TPER S.p.A.

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Corporate Bodies

Board of Directors

Giuseppina Gualtieri	Chairman and CEO
Francesco Badia	Director
Giovanni Neri	Director

Director

Paolo Paolillo

Managing Director

Fabio Teti

Board of Auditors

Sergio Graziosi	Chairman
Fabio Ceroni	Regular Auditor
Monica Manzini	Regular Auditor
Piero Landi	Additional Auditor
Romana Romoli	Additional Auditor

Auditing Firm

Ria Grant Thornton SpA

MANAGEMENT REPORT

INTRODUCTION

The 2017 financial year recorded a profit of EUR 8.23 million, confirming the company's growth trend, in line with the forecasts.

The 2.6% increase in Tper tariff revenues for 2017 (following tariff increases) is even more significant if we consider the uninterrupted growth demonstrated by the company from the date of its establishment (+27.1% in the period 2012-2016).

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

The company has given priority attention to the organisation and implementation of the activities at the heart of its *mission.* A better corporate organisation under the banner of transparency, with a voluntary process of reporting of its work - not only in economic terms, but also as regards sustainability; the certification initiative and legality rating represent the concrete commitments of 2017.

The increase in passenger numbers and the increase in long-term travel pass sales (both monthly and annual) confirm the importance of the public service performed and the retention of customers who use the public transport for their daily mobility.

Tper's commitment to the renewal of the vehicle fleet increased significantly with total use of public resources allocated to the sector and with immediate capacity for immediate co-financing by the company for total investment volumes exceeding EUR 200 million. In order to support the important medium-term investment plan with its self-financing capacity, on 15/09/2017 Tper finalised the issue of a bond loan *unsecured* for an amount of EUR 95 million, listed on the Dublin Stock Exchange (Irish Stock Exchange).

VISION AND MISSION

Tper is an integrated mobility company with *core business* in the local automotive and railway public transport and operates with an industrial approach according to market rules as defined by the regional Italian law for the sector and as required by the company's founders.

The company performs local services following the award of a European public tender, thus operating in a competitive market system. Therefore, Tper is a capital company operating under the market regime.

Tper has taken up the important challenge posed by shareholders to be able to combine being a full-fledged industrial company and to perform essential public services of general interest, investing in the human resources that are fundamental for the activity carried out and for the quality and the competence of their own actions towards the user citizens.

The various company activities are managed both directly and through subsidiaries and investee companies. Tper is structured as an operating group, with an organisation dictated by specific needs for the development of services and the choice to operate, based on specific services management tenders, through industrial agreements with private and public partners. In addition to rail and road public transport, other business activities include railway maintenance, rail freight transport, management work as the leading entity in significant regional mobility projects, the development of key mobility services such as parking and *car/bike sharing,* parking management.

The set of activities carried out, and in particular those related to public transport, consist of services of general interest that need to combine sustainable management from an economic and financial point of view with the utmost attention to quality objectives, positive social impact, and reduction of environmental impacts.

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

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

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

LEGAL FRAMEWORK

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

The reference legislation takes into account both aspects related to national and international policies on competition and management methods, as well as criteria of sustainability and accessibility of services to users. In view of the considerable impact of the transport sector on the environment, the policies also concern the reduction of the environmental impact in terms of production of CO_2 and other greenhouse gases, through an incentive to use collective or shared transport compared to private transport, as well as the transition to cleaner energy sources.

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

In 2017, the specific regulatory framework for the LPT sector saw some specific provisions with the 96/2017 conversion law of the Italian Decree 50/2017, which provides:

- the endowment of the Fund referred to in Article 16-bis, paragraph 1, of the Decree of 6 July 2012, no. 95, converted with amendments by the law of 7 August 2012, no. 135, for the year 2017 and starting from the year 2018
- the subdivision of the aforesaid fund among the regions, taking into account (a) a 10% share, to be increased over the years up to 20%, based on the total traffic proceeds and the recorded increase, and (b) a 10% share, to be increased up to 20%, on the basis of compliance with standard costs (as per Article 1 paragraph 84 of Law 147/2013). For the remaining portion, an annual reduction of 15% of the value of the contracts which by 31 December of the previous year have not been awarded by tender (or where the relative call for applications has not been published) is expected.

