserve.

Bologna, 27/05/2016

for the Board of Directors

The Chairperson

Giuseppina Gualtieri

TPER S.p.A.

Headquarters in Bologna - Via di Saliceto 3

Share Capital EUR 68,492,302.00, fully paid-in

BOLOGNA Register of Companies - Tax Code and VAT no. 03182161202

Economic and Administrative Repertoire No. 498539

Consolidated Financial Statements as at 31/12/2015

BALANCE SHEET

	31/12/2015	31/12/2014
Assets		
A) SUBSCRIBED CAPITAL UNPAID		
Total subscribed capital unpaid (A)	**0**	**0**
B) FIXED ASSETS		
I - Intangible assets		
1) Start-up and expansion costs	89,837	144,472
2) Research, development and advertising costs	8,700	17,400
3) Industrial patents and intellectual property rights	20,246	5,850
4) Concessions, licenses, trademarks and similar rights	19,031,115	19,522,204
6) Assets in progress and payments on account	943,848	585,939
7) Other	7,848,505	7,765,516
Total intangible assets (I)	27,942,251	28,041,381
II - Tangible assets		
1) Land and buildings	3,331,029	3,391,816
2) Plants and machinery	7,646,397	8,866,375
3) Industrial and commercial equipment	1,986,319	2,097,466
4) Other assets	51,551,408	34,312,461
5) Assets in progress and payments on account	150,710,238	134,245,050

	31/12/2015	31/12/2014
Total tangible assets (II)	215,225,391	182,913,168
III - Financial fixed assets		
1) Equity investments		
a) Subsidiaries	0	10,000
b) Associates	12,895,100	12,892,500
d) Other companies	806,350	806,350
Total equity investments (1)	13,701,450	13,708,850
2) Receivables		
c) Due from parent companies		
Within the next financial year	5,246,905	7,122,191
Total receivables due from parent companies	5,246,905	7,122,191
d) Due from others		
Within the next financial year	235,062	4,687,740
Beyond the next financial year	2,837,949	1,475,102
Total receivables due from others	3,073,011	6,162,842
Total Receivables (2)	8,319,916	13,285,033
3) Other securities	3,852,413	3,750,136
Total financial fixed assets (III)	25,873,779	30,744,019
Total fixed assets (B)	**269,041,421**	**241,698,568**
C) CURRENT ASSETS		
I) Inventories		
1) Raw materials, ancillary materials and consumables	25,212,144	23,489,933
Total inventories (I)	25,212,144	23,489,933
II) Receivables		
1) Due from customers		
Within the next financial year	59,896,496	54,426,242
Total receivables due from customers (1)	59,896,496	54,426,242

	31/12/2015	31/12/2014
2) Due from subsidiaries		
Within the next financial year	0	11,538,059
Total receivables due from subsidiaries (2)	0	11,538,059
3) Due from associates		
Within the next financial year	14,705,248	618,512
Total receivables due from associates (3)	14,705,248	618,512
4) Due from parent companies		
Within the next financial year	3,557,482	4,675,854
Total receivables due from parent companies (4)	3,557,482	4,675,854
4-bis) Tax credits		
Within the next financial year	4,930,390	3,080,762
Beyond the next financial year	35,213	35,213
Total tax credits (4-bis)	4,965,603	3,115,975
4-ter) Prepaid taxes		
Within the next financial year	6,625	8,960
Beyond the next financial year	7,946	9,868
Total prepaid taxes (4-ter)	14,571	18,828
5) Due from others		
Within the next financial year	10,467,687	19,160,824
Beyond the next financial year	1,812,351	2,423,660
Total receivables due from others (5)	12,280,038	21,584,484
Total receivables (II)	95,419,438	95,977,954
III - Current financial assets		
6) Other securities	400,000	0
Total current financial assets (III)	400,000	0
IV - Cash and cash equivalents		
1) Bank and postal deposits	47,232,943	57,080,376

	31/12/2015	31/12/2014
3) Cash and cash equivalents on hand	14,285	16,646
Total cash and cash equivalents (IV)	47,247,228	57,097,022
Total current assets (C)	**168,278,810**	**176,564,909**
D) ACCRUED INCOME AND PREPAID EXPENSES		
Accrued income and prepaid expenses	3,664,751	3,072,583
Total accrued income and prepaid expenses (D)	**3,664,751**	**3,072,583**
TOTAL ASSETS	**440,984,982**	**421,336,060**

BALANCE SHEET

LIABILITIES	31/12/2015	31/12/2014
A) SHAREHOLDERS' EQUITY		
I - Share Capital	68,492,702	68,492,702
II - Share premium reserve	272,058	272,058
III - Revaluation reserves	0	0
IV - Legal reserve	3,167,244	3,036,611
V - Reserves pursuant to the Articles of Association	0	0
VI - Reserve for treasury shares on hand	0	0
VII - Other reserves, indicated separately		
Capital payments	32,716,499	32,716,499
Merger surplus reserve	1,515,984	1,515,984
Translation and rounding reserve	2	0
Tax amnesty reserve:		
Sundry other reserves	5,315,764	5,315,764
Consolidation reserve	-61,552	197,818
Total other reserves	39,486,697	39,746,065
VIII - Retained earnings/(losses carried forward)	-6,073,630	-8,556,046
IX - Profit (loss) for the year		
Profit (loss) for the year	7,433,438	2,353,677

Residual profit (loss)	7,433,438	2,353,677
Total shareholders' equity	112,778,509	105,345,067
Minority interests		
Third party capital and reserves	3,331,914	3,317,472
Third party profit (loss) for the year	72,295	57,616
Total minority interests	3,404,209	3,375,088
Total consolidated shareholders' equity	**116,182,718**	**108,720,155**
B) PROVISIONS FOR RISKS AND CHARGES		
1) Retirement pay and similar obligations	295,000	215,000
2) Taxes, including deferred taxes	146,464	0
3) Other	35,990,372	25,322,496
Total provisions for risks and charges (B)	**36,431,836**	**25,537,496**
C) EMPLOYEE SEVERANCE INDEMNITY	**31,055,405**	**32,285,284**
D) PAYABLES		
4) Due to banks		
Within the next financial year	7,946,880	636,057
Beyond the next financial year	2,403,919	3,054,935
Total due to banks (4)	10,350,799	3,690,992
7) Trade payables		
Within the next financial year	67,023,153	72,435,581
Beyond the next financial year	1,753,803	1,760,169
Total trade payables (7)	68,776,956	74,195,750
9) Due to subsidiaries		
Within the next financial year	0	1,772,820
Total due to subsidiaries (9)	0	1,772,820
10) Due to associates		
Within the next financial year	268,595	1,308,243
Total due to associates (10)	268,595	1,308,243

11) Due to parent companies		
Within the next financial year	1,577,450	732,173
Total due to parent companies (11)	1,577,450	732,173
12) Tax payables		
Within the next financial year	4,263,974	5,561,852
Total tax payables (12)	4,263,974	5,561,852
13) Due to pension and social security agencies		
Within the next financial year	2,821,966	2,497,661
Total due to pension and social security agencies (13)	2,821,966	2,497,661
14) Other payables		
Within the next financial year	17,141,181	26,530,357
Beyond the next financial year	22,544,514	20,187,418
Total other payables (14)	39,685,695	46,717,775
Total payables (D)	**127,745,435**	**136,477,266**
E) ACCRUED EXPENSES AND DEFERRED INCOME		
Accrued expenses and deferred income	129,569,588	118,315,859
Total accrued expenses and deferred income (E)	**129,569,588**	**118,315,859**
TOTAL LIABILITIES	**440,984,982**	**421,336,060**

MEMORANDUM ACCOUNTS

	31/12/2015	**31/12/2014**
Other memorandum accounts		
Total other memorandum accounts	62,132,760	60,444,011
TOTAL MEMORANDUM ACCOUNTS	**62,132,760**	**60,444,011**