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

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

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

Specifically, the Regional Law no. 30 of 1998 comprehensively regulates the system of regional and local public transport in compliance with the competences attributed by the Constitution.

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

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

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

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

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

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

II   More recently, the administration issued its directives Act 2016-2018 of 3 August 2015 on the planning and administration of regional and local public transport, pursuant to art. 8 of Regional Law n. 30 of 1998. This act establishes the main sources of financing of the sector by providing:

1)   regional resources deriving mainly from the National Fund for the State financial assistance to the costs of local public transport, including rail transport;

2)   regional and other resources (European, state, provincial, municipal and even private) for investments and infrastructural interventions, which are aimed at the purchase of buses and trolleybuses, bicycle and pedestrian mobility and, more generally, sustainable mobility promoting air quality.

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

With reference to the rules on investee companies, subsidiaries and *in-house* entities of local authorities, the Decree 175/2016 was issued in 2016. Following its publication, the ruling of the Constitutional Court 251/2016 declared some provisions unconstitutional, providing, also in light of the opinion of the Council of State, following the end of the financial year (Opinion 83/2017), the revision of the so-called Madia Partecipate decree, effective with the publication in the Official Gazette of the Decree 100/2017.

On the basis of the law in force and the interpretations made in the various areas, Tper is a publicly owned company with no single controlling shareholder.

Furthermore, in 2017, as described in more detail below, the company successfully completed the 2016 projects for the issue of listed bonds in a regulated market, thus officially becoming the Public Interest Institution pursuant to Art. 16, paragraph 1 of Decree 39/2010. With respect to this decree, Tper falls within the cases referred to in Art. 26 paragraph 5, having launched in 2016 a process for listed bonds (appropriately communicated to the Court of Auditors as required by the relevant regulation) and having proceeded, in 2017, to the issue of financial instruments listed on a regulated market with the aim of financing part of the investments envisaged in the Business Plan. It is therefore subject to transparency rules that can be accountable not only to shareholders, but also internationally and to investors.

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

ECONOMIC FRAME OF REFERENCE

With reference to the general economic context, the growth prospects in the Euro system envisage a 2.3% expansion in 2018, while deflation expectations seem to fall, although inflation remains low, at 1.4% in December 2017.

In 2017, according to Bank of Italy estimates, the Italian economy reached a GDP growth of around 0.4% in the fourth quarter, mainly thanks to the industry and services sectors.

Although the growth is lower than the European average, the business confidence levels appear to return to the pre-recession levels, highlighting favourable conditions for capital accumulation and the increase in investment spending, evident in the second half of 2017. In this regard, loans to households and businesses, especially to manufacturing, are increasing. The demand for bank credit by companies is partly limited by the availability of internal resources and by greater recourse to the bond issue instrument.

Exports grew in the third quarter of 2017 and the current account surplus contributes to the improvement of Italy's debt position, which fell to 7.8% of the product.

Employment increased in the third and fourth quarters of 2017, with an unemployment rate of 11% in November 2017, and the hours worked per employee have grown, although pre-crisis levels have not yet been recovered.

Consumer price inflation in Italy remains weak at 1% in December, partly as a result of energy and food prices. From 2018, annual average price growth of 1.5% is expected.

In the fourth quarter of 2017, net government borrowing in relation to GDP was 1.6% (1.9% in the same quarter of 2016), while their indebtedness net of interest expense was positive, with a 2.2% impact on GDP (2.1% in the fourth quarter of 2016).

The tax burden was 48.8%, a decrease of 0.8 percentage points compared to the same period of the previous year.

The disposable income of consumer households in the last quarter of 2017 increased by 0.6% compared to the previous quarter, while consumption grew by 0.5%. As a consequence, the propensity to save in consumer households was at 8.2%, up 0.1 percentage points from the previous quarter.

Considering the possible risks from the global context, there is a possible greater uncertainty about the economic policies in the different areas that could translate into increases in the volatility of financial markets and risk premiums, with impacts on the Eurozone economy. Compared to the national scenarios, there is evidence of the weakness of the credit system and a possible increase in uncertainty with respect to the ongoing recovery by households and businesses.