INCOME STATEMENT

	31/12/2015	31/12/2014
A) VALUE OF PRODUCTION		
1) Revenues from sales and services	235,461,949	225,556,066
4) Own work capitalised	266,092	387,247
5) Other revenues and income		
Other	27,394,425	25,596,504
Operating grants	44,587,661	42,892,296
Total other revenues and income (5)	71,982,086	68,488,800
Total value of production (A)	**307,710,127**	**294,432,113**
B) COSTS OF PRODUCTION:		
6) Raw materials, ancillary materials, consumables and merchandise	42,436,727	41,855,024
7) Services	92,699,764	96,679,377
8) Leases and rentals	11,640,914	6,713,320
9) Personnel:		
a) Wages and salaries	86,500,180	87,644,017
b) Social security costs	25,845,328	26,158,336
c) Employee severance indemnity	5,891,366	5,856,765
e) Other costs	827,640	885,378
Total personnel costs (9)	119,064,514	120,544,496
10) Amortisation, depreciation and write-downs:		
a) Amortisation of intangible assets	1,793,741	1,980,495
b) Depreciation of tangible assets	10,998,827	12,089,541
d) Write-downs of current receivables and cash and cash equivalents	1,562,064	2,617,258
Total amortisation, depreciation and write-downs (10)	14,354,632	16,687,294
11) Changes in inventories of raw materials, ancillary materials, consumables and merchandise	-1,722,211	-2,154,783
12) Provisions for risks	7,730,683	5,548,862
13) Other provisions	4,842,413	1,580,000

	31/12/2015	31/12/2014
14) Sundry operating expenses	2,005,545	2,253,328
Total costs of production (B)	**293,052,981**	**289,706,918**
Difference between value and costs of production (A-B)	**14,657,146**	**4,725,195**
C) FINANCIAL INCOME AND CHARGES		
15) Income from equity investments		
Other	878	0
Total income from equity investments (15)	878	0
16) Other financial income:		
a) From non-current receivables		
Other	102,277	188,510
Total financial income from non-current receivables	102,277	188,510
b) From other permanent investments	7,060	0
d) Income other than the above		
Other	262,586	361,775
Total income other than the above (d)	262,586	361,775
Total other financial income (16)	371,923	550,285
17) Interest and other financial charges		
Other	438,333	612,835
Total interest and other financial charges (17)	438,333	612,835
17-bis) Foreign exchange gains and losses	-6	0
Total financial income and charges (C) (15+16-17+-17-bis)	**-65,538**	**-62,550**
D) VALUE ADJUSTMENTS TO FINANCIAL ASSETS:		
Total value adjustment to financial assets (D) (18-19)	**0**	**0**
E) EXTRAORDINARY INCOME AND CHARGES:		
20) Income		
Other	3,977,124	8,438,478
Total income (20)	3,977,124	8,438,478

	31/12/2015	31/12/2014
21) Charges		
Taxes related to prior years	1,263	0
Translation and rounding gains/losses	2	1
Other	933,816	980,754
Total charges (21)	935,081	980,755
Total extraordinary items (E)	**3,042,043**	**7,457,723**
PROFIT (LOSS) BEFORE TAXES (A-B+-C+-D+-E)	**17,633,651**	**12,120,368**
22) Income tax for the year - current, deferred and prepaid		
Current taxes	9,977,196	9,711,207
Prepaid taxes	-4,258	2,132
Deferred taxes	146,464	0
Total income taxes (22)	**10,127,918**	**9,709,075**
23) Profit (loss) for the year	**7,505,733**	**2,411,293**
Third party profit (loss) for the year	**72,295**	**57,616**
Group profit (loss) for the year	**7,433,438**	**2,353,677**

Bologna, 27/05/2016

on behalf of the
Board of Directors

The Chairperson
Giuseppina Gualtieri

Structure and content of the financial statements

The consolidated financial statements as at 31/12/2015, composed of the balance sheet, income statement and explanatory notes, were prepared in compliance with Italian Legislative Decree no. 127/1991, supplemented, in relation to the aspects not specifically set out in the decree, by the Italian GAAP.

The financial statements are also accompanied by the following documents:

- List of companies included in the consolidated financial statements and of equity investments:
  - Companies consolidated on a line-by-line basis (pursuant to art. 26)
  - Other equity investments in subsidiaries and associates
- Statement of reconciliation of the shareholders’ equity and profit/(loss) for the year of the parent company and the shareholders' equity and the consolidated profit/(loss) for the year

Amounts are shown in Euro.

The separate financial statements of the consolidated companies were drawn up by the respective management bodies based on the accounting standards mentioned above.

Most of the balances in the consolidated financial statements relate to the parent company TPER.

For more information on these items, refer to the Explanatory Notes of the TPER separate financial statements.

Derogations

There were no exceptional cases requiring the application of the derogations pursuant to art. 29, paragraphs 4 and 5 of Italian Legislative Decree 127/1991.

Consolidation area - Principles of consolidation and conversion

The consolidated financial statements include the financial statements of TPER S.p.A. and the companies over which it directly exercises control.

The assets and liabilities of the consolidated companies are assumed on a line-by-line basis. The book value of the equity investments held by the parent company and the other consolidated companies is eliminated against the related shareholders' equity. The amount of shareholders' equity that exceeds the purchase cost was credited to the consolidated shareholders' equity, under “Consolidation reserve". The portion of shareholders' equity pertaining to third party shareholders of the consolidated subsidiaries is posted under “Third party capital and reserves" in shareholders' equity, while minority interests in the net profit is shown separately in the consolidated income statement under “Third party profit (loss) for the year".

Payables and receivables and costs and revenues between the consolidated companies were eliminated. Specifically, if significant, the profit and loss deriving from transactions between Group companies which have not yet been realised in relation to third parties were eliminated.

Where necessary, the separate financial statements of the single companies approved by the shareholders' meetings or drawn up by the Boards of Directors for approval were reclassified and adjusted to standardise them with the accounting standards adopted by the Group.

List of consolidated companies

In relation to the provisions of art. 38, paragraph 2, points a) to d) of Italian Legislative Decree 127/1991, the following lists are shown below:

List of equity investments consolidated on a line-by-line basis

Company name	Registered Office	Currency	Share capital	Group’s direct share
OMNIBUS Soc. cons. a r.l.	Via di Saliceto 3, Bologna	EUR	80,000	51.00
TPF Soc. cons. a r.l.	Viale S. Trenti 35, Ferrara	EUR	10,000	97.00
TPB Soc. cons. a r.l.	Via di Saliceto 3, Bologna	EUR	10,000	85.00
MA.FER S.r.l.	Via di Saliceto 3, Bologna	EUR	3,100,000	100.00

DINAZZANO PO S.p.A.	P.zza Guglielmo Marconi 11, Reggio Emilia	EUR	38,705,000	95.35
SST S.r.l.	Viale S. Trenti 35, Ferrara	EUR	110,000	51.00
Holding Emilia Romagna Mobility S.r.l.	Via Di Saliceto 3 Bologna	EUR	10,840,000	84.13

List of equity investments in associates and other companies

Company name	Registered Office	Curren cy	Share capital	Group's direct share
Marconi Express Spa	Via M.E. Lepido 182/2, Bologna	EUR	6,000,000	25.00
Seta Spa	Strada Sant'Anna 210, Modena	EUR	11,997,659	42.71
Start Romagna Spa	Via A. Spinelli 140, Cesena (FC)	EUR	29,000,000	13.79
Consorzio Bolognese Energia Scrl	Viale Aldo Moro 16, Bologna	EUR	193,922	0.18
Consorzio Trasporti Integrato	Via del Lazzaretto 16, Bologna	EUR	10,000	26.00

Valuation criteria

The valuation criteria adopted in drawing up the consolidated financial statements are in line with those used by the parent company, supplemented, where necessary, with the accounting standards used for specific items of the consolidated financial statements.