In this context, it is hoped that national policies can stimulate economic and industrial growth in the medium and long term, supporting investment and consumption choices and ensuring credibility to the path of reducing public debt, taking advantage of the favourable moment in the global economic picture.

With reference to the Emilia-Romagna Region, the territory in which Tper operates, there is a 1.7% increase in GDP, places Emilia-Romagna on par with Lombardy as the top Italian regions in terms of GDP growth.

The first nine months of 2017 registered unemployment is at 6.4% compared to the national figure of 11.2%. The employment rate thus reaches 68.7%, with the female employment rate at 67.2%, the highest in the country together with that of Trentino Alto Adige.

After the international crisis started in 2007, the turnover of companies in the construction sector expressed at current values increased slightly in the first nine months of 2017 (+0.4%). As at 30 September 2017, there were 92,185 companies active in the domestic trade sector (net of the HORECA sector) with the employment figures nearing 290 thousand persons. Overall, trade accounts for 23% of the total companies in Emilia-Romagna, and for 17% of the employment created by businesses. The tourism industry of the Emilia-Romagna Region closes the first ten months of 2017 with almost 54 million visitors, an increase of 6.2% compared to the 50.8 million recorded in the same period of 2016. The manufacturing craft sector (almost 129,000 companies) closed the first nine months of 2017 with a 1.8% increase in production. There are 58,052 farms with a 2.1% reduction compared to the same month last year, while agricultural workers increased by 15.6% in 2016 and 6% in the first nine months of 2017, reaching 80 thousand persons.

There are, of course, territorial differences within the Region, but the context is on average that of a recovering economic and social fabric that is at the top of the national level in terms of performance, perspectives and competitiveness.

This economic context on the one hand includes the positive performance of Tper's activities in the territorial areas and reinforces the assessment of the importance of an efficient collective mobility system adapted to the needs of the people who live working, study or frequent the territory.

MAIN EVENTS OF 2017

2017 was the sixth year of life of the company Tper, continuing on a path of consolidated growth in the direction set by the founders and shareholders. 2017 saw the completion of the rationalisation and start-up process for a development phase both in terms of mobility services and in terms of new innovative technological means and tools, from the dematerialisation of tickets to better control systems.

In 2017, the company started the substantial approved investment plan, defining the path for consolidating all the activities carried out at group level and for possible further developments. It has continued to improve the economic-financial balance and capitalisation, and has made strategic financial choices consistent with the objectives of attention to service and users and completed the process for issuing securities on the regulated market in support of the investment plan without resorting to shareholder financing.

The following is a summary of the most significant and important transactions in 2017.

TPER LEADING IN THE REGIONAL TENDER FOR PURCHASE OF NEW BUSES

In 2012, 84 new buses entered the service, of which 70 were awarded in 2016: 67 co-financed with the Ministry of Infrastructure and Transport 2015-2016 funds and 3 co-financed with Fondo Sviluppo e Coesione (Development and Cohesion Fund) 2014-2020.

During the year, Tper, as the leader of all regional transport companies, announced a new regional tender under a broader plan to renew the public road fleets of Emilia-Romagna. The subsequent assignment concerns the total purchase of 314 buses for a value of over EUR 132 million co-financed with public funds.

ROLL-OUT OF NEW ELECTROTRANS

In the first months of 2017, the supply and commissioning of the last batch of 7 new ETR 350 Stadler electric trains, all equipped with every comfort according to the best current quality standards (in particular, two toilets, air-conditioning, security cameras, station announcement, low floors to help passengers with reduced mobility, bicycle rack) was completed.

The commissioning of the new ETR 350 Stadler has made it possible to anticipate the commissioning of new trains two years ahead of the bid for the regional railway service; it was also possible to respect the schedule for the Trenitalia rental of seven ETR 350 Stadler trains already in service and owned by the Region, replacing the older and less comfortable rolling stock. The entry into service of the new trains has led to clear positive feedback from users and reductions in environmental impacts.

A new rental contract has been signed with EAV (Ente Autonomo Volturno), renting 2 ETR243 Alfa 2 electric trains that will lead the renewal of the rolling stock in service on the Modena - Sassuolo line, also in this case combined with improved services as provided for by service contracts.

Some railway services for cyclists have been organised with FIAB (Italian Federation of Friends of the Bicycle NGO).

P I M B O

PIMBO is the acronym of Progetto Integrato della Mobilità Bolognese (Bologna's integrated mobility project) for the completion of the Metropolitan Railway Service, and for the conversion of the main lines of urban public transport, which Tper manages and executes. The original project also envisaged the acquisition of 7 train convoys dedicated to passenger transport of the SFM service at the Bologna hub. In 2017, in agreement with the interested bodies and in particular with the Emilia-Romagna Region, it was possible to finance the supply of the seven ETR 350 trains as part of the 2014-2020 Development and Cohesion Funds. The request for funding was approved by CIPE Resolution No. 54/2016, published in the Official Gazette no. 88 of 14/04/2017.

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

1. the stops of the Metropolitan Railway Service (SFM)
2. accessibility works on SFM stops
3. the SFM station branding project
4. completion of the urban section of the SFM2 Bologna-Portomaggiore line
5. completion of the Bologna urban railway network, with the construction of road works and electricity supply, including substations, and the supply of rolling stock.

The PIMBO Definitive Project, as indicated above, was approved with CIPE Resolution n. 92 of 22/12/2017 and is currently undergoing the formal procedure envisaged for such projects.

ISSUE OF BOND SECURITIES ON REGULATED MARKET

On 15 September 2017, following a cycle of thorough preparatory work, Tper completed the issue of an unsecured bond loan for an amount of 95 million euros, listed on the Dublin Stock Exchange, the top world market for the regulated market of government and corporate bonds.

The non-convertible Tper bonds, with a maturity of 7 years and amortizing repayment starting from the fifth year present a fixed annual coupon of 1.85%, and have been fully placed with institutional investors.

Benefiting from a market context with particularly low interest rates, Tper took an important opportunity to diversify its sources of financing. This made it possible to provide the necessary financial support for the essential investment plan in relation to services and projects for road transport operations in the Bologna and Ferrara territories and in the regional railway sector. With this transaction, which has recorded an important response among the operators, Tper has made its debut on the international capital market, confirming the ability of the company and the Group of subsidiaries to attract the interest of new categories of investors to support their development plans.

This successful placement of bonds demonstrates the confidence of large institutional investors in the solidity of our Group and in the managerial and economic-financial capacity that Tper has developed over time. It is an important recognition for a company with entirely public capital that, at the same time, is an industrial player with an investment plan of over 200 million euros. This operation allows the company to continue investing in the quality of service and environmental sustainability without resorting to the guarantees of the public bodies-shareholders of the company.

REGIONAL RAILWAY SERVICE

In 2017, the project for the launch of the new Trenitalia Tper company continued on schedule. The entity will manage the new regional railway transport service contract, starting in 2019.

The 2017 of the projects saw revision of the shareholder agreements linked to the tender and formal steps required to obtain railway licenses and safety certificates. These were carried out in parallel with the continued joint management of the existing railway service contract, managed through the CTI consortium, which will complete its activity at the end of 2018.

TENDER FOR THE MANAGEMENT OF THE PARKING SERVICE IN THE MUNICIPALITY OF BOLOGNA

In June 2017 SRM (Società Reti e Mobilità) announced, with a restricted procedure, on behalf of the Municipality of Bologna, a tender for the assignment of parking management and services/activities complementary to the mobility of the Municipality of Bologna.

These services, currently performed by Tper following the awarding of a similar tender procedure, include:

- management of the regulated parking on the road;
- management of pay parking in facilities used for parking;
- management of the service of road marking;
- management of the *car sharing service;*

• management of bicycle mobility services.

Tper prequalified, competing with other companies, and presented its offer. In October 2017 the tender ended without an award. The Tper offer was conditionally pre-selected by the Contracting Authority, as it provided for a discount on the fee for the investment in new parking meters and the more comprehensive implementation of an advanced organizational project.