Individual items are valued according to prudence and with a view to the company as a going concern, and taking account of the economic function of the asset and liability elements, based on the principle of the prevalence of substance over form.

Specifically, the following valuation criteria were adopted.

Intangible assets

Intangible assets are posted at purchase or production cost, including any ancillary charges, and amortised systematically in relation to the residual possibility of use.

Tangible assets

Tangible assets are posted at purchase or production cost, net of accumulated depreciation, including all directly attributable ancillary costs and charges.

The cost of fixed assets whose use is limited over time is systematically depreciated each year, based on the economic-technical rates determined in relation to the residual possibility of use.

Assets in progress and payments on account to suppliers are posted under assets based on the cost incurred and/or the advance payment made, including directly attributable expenses.

Financial fixed assets

Equity investments in associates are valued at the cost incurred, possibly adjusted in the event of impairment.

Receivables posted under financial fixed assets are shown at nominal value.

Inventories

Inventories, composed of consumables, are valued according to the LIFO method.

Receivables

Receivables are posted at their expected realisable value through allocations to bad debt provisions, posted as a direct deduction from assets and determined in relation to the risk of loss resulting from the specific analysis of individual positions and the historical performance of losses on receivables, as well as country risk.

Cash and cash equivalents

Cash and cash equivalents at the end of the year are valued at nominal value.

Accruals and deferrals

Accrued income and prepaid expenses and accrued expenses and deferred income are posted on an accruals basis, applying the principle of correlation of costs and revenues to the year in which they occur.

Provisions for risks and charges

Provisions for risks and charges are allocated to cover losses or payables that will definitively or probably arise, but that, as at the end of the year, could not be determined, either in terms of amount or date of occurrence. The provisions reflect the best possible estimate based on the information available.

Employee severance indemnity

This reflects the payable, subject to revaluation using specific indices and net of any advances paid, accrued to all employees of the Group at year-end, in line with the rules of law and labour agreements in force.

Payables

Payables posted under balance sheet liabilities are shown at their nominal value, which is deemed representative of their redemption value.

Commitments, guarantees and risks

Commitments and guarantees are shown in the memorandum accounts at their contractual value.

For risks for which it is certain or probably that a liability will arise, allocations have been made to specific provisions.

Risks that may only possibly give rise to a liability have been described in the explanatory notes without allocation an amount to risk provisions.

Income taxes for the year

Current income taxes are posted, for each company, based on an estimate of the taxable income in compliance with the tax rates and regulations in force at the reporting date in each country, taking account of the applicable exemptions and any tax credits due.

Prepaid and deferred taxes are calculated on the temporary differences between the value attributed to the assets and liabilities in the financial statements and the corresponding values for tax purposes, based on the tax rates in force at the time those temporary differences will be reversed. Prepaid taxes are posted only if there is a reasonable certainty that they will be recovered in the future.

Information on the balance sheet

Intangible assets

Intangible assets, equal to EUR 27,942,251, are recognised at historical purchase cost and posted net of amortisation over the years, attributed directly to the single items. Start-up and expansion costs were recognised under assets with the approval of the Board of Statutory Auditors.

The amortisation criteria were as follows:

- Standardised system software and personalised application software are shown under “concessions, licences and trademarks”, with amortisation on a straight-line basis over three years;
- Other intangible assets, railway software, start-up costs and research and development are amortised on a straight-line basis over five years;
- the concession for the use of the Dinazzano terminal is amortised at a rate of 2.05%;
- the concession for the use of the Guastalla terminal is amortised at a rate of 4.25%;

long-term expenses on third party assets are amortised in relation to the duration of the lease agreement.

The breakdown and movements in the single items are shown below:

Description	Opening value	Amortisation	Accum. amort. for current year	Net closing value
Start-up and expansion costs	144,472	54,636	121,038	89,837
Research, development and advertising costs	17,400	8,700	34,800	8,700
Industrial patents and intellectual property rights	5,850	3,597	16,052	20,246
Concessions, licenses, trademarks and similar rights	19,522,204	8,897	1,486,836	19,031,115
Assets in progress and payments on	585,939	0	0	943,848

account				
Other	7,765,516	1,717,911	1,655,532	7,848,505
Total	**28,041,381**	**1,793,741**	**3,330,785**	**27,942,251**

The item “Start-up and expansion costs” derives from the capitalisation of charges regarding the phases of start-up and development of activities carried out by the parent company for EUR 74,001 and the subsidiary Dinazzano Po for EUR 15,835. The item “Research, development and advertising costs” are fully due to the capitalisation of costs incurred by the subsidiary Dinazzano Po for the assessment of the application process of Regulation 352/2009/EC for the introduction of a freight transport service with hauled mass exceeding 1,600 tonnes.

The item “Concessions, licenses, trademarks and similar rights” includes the concession of the Dinazzano plant, state assets managed by the Reggio Emilia Provincial Authorities pursuant to Law 422/2000, now available to the company Dinazzano Po as a result of its assignment by the Emilia Romagna Regional Authorities to ACT, transferred as a result of the ATC – FER/TPER demerger/merger, and subsequently contributed to Dinazzano Po. That concession is posted under balance sheet assets for EUR 20,089,600 and is amortised in equal instalments (2.05%) based on the expected duration of the concession.

The item “Assets in progress and payments on account” includes the CIVIS building lease for EUR 81,350 and the costs for purchasing and developing the Telemaco software to manage tickets and the SAP ERP software, as well as a payment on account for the purchase of a Vossloh locomotive by Dinazzano Po for EUR 610,000.

The item “Other intangible assets", which includes amounts that cannot be classified in the above items, amounted to EUR 7,848,505, and breaks down as follows:

Description	Opening balance	Closing balance	Change
FORMATION COSTS	566,058	321,623	-244,435
LONG-TERM COSTS ON THIRD-PARTY ASSETS	321,446	933,818	612,372
MAINTENANCE OF THIRD-PARTY BUILD.	105,225	189,943	84,718

MAINTENANCE OF THIRD-PARTY TERMINALS	6,196,518	6,061,691	-134,827
OTHER	576,269	341,430	-234,839
Total	**7,765,516**	**7,848,505**	**82,989**

Tangible assets

Tangible assets amounted to EUR 215,225,391 and are posted at purchase costs, adjusted by the corresponding accumulated depreciation. The book value in the financial statements takes account of the transaction costs and costs incurred to use the fixed assets. The depreciation charges posted to the income statement were calculated according to the residual possibility of use and, specifically, the use, purpose and economic-technical duration of the assets. The depreciation rates representing the residual possibility of use are as follows:

	Rate		Rate
Land	-	School buses	20%
Fixed artworks	4%	Buses	10%
Buildings used in operations	2.57%	Trolleybuses	7.5%
Buildings used to provide services	4%	Automobiles	25%
Buildings - enhanc. maintenance	4%	Sundry vehicles	25%
Buildings	4%	Trams	10%
Plants	10%	Rail cars	10%
Plants - enhanc. maintenance	10%	Locomotives - coaches	3.50%
Electrical plants	5%	E483 Locomotives	3.75%
Light buildings - enhanc. maintenance	10%	Vans	30%
Light buildings	10%	Lifts	20%
Railway equipment	10%	Large containers	15%
Substation machinery and equipment	11.5%	Technical instruments	20%
Workshop machinery and equipment	20%	Ticket validation machines	20%
Ordinary machinery	12%	Telephone systems	20%

Office furniture	12%	Electrical-mechanical machinery	20%
Snack bar equipment	12%	Mobile telephone systems	20%
Light workshop equipment	12%	Lighting systems	20%
Trolleybus overhead line	5%	Lighting poles	20%
Overhead line - enhanc. maintenance	5%	Current feeder and ret. cables	11.5%
Light constructions	5%	Mobile telephone equipment	10%

The breakdown and movements in the single items are shown below:

Description	Opening value	Depreciation	Accum. depr. for current year	Net closing value
Land and buildings	3,391,816	1,388,466	1,191,204	3,331,029
Plant and machinery	8,866,375	978,904	7,677,058	7,646,397
Industrial and commercial equipment	2,097,466	1,806,751	22,977,972	1,986,319
Other assets	34,312,461	6,824,706	233,054,933	51,551,408
Assets in progress and payments on account	134,245,050	0	0	150,710,238
Total	**182,913,168**	**10,998,827**	**264,901,167**	**215,225,391**

The item "Assets in progress and payments on account" mainly includes the costs relating to the Guided Transport System (GTS)" for EUR 130,720,462 and relating to the Metropolitan Railway Service (MRS) for EUR 18,181,057.

Financial fixed assets - Equity investments

Equity investments in other companies are measured at costs and adjusted using a specific provision for impairment according to the prudential criteria adopted by TPER.

The breakdown in the single items is shown below:

Description	Previous year historical cost	Previous year revaluations	Previous year write-downs	Opening value
Equity investments in subsidiaries	10,000	0	0	10,000
Equity investments in associates	12,892,500	0	0	12,892,500
Equity investments other companies	4,006,350	-2,500,000	700,000	806,350
Total	**16,908,850**	**-2,500,000**	**700,000**	**13,708,850**

Description	Purchases/Subscriptions	Total disposals	Total to other items	Total from other items
Equity investments in subsidiaries	0	10,000	0	0
Equity investments in associates	2,600	0	0	0
Equity investments other	0	0	0	0

companies				
Total	**2,600**	**10,000**	**0**	**0**

Description	Write-downs/ Write-backs	Revaluations	Current year revaluations	Current year write-downs	Net closing value
Equity investments in subsidiaries	0	0	0	0	0
Equity investments in associates	0	0	0	0	12,895,100
Equity investments other companies	0	0	-2,500,000	700,000	806,350
Total	**0**	**0**	**-2,500,000**	**700,000**	**13,701,450**

Financial fixed assets - Receivables

The receivables included in financial fixed assets amounted to EUR 8,319,916 and are measured at their expected realisable value.

Description	Opening nominal amount	Opening bad debt provision	Net opening value
Due from parent companies within the next financial year	7,122,191	0	7,122,191
Due from others within the next financial year	4,687,740	0	4,687,740
Due from others beyond the next financial year	1,475,102	0	1,475,102
Total	**13,285,033**	**0**	**13,285,033**

Description	Closing nominal amount	Closing bad debt provision	Net closing value
Due from parent companies within the next financial year	5,246,905	0	5,246,905
Due from others within the next financial year	235,062	0	235,062
Due from others beyond the next financial year	2,837,949	0	2,837,949
Total	**8,319,916**	**0**	**8,319,916**

Description	Allocations to bad debt provision	Use of the bad debt provision	(Write-downs)/ Write-backs	Reclassified from/(to) other items	Other increases/(decreases)
Due from parent companies within the next financial year	0	0	0	0	-1,875,286
Due from others within the next financial year	0	0	0	0	-4,452,678
Due from others beyond the next financial year	0	0	0	0	1,362,847
Total	**0**	**0**	**0**	**0**	**-4,965,117**

Financial fixed assets - Other securities

Description	Opening balance	Closing balance	Change
Other securities	3,750,136	3,852,413	102,277
Total	**3,750,136**	**3,852,413**	**102,277**

The amount includes single premium capitalisation contracts of EUR 3,000,000 acquired in 2011 and of EUR 400,000 acquired in 2012, with interest accrued at the reporting date.

Current assets - Inventories

Inventories are measured at the lower of the purchase cost (art. 2426, no. 10 of the Italian Civil Code), determined using the LIFO criterion on an annual basis, and the realisable value taken from the market trend. The amount of inventories is adjusted by the allocation of provisions for inventory obsolescence.

Description	Opening balance	Closing balance	Change
Raw materials, ancillary materials and consumables	23,489,933	25,212,144	1,722,211
Total	**23,489,933**	**25,212,144**	**1,722,211**

Current assets - Receivables

Receivables included in current assets amounted to EUR 95,419,438.

The breakdown in the single items is shown below, divided by expiry, pursuant to art. 38, paragraph 1, letter 3) of Legislative Decree no. 127/1991:

Breakdown of receivables under current assets:

Description	Nominal value	Bad debt provision	Net value
Due from customers - within the next financial year	61,322,700	1,426,204	59,896,496
Due from associates - within the next financial year	14,705,248	0	14,705,248
Due from parent companies - within the next financial year	3,557,482	0	3,557,482
Tax credits - within the next financial year	4,930,390	0	4,930,390
Tax credits - beyond the next financial year	35,213	0	35,213
Prepaid taxes - within the next financial year	6,625	0	6,625
Prepaid taxes - beyond the next financial year	7,946	0	7,946
Due from others - within the next financial year	10,467,687	0	10,467,687
Due from others - beyond the next financial year	1,812,351	0	1,812,351
Total	**96,845,642**	**1,426,204**	**95,419,438**

Receivables due from parent companies refer to TPER Spa shareholders. There are no receivables expiring beyond 5 years.

Current assets - Cash and cash equivalents

Cash and cash equivalents included under current assets amounted to EUR 47,247,228.

The breakdown in the single items is shown below:

Description	Opening balance	Closing balance	Change
Bank and postal deposits	57,080,376	47,232,943	-9,847,433
Cash and cash	16,646	14,285	-2,361

equivalents on hand			
Total	**57,097,022**	**47,247,228**	**-9,849,794**

Accrued income and prepaid expenses

Accrued income and prepaid expenses amounted to EUR 3,664,751.

The breakdown in the single items is shown below:

Accrued income and prepaid expenses:

Description	Opening balance	Closing balance	Change
Accrued income	2,435	11,912	9,477
Prepaid expenses	3,070,148	3,652,839	582,691
Total	**3,072,583**	**3,664,751**	**592,168**

Breakdown of accrued income:

Description	Amount
Interest income	11,912
Total	**11,912**

Breakdown of prepaid expenses:

Description	Amount
Rental for Dinazzano terminal	453,695
Cofinancing of locomotives	129,445
Leases	313,965
Hiring	32,893
Insurance	2,572,920
Sureties	968
Utilities	47
Car hire	3,643
Rolling stock maintenance fee	15,368
Sundry	129,895
Total	**3,652,839**

Financial charges posted to balance sheet items

All financial charges were posted to income statement items.

Shareholders' equity

The shareholders' equity as at the reporting date came to EUR 112,778,509.

Description	Share capital	Legal reserve	Share premium reserve	Revaluation reserves	Reserves pursuant to the Articles of Association
At the start of the previous year	68,492,702	3,024,254	272,058	0	0
Allocation of profit for the year					
- Other allocations	0	0	0	0	0
Other changes:					
Other	0	12,357	0	0	0
Profit (loss) for the previous year	0	0	0	0	0
At the end of the previous year	68,492,702	3,036,611	272,058	0	0
Allocation of profit for the year:					
- Other allocations	0	0	0	0	0
Other changes:					
Other	0	130,633	0	0	0
Profit (loss) for the current year	0	0	0	0	0
At the end of the current year	68,492,702	3,167,244	272,058	0	0

Description	Reserve for treasury shares on hand	Other reserves	Retained earnings/(losses carried forward)	Profit (loss) for the year	Total
At the start of the previous year	0	39,858,541	-8,744,863	58,277	102,960,969
Allocation of					

profit for the year					
- Other allocations	0	0	188,817	-58,277	130,540
Other changes:					
Other	0	-112,476	0	0	-100,119
Profit (loss) for the previous year	0	0	0	2,353,677	2,353,677
At the end of the previous year	0	39,746,065	-8,556,046	2,353,677	105,345,067
Allocation of profit for the year:					
- Other allocations	0	0	2,482,416	-2,353,677	128,739
Other changes:					
Other	0	-259,368	0	0	-128,735
Profit (loss) for the current year	0	0	0	7,433,438	7,433,438
At the end of the current year	0	39,486,697	-6,073,630	7,433,438	112,778,509

Other reserves

The breakdown of other reserves is as follows:

Description	Opening balance	Use to cover losses	Other changes	Closing balance in the financial statements
Capital payments	32,716,499	0	0	32,716,499
Merger surplus reserve	1,515,984	0	0	1,515,984
Translation and rounding reserve	0	0	2	2
Sundry other reserves	5,315,764	0	0	5,315,764
Consolidation reserve	197,818	0	-259,370	-61,552
Total	**39,746,065**	**0**	**-259,368**	**39,486,697**

The consolidation reserve is the negative difference from the replacement of the book value of equity investments of the parent company in the consolidated companies with the corresponding net capital at the time of purchase.