The Contracting Authority has initiated a new tender procedure, and in the meantime Tper continues its ongoing activities under the same current conditions, in accordance with the provisions of Article 5 of the Service Contract in force.

ANTI-EVASION INITIATIVE "IO VADO E NON EVADO" AND CAMPAIGNS FOR THE INCREASE OF USERS

The ticket control campaign at bus stops and on board continued into 2017. Ordinary and systematic ticket controls were strengthened through direct controls, while the involvement of a significant number of Tper employee volunteers, as part of the continued campaign "Io vado e non evado". The "Io vado e non evado" project, launched by Tper since 2013 and implemented over time, is based on a rigorous control system, on the proximity and mutual respect between the public service and its recipients, with the aim of contributing to a positive and loyal relationship between the company and its users, looking to strengthen the ability to listen and raise awareness of compliance with the rules. The activity of user control, the active participation of staff and the communication and information campaign have helped to reduce the evasion rate - a prerequisite for maintaining the level of service, which was accompanied by a consolidation of the positive trend of ticket sales, which also significantly increased in the recent years.

During 2017, Tper controlled the tickets of approximately 4 million passengers. During 2017, the average evasion rate fell to 4.82%.

A loyalty and user increase campaign was based both on promotional events and through increasing attention to facilitating the renewal of online subscriptions, which has brought tangible results. Annual subscribers have in fact increased by 5.92% over the previous year, while monthly subscribers increased by 4.7%

TPGV ASSISTED DRIVING SYSTEM PROJECT

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

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

During 2017, all the civil and plant engineering works were completed and the preliminary testing activities started for the commissioning of the entire system, while the Iveco Crealis trolley vehicles were put into service on other existing trolley lines in order to test their suitability for daily and continuous use.

There are now 49 Crealis electric motorized in-service cars, with a very low environmental impact, air-conditioned, with low floor for easier access, equipped with video surveillance and stop announcement systems, to offer the city a transport service to the best current standards.

Once the testing activities are completed and the final approval by the Ministry of Transport is issued, the new trolley line will be open to the public.

COMPANY AGREEMENTS

In 2017, we achieved various key agreements with the regional and corporate trade unions, including the one on apprenticeship. The most important agreement, concluded in July 2017, saw the renewal of Level II bargaining for the remaining company staff, the result of a structured and positive negotiation with regional and corporate trade unions, which we started in 2016.

The salient points of the agreement can be summarized as follows:

- Overall economic sustainability;
- updating and definition of numerous contract terms with a view to homogenizing and integrating the company (e.g., industrial relations, RLS, trade union permits, etc.);
- Updating of the regulations of Road Traveling Personal with a view to greater organizational efficiency and integration between the Bologna and Ferrara areas;
- Development of the maintenance area in terms of greater service coverage and integration with the Automotive Operations area (e.g., RSP supervisors at the Operations Center);
- Enhancement of the role and increased efficiency of the operating departments in the Bologna and Ferrara area;
- Introduction of management efficiency measures in the Railway sector;
- Updating and simplification of the current bonus systems, and introduction of new, company-wide bonus linked to company results;
- Introduction of innovative elements for corporate culture (smart-working, evaluation and development of resources);
- Plans for a structured and innovative corporate welfare system.

DISPUTES

As regards the tax dispute on the IRAP (Italian regional tax on production) tax relief of the tax wedge referred to the company ATC SpA (a company whose 2012 demerger contributed to the establishment of Tper, and now in liquidation), for the period 2012-2014 Tper prudently paid off all of the IRAP - without deductions and at a 4.20% rate - and now is requesting reimbursement for the part it deems to have overpaid (for the relief of the 2012-14 tax wedge and for the difference with the ordinary IRAP tax rate of 3.90% from 2012). In 2016, Tper filed an appeal at first instance for the recognition of the 2012-13 tax wedge and the consequent reimbursement of the sums overpaid. In 2017 the hearing was held at the Provincial Tax Commission, but no judgment has yet been issued.

As regards the dispute concerning the tender for the award of the LPT contract in the Parma council area against the winner Busitalia and the contracting authority SMTP, Tper obtained the reversal of the tender from the Tar of Parma. Subsequently, in the appeal filed by Busitalia and SMTP it appeared in court. The hearing was scheduled for 3 May 2018.

COMPLIANCE

Starting from 2017, with a process launched in 2016, Tper has joined the Protocol of Legality established by Confindustria and the Italian Ministry of the Interior, with the aim of combating criminal infiltration into the economy. It is therefore registered in the list of companies adhering to the Legality Protocol published on the Confindustria Emilia website.

In 2017, Tper obtained the Rating of Legality, an ethical recognition developed by the Italian Competition Authority (AGCM), in agreement with the Ministries of the Interior and of Justice, which provides for awards to companies operating according to principles of legality, transparency and social responsibility. The legality rating, measured in "stars", brings advantages in the form of public funding and easier access to bank credit. Tper's current rating is ★★++.

In 2017, the company joined the United Nations Global Compact, an international initiative that encourages companies all over the world to adopt sustainable policies, observe corporate social responsibility, and to publish the results of actions undertaken in the areas human rights, labour, environmental sustainability and anti-corruption.

In terms of its ownership structure, pursuant to Legislative Decree 175/2016, Tper is a non-controlling public company listed on the regulated market. In November 2017, ANAC (Italian National Anti-Corruption Authority) published the new guidelines for the implementation of the legislation on transparency and the prevention of corruption, setting out the relevant obligations for companies, including non-controlling public companies. Tper is in full compliance with the aforesaid guidelines and obligaitons.

During the 2017 financial year, the Board of Directors proceeded to resolve the updating and adaptation of the Protocols of the Management and Organization Model (established pursuant to Legislative Decree n. 231/2001)so as to comply with the external and internal regulations and with the changes in the organizational structure of the company. The Supervisory Body carried out its activity by presenting a report on 2017 to the Board of Directors without remarks.

MANAGEMENT OPERATIONS

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

The total production disbursed during the year for passenger bus service was about 43.9 million kilometers, as follows:

Automotive road services - Final balance	2017	2016
Total kilometers produced	43875979	44157863
Bologna	35051259	35205174
- Bologna urban service	17600410	17654622
- Various municipality services	705712	715002
- Suburban and extra-urban service	16689077	16775387
- Specialized lines, reserved and rentals	56060	60163
- Ferrara	8824720	8952689
- Urban service	2179697	2196344
- Extra-urban service	5507016	5609029
- Extra-urban taxibus service	1132775	1138696
- Specialized lines, reserved and rentals	5,231	8,620

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

Despite the investments and the commissioning of new vehicles, the average age of the entire vehicle fleet at the end of 2017 is 13.3 years, while that of trolley buses was reduced to 8.9 years following the entry into service of 49 new Crealis Neo trolley vehicles planned as part of the TPGV project. In relation to the age of the vehicles, the company has dedicated the necessary efforts and costs to ensure a consistently adequate and efficient maintenance, and accelerated as much as possible the investment in new vehicles.

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

Railway service	2017	2016
Total kilometers produced	5921972	5815418
- Passenger railway kilometers	5066965	5025296
- Service on the RFI network	2412446	2377872
- Service on the Fer network	2654519	2647424
- Replacement bus kilometers	547149	499069

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

Of the new 14 electric trains ordered (7 in 2014 and 7 in 2015), 2 were put into service in 2015, 5 in 2016 and 7 in the first months of 2017.

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

	2017	2016
Total passengers transported	154728589	150782079
Bologna	131043206	127650680
Urban service	111292812	108073193
Airport connection bus	1254587	1166129

Suburban and extra-urban service	18246382	18141412
Specialized, reserved	249425	269946
- Ferrara	13107886	12682818
Urban service	8443056	8043340
Extra-urban service	4664830	4639478
- Railway	10577497	10448581
Passengers on the FER network	6180314	6170730
Passengers on the RFI network	4397183	4277851

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

The growth of users follows the positive trend recorded over time, also as a result of service-improvement projects, including the periodic Tper ticket control campaigns "Io vado e non evado": in the last year passengers carried - over 154 million in total - increased by 2.61% (+2.72% in road services and +1.04% in railway services), a percentage that is added to the results achieved in previous years, with an increase in users over 16% compared to 2012, the first year of Tper's operation.