In netting the equity investment in Herm, the positive consolidation difference was fully offset with the consolidation reserve, as the value of accumulated losses of the parent company, pertaining to the Group, was posted to the income statement in previous years.

Statement summarising the availability of reserves

The information required by art. 2427, point 7-*bis* of the Italian Civil Code regarding the specification of the items of shareholders' equity with regard to their origin, possibility of use and availability, as well as their use in the previous years is shown in the following tables:

Description	Closing Balance	Possibility of use (A=increase, B=loss coverage, C=distribution to shareholders)	Available portion	Use in the previous three financial years: Loss coverage	Use in the previous three financial years: Other
Share Capital	68,492,702			0	0
Share premium reserve	272,058	A, B, C	272,058	0	0
Legal reserve	3,167,244	B		0	0
Other reserves	39,486,697	A, B, C	39,746,065	0	0
Retained earnings/(losses carried forward)	-6,073,630	A, B, C	-6,073,630	0	0
Total	105,345,071		33,944,493		
of which available for distribution			33,944,493		

Provisions for risks and charges

Provisions for risks and charges are posted under liabilities for a total of EUR 36,431,836.

The breakdown in the single items is shown below:

Description	Opening balance	Closing balance	Change
Retirement pay and similar obligations	215,000	295,000	80,000
Taxes, including deferred taxes	0	146,464	146,464
Other	25,322,496	35,990,372	10,667,876
Total	**25,537,496**	**36,431,836**	**10,894,340**

Employee severance indemnity

Employee severance indemnity is posted under liabilities for a total of EUR 31,055,405.

Description	Opening balance	Closing balance	Change
Employee severance indemnity	32,285,284	31,055,405	-1,229,879
Total	**32,285,284**	**31,055,405**	**-1,229,879**

Payables

Payables are posted under liabilities for a total of EUR 127,745,435.

The breakdown in the single items is shown below:

Description	Opening balance	Closing balance	Change
Due to banks	3,690,992	10,350,799	6,659,807
Trade payables	74,195,750	68,776,956	-5,418,794
Due to subsidiaries	1,772,820	0	-1,772,820
Due to associates	1,308,243	268,595	-1,039,648
Due to parent companies	732,173	1,577,450	845,277
Tax payables	5,561,852	4,263,974	-1,297,878
Due to pension and social security agencies	2,497,661	2,821,966	324,305

Other payables	46,717,775	39,685,695	-7,032,080
Total	**136,477,266**	**127,745,435**	**-8,731,831**

Payables due to parent companies relate to the shareholders of TPER SpA.

Payables - Breakdown by expiry

The data relating to the breakdown of payables by expiry is shown below, pursuant to art. 38, paragraph 1, letter e) of Legislative Decree no. 127/1991:

Description	Within 12 months	Beyond 12 months	Beyond 5 years	Total
Due to banks	7,946,880	2,403,919	0	10,350,799
Trade payables	67,023,153	1,753,803	0	68,776,956
Due to associates	268,595	0	0	268,595
Due to parent companies	1,577,450	0	0	1,577,450
Tax payables	4,263,974	0	0	4,263,974
Due to pension and social security agencies	2,821,966	0	0	2,821,966
Other payables	17,141,181	22,544,514	0	39,685,695
Total	**101,043,199**	**26,702,236**	**0**	**127,745,435**

Payables backed by collateral on company assets

The payables due to banks for mortgages payable which were transferred from FER to TPER as a result of the demerger and merger and subsequently contributed to Dinazzano Po amounted to a total of EUR 3,054,935 and are shown in the financial statements of the consolidating company. These were backed by deeds of responsibility.

Accrued expenses and deferred income

Accrued expenses and deferred income are posted under liabilities for a total of EUR 129,569,588.

The breakdown in the single items is shown below:

Accrued expenses and deferred income:

Description	Opening balance	Closing balance	Change
Accrued expenses	4,139	8,234	4,095
Deferred income	118,311,720	129,561,354	11,249,634
Total	**118,315,859**	**129,569,588**	**11,253,729**

Breakdown of accrued expenses:

Description	Amount
Maintenance	5,316
Accrued expenses pertaining to employees	1,992
Bank fees	453
Sundry	473
Total	**8,234**

Breakdown of deferred income:

Description	Amount
Grants for investment in the GTS	96,328,736
Grants for other investments	14,505,668
Contributions	2,314,647
Tickets	9,734,680
Interest income	26,541
Grants for investment in the MRS	5,000,000
Rented assets	1,648,112
Rental instalments	2,935
Sundry	35
Total	**129,561,354**

Memorandum accounts: guarantees, commitments and risks

Memorandum accounts include reminder items relating to risks, commitments and guarantees, excluding those that are intercompany.

At the reporting date, the following commitments were in place:

Description	2014	2015	Change
Provision for supply of spare parts	11,583,810	11,583,810	0
Sureties from third parties for works	369,850	649,466	279,616
Sureties given	87,680	2,371,218	2,283,538
FER inventory - new supplies of equipment	0	1,051,465	1,051,465
Loan agreement (CDP)	251,395	251,395	0
Bus free loan	0	1,846,276	1,846,276
Residual lease rentals	0	451,754	451,754
Parent Company (TPER) memorandum accounts	48,151,275	43,927,376	-4,223,899
Total	**60,444,011**	**62,132,760**	**1,688,749**

Information on the income statement

Revenues from sales and services

Revenues from sales and services amounted to a total of EUR 235,461,949.

With regard to the provisions of art. 38, paragraph 1, point i) of Italian Legislative Decree no. 127/1991, it is noted that all relevant services were provided in Italy.

Other revenues and income

Other revenues and income are posted under the value of production on the income statement for a total of EUR 71,982,086.

The breakdown in the single items is as follows:

Description	Previous Period	Current Period	Change
Other	21,341,142	23,568,929	2,227,787
Capital payments (shares)	4,255,362	3,825,496	-429,866
Operating grants	42,892,296	44,587,661	1,695,365
Total	**68,488,800**	**71,982,086**	**3,493,286**

Costs of production

The costs of production on the consolidated income statement amounted to a total of EUR 293,052,981.

The breakdown in the single items is as follows:

Description	Previous Period	Current Period	Change
Costs for services	96,679,377	92,699,764	-3,979,613
Raw materials, ancillary materials, consumables and merchandise	41,855,024	42,436,727	581,703
Leases and rentals	6,713,320	11,640,914	4,927,594
Personnel	120,544,496	119,064,514	-1,479,982
Amortisation, depreciation and write-downs	16,687,294	14,354,632	-2,332,662
Changes in inventory	-2,154,783	-1,722,211	432,572
Provisions for risks	5,548,862	7,730,683	2,181,821
Other provisions	1,580,000	4,842,413	3,262,413
Sundry operating expenses	2,253,328	2,005,545	-247,783
Total	**289,706,918**	**293,052,981**	**3,346,063**

Financial income and charges

Total financial income and charges shows a negative balance of EUR -65,538.

In relation to the provisions of art. 38, paragraph 1, letter l) of Italian Legislative Decree 127/1991, the items are broken down in the following table:

“Other financial income” of EUR 371,923

Description	2014	2015
From non-current receivables	188,510	102,277
Income other than the above	361,775	262,586
Total	550,285	371,923

The most significant items comprising Income other than the above are mainly attributable to bank interest income of the parent company TPER SpA (EUR 202,630.86)

“Interest and other financial charges” for EUR 438,333

Description	2014	2015
Interest expense on mortgages	209,138	93,636
Taxes	23,022	1,170
Other financial charges	158,303	165,388
Charges on Interest Rate Swaps (IRS)	218,212	31,641
Other interest expense	4,160	146,498
Total	**612,835**	**438,333**

Interest expense on mortgages refer to a mortgage entered into by the Municipality of Bologna, disbursed to obtain a loan, partly in favour of TPER, for the mobility programme, with financial charges borne by TPER for EUR 124,863 and mortgages disbursed by the Ministry (then contributed to Dinazzano PO on 27 June 2012) to purchase locomotives for EUR 84,276.

Value adjustments to financial assets

For 2015 there were no value adjustments to financial assets.

Extraordinary income and charges

In relation to the provisions of art. 38, paragraph 1, letter m) of Italian Legislative Decree 127/1991, it is specified that in the consolidated financial statements as at 31 December 2015, extraordinary income and charges showed a positive balance of EUR 3,042,043, broken down as follows:

Description	Previous Period	Current Period	Change
Other extraordinary income	8,438,478	3,977,124	-4,461,354
Total	**8,438,478**	**3,977,124**	**-4,461,354**

As regards the breakdown of extraordinary income, as this item mainly refers to items reported in the financial statements of the parent company TPER (EUR 3,975,728.96), please refer to that set out in the Explanatory Notes to the TPER financial statements.

Description	Previous Period	Current Period	Change
Taxes related to prior years	0	1,263	1,263
Translation and rounding gains/losses	1	2	1
Other extraordinary charges	980,754	933,816	-46,938
Total	**980,755**	**935,081**	**-45,674**

As indicated for extraordinary income, as the posts relating to extraordinary charges are also mainly attributable to the parent company TPER (EUR 760,370.91), for the breakdown please refer to the TPER Explanatory Notes.

Income taxes

The breakdown in the single items is shown below:

Description	Current taxes	Deferred taxes	Prepaid taxes	Income (Charges) from tax transparency
IRES (Corporate Tax)	8,613,520	146,464	-4,258	0
IRAP (Regional Tax)	1,363,676	0	0	0
Total	**9,977,196**	**146,464**	**-4,258**	**0**

Other information

Statement of reconciliation of the shareholders' equity and profit/(loss) for the year of the parent company and the consolidated shareholders' equity and consolidated profit/(loss) for the year

Description	Shareholders' equity	of which: profit (loss) for the year
Balances as per the parent company's separate financial statements	105,361,685	0
Profit (loss) for the year	-7,368,465	-7,368,465
Balances as per the parent company's adjusted separate financial statements	112,730,150	7,368,465
Effect of measuring equity investments on a line-by-line basis		
- Elimination of the book value of investees	-49,573,487	
- Shareholders' equity of investees	47,411,153	
- Profit (loss) for the year of the investees	122,562	122,562
- Elimination of profit of SST for the previous year	-44,936	0
	-2,084,708	122,562
Other adjustments	2,133,067	-57,588
Total adjustments	48,359	64,974
Group shareholders' equity and profit (loss) for the year	112,778,509	7,433,439
Third party shareholders' equity and profit (loss) for the year	3,404,209	72,295
Consolidated shareholders' equity and profit (loss) for the year	116,182,718	7,505,734

Breakdown of personnel

The information concerning personnel is shown below, pursuant to art. 38, paragraph 1, letter n) of Italian Legislative Decree 127/1991:

	TPER	DINAZZAN	MAFER	SST	OMNIBUS	TOTAL

		O				
Executives	12	0	1	0	0	13
Middle managers	47	0	3	0	0	50
Office staff	300	12	13	5	2	332
Workers	2,146	75	81	60	0	2,362
Apprentices	2	0	0	0	0	2
Freelance workers	1	5	1	0	0	7
TOTAL	2,508	92	99	65	2	2,766

Remuneration of directors and statutory auditors of the parent company

The information concerning remuneration to directors and statutory auditors of the parent company for carrying out those functions also in other consolidated companies is shown below, pursuant to art. 38, paragraph 1, letter o) of Italian Legislative Decree 127/1991:

Description	Previous Period	Current Period
Directors' Remuneration	185,000	131,250
Statutory Auditors' Remuneration	149,865	156,388
Independent Auditors' Remuneration	50,000	50,000

Pursuant to art. 38, paragraph 1, letter o-*septies*) of Italian Legislative Decree 127/1991 it is noted that the fees for auditing the consolidated accounts are included in the amount set out for the auditing of the parent company TPER.

Transactions with related parties

Pursuant to art. 38, paragraph 1, point o-*quinquies*) of Italian Legislative Decree no. 127/1991, it is specified that the transactions in question were usually carried out at conditions equivalent to those applied to transactions with independent third parties. The transactions were carried out based on the assessments of reciprocal economic advantages, and conditions to be applied were defined in compliance with fairness. In relation to the remuneration paid to members of the Board of Directors and the Board of Statutory Auditors, please refer to that set out in the specific section.

Agreements not reported on the balance sheet

Pursuant to art. 38, paragraph 1, point o-*sexies*) of Italian Legislative Decree no. 127/1991, it is specified that there are no agreements not reported on the balance sheet.

Bologna, 27/05/2016 on behalf of the Board of Directors

The Chairperson
Giuseppina Gualtieri

TPER S.p.A.

Headquarters in Bologna - Via di Saliceto 3

Share capital EUR 68,492,702.00, fully paid-in

Enrolled in the Register of Companies and Tax Code 031821612202

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REPORT OF THE BOARD OF STATUTORY AUDITORS

TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2015

* * * * *

(drawn up pursuant to art. 2429 of the Italian Civil Code)

Dear Shareholders,

The separate financial statements and the consolidated financial statements pursuant to law, for the year ended as at 31 December 2015, submitted by your Board of Directors, are comprised of the Balance Sheet, the Income Statement and the Explanatory Notes, as well as the Report on Operations drawn up in compliance with the regulations set out in art. 2423 *et seq.* of the Italian Civil Code as well as articles 2427 and 2428 of the Italian Civil Code, for the separate financial statements, subject to your approval, and Italian Legislative Decree 127/91 for the Group consolidated financial statements.

Both sets of financial statements contain the information required by regulations in force, in order to provide a true and correct view of the balance sheet, cash flow and income statement of the company.

The Explanatory Notes and the tables therein facilitate the reading of the numeric data in the balance sheet and income statement, both in the separate financial statements and in the consolidated financial statements, while the comparison with the data from the 2014 separate financial statements makes it possible to analyse the performance of operations over time.

We verified compliance with the rules of law regarding the preparation of the Report on Operations, also with reference to the supplementary information required by art. 2428 of the Italian Civil Code for the separate financial statements, while this is not drawn up for the consolidated financial statements, as the parent company's business is the main activity within the Group.

This report was approved by the Board and in time for its filing at the company's registered office, within the 15 days prior to the date of first call (scheduled for 28 June 2016) of the Shareholders' Meeting to approve the separate financial statements. The Management Body provided the related documents approved on 27 May 2016, regarding the separate financial statements for the year ended as at 31 December 2015, in compliance with the terms set out in art. 2429 of the Italian Civil Code.

The layout of this report is substantially similar to that used for the previous year, and was also based on the provisions of law and Rule no. 7.1. concerning the "Rules of Conduct of the Board of Statutory Auditors - Principles of Conduct for the Board of Statutory Auditors of Unlisted Companies", issued by the Italian National Council of Certified Accountants and Accounting Experts (CNDCEC) and in force since 30 September 2015.

Firstly, it is important to note that this Board - newly elected by the Shareholders' Meeting of 31 July 2015 - on that date took on the duty of supervision and control according to the current form of the Board, while the independent auditors are assigned to audit the financial statements, and issued their report pursuant to art. 14 of Italian Legislative Decree 39/2010 on 9 June 2016, for both the separate financial statements and the consolidated financial statements.

The functions of Supervisory Body pursuant to Italian Legislative Decree 231/2001 are assigned to another, separate company board.

General premise: knowledge of the company, risk assessment and report on the assignments granted

Given the now consolidated knowledge that the Board of Statutory Auditors states that it has in relation to the company, regarding:

i) the type of business conducted;

ii) its organisational and accounting structure;

also taking account of the size and problems of the company, it is reiterated that the "planning" phase of the supervisory actions - in which the inherent risks and critical issues pertaining to the two factors mentioned above must be assessed - was implemented through positive feedback on the knowledge already obtained based on the information acquired over the years.

Thus, it was possible to confirm that:

- the typical business conducted by the company did not change over the year in question, and is consistent with the company purpose;
- the organisational structure (which was changed during 2016 through the adoption of a new company organisational chart), as well as the IT structures remained substantially unchanged, while the governance structure changed compared to the previous year, with the entry of the new Management Body on 31 July 2016;
- human resources dedicated to company business were practically unchanged (considering the average figure), decreasing from 2,438 as at 31 December 2014 to 2,437 as at 31 December 2015, and the majority of employees have unlimited-term contracts;
- that stated above is indirectly confirmed by comparing the results of the values shown in the income statement for the last 2 years, i.e. the year in question (2015) and the previous year (2014). It is also possible to note that the company operated in 2015 in terms substantially comparable with the previous year. As a result, our controls were carried out on those bases, having verified the substantial comparability of the values and results with those of the previous year.

This report thus summarises the activity concerning the disclosure required by art. 2429, paragraph 2 of the Italian Civil Code and, more specifically:

- on the work carried out in fulfilling legally-required duties;

- on the results of the financial year;
- on the observations and recommendations regarding the financial statements, with specific reference to the possible use by the Management Body of the derogation pursuant to art. 2423, paragraph 4 of the Italian Civil Code;
- on the possible receipt of claims by shareholders pursuant to art. 2408 of the Italian Civil Code.

In any event, we are at your full disposal for more information on any and all aspects during the discussion at the shareholders' meeting.

Supervisory work carried out

This Board of Statutory Auditors thus verified compliance with the law and the memorandum of association and compliance with the principles of correct administration.

The work carried out by the Board regarded the timeframe of the entire year. During the year meetings were regularly held pursuant to art. 2404 of the Italian Civil Code, and specific minutes were drawn up for such meetings, duly signed by way of unanimous approval.

During the periodic checks, the Board was informed of the evolution of the business conducted by the company, placing particular focus on contingent and/or extraordinary problems in order to identify their economic and financial impact on the profit (loss) for the year and the equity structure, as well as any risks, such as those deriving from losses on receivables, which are constantly monitored. The necessary, due meetings with the independent auditors appointed, the Internal Audit Department and the Supervisory Body were periodically held, including extraordinary meetings when needed, as well as with the professionals that assist the company in the area of accounting, tax, corporate and legal consultancy and assistance, both technical and specific: these meetings had positive results, with useful exchanges of information.

Relations with the persons operating in said structure - directors, employees, the entire structure and Internal Audit, as well as external consultants - are based on reciprocal cooperation in respect of the roles assigned to each person, having clarified that of the Board of Statutory Auditors.

Thus, the Board periodically assessed the adequacy of the organisational and functional structure of the company and any changes thereto in relation to the minimum requirements resulting from the performance of operations.

The Board of Statutory Auditors then monitored the internal control system of the Company, interacting and coordinating with the head of the Internal Audit Department, the Managing Director and the Supervisory Body.

For the entire year, the Board found that:

- office staff, including internal administrative staff charged with recording company events, totalled 300 people as at 31 December 2015 (increased by 21 on the previous year);
- the level of the staff's technical expertise remains adequate to the type of ordinary company events to be recorded, and the staff has sufficient knowledge of company problems;
- the external consultants and professionals assigned to provide accounting, tax, corporate and labour law assistance did not change. Therefore, they have long-term knowledge of the business conducted and operating problems, including extraordinary problems, which influenced the financial statement results.

Given the management organisational chart and the information required by art. 2381, paragraph 5 of the Italian Civil Code, the necessary information acquired from the Management Body on the general performance of operations and on the business outlook was provided, even more frequently than the minimum set frequency of 6 months. That is, during planned meetings and on individual access by members of the Board of Statutory Auditors at the company headquarters, as well as through telephone and IT contacts/information flows with members of the Board of Directors: as a result of all of the above, the executive directors complied with the requirements set on them by said regulations, both in substance and in form.

In the period from the start of 2015 (when the Board was in its previous composition) to 31 December 2015 (in its current composition), the Board of Statutory Auditors participated in 4 Shareholders' Meetings and 23 Board of Directors' meetings. The Board of Statutory Auditors also met 11 times, to carry out its individual activities, and the attendance at and importance of these meetings was recorded in specific minutes, duly signed.

In conclusion, as far as it was possible to verify during the activity carried out in the year, the Board of Statutory Auditors can affirm that:

- the decisions taken by shareholders and the Management Body complied with the law and the articles of association and were not clearly imprudent or such that would definitively compromise the integrity of the company assets;
- sufficient information was acquired relating to the general performance of operations and the business outlook, as well as on the most relevant transactions, in terms of size and characteristics, carried out by the company;
- the operations implemented also complied with the law and the articles of association and were not in potential conflict with the resolutions passed by the Shareholders' Meeting or such that would compromise the integrity of the company assets;
- no specific observations are made regarding the adequacy of the company's organisational structure or regarding the adequacy of the administrative and accounting system, or on the reliability of the latter in correctly representing operational events;
- in carrying out the supervisory activities, as described above, no additional significant events emerged which should be mentioned in this report;
- no action was required to be taken for omissions by the Management Body pursuant to art. 2406 of the Italian Civil Code;
- no claims were received pursuant to art. 2408 of the Italian Civil Code;
- no claims were received pursuant to art. 2409, paragraph 7 of the Italian Civil Code;
- during the year, the Board issued its opinions if and when requested, in compliance with the law;
- pursuant to paragraph 5 of art. 31 of Law Decree 66/2014 - converted into Law no. 89/2014 - the Board may thus confirm that there were no communications to the Shareholder Local Administrations for payments made to settle liquid, enforceable debts, for the purpose of subsequent transmission of the certification as per art. 1, paragraph 14 of Law Decree 35/2013, or for debts still outstanding, as the prerequisites were not met.

Communication of the figures in the separate financial statements as at 31.12.2015

In brief, the separate financial statements, made available to the Board of Statutory Auditors within the terms set out in art. 2429, paragraph 1 of the Italian Civil Code, reported the following figures:

BALANCE SHEET

ASSETS		
Fixed assets	EUR	280,142,555
Current assets	EUR	142,402,191
Accrued income and prepaid expenses	EUR	2,634,323
TOTAL ASSETS	**EUR**	**425,179,070**

LIABILITIES		
Shareholders' Equity	EUR	112,730,150
Provisions for risks and charges	EUR	33,169,715
Employees Severance Indemnity	EUR	29,066,437
Payables	EUR	120,680,677
Accrued expenses and deferred income	EUR	129,532,091
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**EUR**	**425,179,070**

The profit (loss) for the year, included under shareholders' equity, amounted to EUR 7,368,465 and can be seen in the income statement, which reports the following figures:

Value of Production	EUR	259,371,558
Costs of Production	EUR	(245,619,100)
Financial Income and Charges	EUR	25,216
Extraordinary Income and Charges	EUR	3,240,791
Pre-tax profit (loss)	EUR	17,018,465
Income taxes for the year	EUR	(9,650,000)
Profit (loss) for the year	**EUR**	**7,368,465**

As the Board of Statutory Auditors was not required to conduct an analytical audit of the content of the financial statements, we have supervised the general layout of the financial statements and their general compliance with the law in terms of structure and formation.

Change regarding the Explanatory Notes in XBRL format

The Board of Statutory Auditors acknowledged that even in the previous year, the Management Body took account of the obligation to draw up the Explanatory Notes using "XBRL taxonomy", necessary to standardise that document and make it available for digital processing: this is the obligation required by the Register of Companies managed by the Chambers of Commerce in execution of art. 5, paragraph 4 of Decree of the President of the Council of Ministers no. 304 of 10 December 2008.

The Board of Statutory Auditors therefore verified that the changes made to the form of the Financial Statements and Explanatory Notes as regards the format used in the previous years did not change in any way the substance of their content or the comparison of the values relating to the end of the previous year.

As the company financial statements are drawn up in the "ordinary" form, it was verified that the Management Body, in filling in the explanatory notes, and acknowledging the mandatory nature of the tables set out in the XBRL model, used only those which had values other than zero.

Observations and recommendations on the financial statements and their approval

The draft separate and consolidated financial statements for the year ended as at 31 December 2015 were approved by the Management Body, and are composed of the balance sheet, income statement and explanatory notes.

Furthermore:

- the Management Body already drew up the report on operations pursuant to art. 2428 of the Italian Civil Code;
- those documents were delivered to the Board of Statutory Auditors in time for them to be filed at the company's registered office along with this report, and, that is, irrespective of the term set out in art. 2429, paragraph 1 of the Italian Civil Code;
- statutory auditing is assigned to the independent auditors Ria Gran Thorton spa, which drew up their report pursuant to art. 14 of Italian Legislative Decree no. 39 of 27 January 2010, both on the separate financial statements and the Group consolidated financial statements. The reports show no findings of significant deviations or negative opinions or the impossibility to express an opinion or references to information. Therefore, the opinion issued on both financial statements was positive.

Thus, we examined the draft separate financial statements, and the following additional information is provided in that regard:

- the valuation criteria for asset and liability items subject to that mandatory requirement were checked, and they were found not to be substantially different than those used in the previous year, compliant with the provisions of art. 2426 of the Italian Civil Code;
- we focused our attention on the layout of the draft financial statements, their general compliance with the law in terms of formation and structure, and in that regard we have no specific observations that must be made herein;
- compliance with the rules of law pertaining to drafting the report on operations was verified, and in that regard we have no observations that must be made herein;

- in drawing up the financial statements, the Management Body did not deviate from the legal regulations pursuant to art. 2423, paragraph 4 of the Italian Civil Code;
- we verified that the financial statements correspond to the circumstances and information we became aware of in carrying out the typical duties of the Board of Statutory Auditors and, in that regard, we have no additional observations to make;
- pursuant to art. 2426, paragraph 5 of the Italian Civil Code, we specifically checked the significant values posted under points B) I - 1) of balance sheet assets and, consequently, agreed with their recording, even if the company did not make any additional posts during the year, in relation to the previous year. Merely for information purposes, it is specified that it will not be possible to distribute dividends from profit reserves beyond the net amount of that item capitalised under assets;
- we verified the correctness of the information contained in the explanatory notes as regards the absence of receivable and payable financial and monetary positions that originally arose in currencies other than the Euro;
- the explanatory notes provided the information required by art. 2427-*bis* of the Italian Civil Code relating to financial fixed assets, where recognised at a value higher than their fair value;
- the system of "memorandum accounts and guarantees given" is comprehensively illustrated. Therefore, the memorandum accounts and risk shown in the financial statements, also with regard to collateral given, with the related comment in the explanatory notes, ensure extensive comprehensibility of the financial statements for the year ended as at 31 December 2015;
- we acquired information from the Supervisory Body and viewed its report on the activity carried out, and no critical issues arose from this in relation to the organisational model which must be reported herein;
- with regard to the Management Body's proposal to allocate the net profit for the year shown at the end of the report on operations, the Board has no observations to make, also noting that this decision lies with the shareholders' meeting.

The net profit verified by the Management Body for the separate financial statements for the year ended as at 31 December 2015, as also shown in the financial statements, came to EUR 7,368,465.

<u>**Conclusions**</u>

Based on that set out above, and as far as the Board of Statutory Auditors is aware and based on the findings of the periodic controls conducted, we unanimously decided that there are no reasons preventing your approval of the draft separate financial statements for the year ended as at 31 December 2015, as drawn up and as submitted to you by the Management Body.

Bologna, 9 June 2016

THE BOARD OF STATUTORY AUDITORS

(Sergio Graziosi)

(Davide Cetti)

(Monica Manzini)

Ria
Grant Thornton

Independent auditors' report
in accordance with art. 14 of Legislative Decree
n. 39 of January 27, 2010

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To the shareholders of
TPER S.p.A.

Report on the financial statements

We have audited the accompanying financial statements of TPER S.p.A., which comprise the statement of financial position as of December 31, 2015, the income statement for the year then ended and the explanatory notes.

Directors' responsibility for the financial statements
The directors are responsible for the preparation of these financial statements that give a true and fair view in accordance with Italian laws governing the criteria for preparation.

Auditors' Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italia) drawn up pursuant to article 11, sub. 3, of Legislative Decree n. 39 of January 27, 2010.
Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.
An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The audit procedures selected depend on the auditor's professional judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view, in order to plan and perform audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion
In our opinion, the financial statements give a true and fair view of the financial position of TPER S.p.A. as of December 31, 2015 and of the results of its operations for the year then ended, in accordance with the Italian law governing the criteria for preparation.

Report on compliance with other laws and regulations

Opinion on the consistency of the report on operations with the financial statements

We have performed the procedures required under auditing standard (SA Italia) n. 720B in order to express an opinion, as required by law, on the consistency of the report on operations, which is the responsibility of the directors of TPER S.p.A., with the financial statements of TPER S.p.A. as of December 31, 2015. In our opinion, the report on operations is consistent with the financial statements of TPER S.p.A. as of December 31, 2015.

Bologna, June 9, 2016

Ria Grant Thornton S.p.A.

Signed by

Sandro Gherardini
Partner

This report has been translated into the English language from the original, which was issued in Italian, solely for the convenience of international

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To the shareholders of
TPER S.p.A.

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of TPER Group, which comprise the statement of financial position as of December 31, 2015, the income statement for the year then ended and the explanatory notes.

Directors' responsibility for the consolidated financial statements
The directors are responsible for the preparation of these consolidated financial statements that give a true and fair view in accordance with Italian laws governing the criteria for preparation.

Auditors' Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italia) drawn up pursuant to article 11, sub. 3, of Legislative Decree n. 39 of January 27, 2010. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatements.
An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The audit procedures selected depend on the auditor's professional judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view, in order to plan and perform audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion
In our opinion, the consolidated financial statements give a true and fair view of the financial position of TPER Group as of December 31, 2015 and of the results of its operations for the year then ended, in accordance with the Italian law governing the criteria for preparation.

Ria
Grant Thornton

Report on compliance with other laws and regulations

Opinion on the consistency of the report on operations with the consolidated financial statements
We have performed the procedures required under auditing standard (SA Italia) n. 720B in order to express an opinion, as required by law, on the consistency of the report on operations, which is the responsibility of the directors of TPER S.p.A., with the consolidated financial statements of TPER Group as of December 31, 2015. In our opinion, the report on operations is consistent with the consolidated financial statements of TPER Group as of December 31, 2015.

Bologna, June 9, 2016

Ria Grant Thornton S.p.A.

Signed by

Sandro Gherardini
Partner

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