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

TRAVEL PASSES	2017				2016			
	Total	Council area Bologna	Council area Ferrara	Service Rail	Total	Council area Bologna	Council area Ferrara	Service Rail
Annual travel passes	89063	74685	11981	2397	84083	70817	11153	2113
urban	59257	53317	5940		56054	50383	5671	
extraurban	23124	14773	5954	2397	21670	14162	5395	2113
entire network	6682	6595	87		6359	6272	87	
Monthly travel passes	652993	544872	49135	58986	623694	520423	47297	55974

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

HUMAN RESOURCES

At 31 December 2017, Tper's staff consisted of 2,491 persons, broken down as follows by professional category:

- 12 executives;
- 51 middle managemers;
- 291 employees;
- 2,137 workers (including 44 apprentices).

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

During 2017, the company hired 70 new employees in the reorganization and development process: of these 31 with a permanent contract and 39 with an apprenticeship contract.

EMPLOYEES, as at	31/12/2017	31/12/2016	Changes
Managers	12	12	0
Middle management	51	53	-2
Employees	291	288	3
Workers	2093	2165	-72
Apprentices	44	7	37
Collaborators	0	1	-1
TOTAL	2491	2526	-35

STAFF: EQUIVALENT UNITS	2017	2016	Changes
Average for the year	2436	2433	3
as at 31/12/2016	2408	2440	-32

In 2017 the company continued to offer intensive training activity for over 30,000 hours, of which more than 10% concerned the safety training programs - always a central point of attention for Tper.

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

MAIN ECONOMIC, FINANCIAL AND EQUITY INDICATORS

The net profit for the 2017 financial year is 8.2 million euros, after amortization and depreciation (net of investment grants) of 11.2 million euros, and provisions and write-downs of 7.1 million euros.

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

As detailed in the Notes, this financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS). On 15 September 2017, Tper issued a bond loan that was listed on the regulated market of the Dublin Stock Exchange (ISE - Irish Stock Exchange). Consequently, with effect from the financial year ended 31 December 2017, Tper is required to adopt the IFRS international accounting standards. The 2016 results were also reclassified in accordance with the IFRS, for comparability.

MAIN EQUITY INDICATORS

Millions of euros	2017	2016
Tangible and intangible assets	**199.3**	167.3
Shareholders' equity	**147.2**	143.6
Net financial position	**-64.8**	-10.7
Investments	**43.3**	42.8

MAIN ECONOMIC INDICATORS

Millions of euros	2017	2016
ROI	**4.1%**	3.9%
Net invested capital	**374.4**	332.0
Operating income	**15.5**	13.1
ROE	**5.6%**	4.4%
Shareholders' equity	**147.2**	143.6
Net income	**8.2**	6.3

IRAP tax rate

In consideration of some Tax Authority disputes with public transport companies, Tper has prudentially liquidated IRAP 2017 at a rate of 4.20% - even if it considers this higher rate not due - and will proceed to request reimbursement for the difference with the ordinary IRAP rate of 3.90%.

ADDITIONAL INFORMATION

Development Activities

Dematerialization of Travel Tickets

The process of dematerialization of travel documents continued. In 2017, the following dematerialized travel pass top-ups and purchases were made:

- 27,044 top-ups through the Tper website
- 13,592 via ATMs and homebanking
- 13,737 through the mobility management agreements

The tender was also awarded for the creation of a mobile ticketing solution in NFC technology, developed starting from the work carried out in the company, to enable the purchase of travel tickets and their validation using the already installed validators. The NFC solution is compatible with the mandatory validation, allows the opening of the turnstiles on buses equipped with this technology, and is highly secure against fraud. The project is part of a larger project being implemented at regional level with the other local public transport companies of the Emilia-Romagna Region.

ON-BOARD VIDEO SURVEILLANCE SYSTEM FOR BUSES

In the context of the regional funds ERDF 2014-2020, in collaboration with the companies TEP, START and SETA, the project of on-board video surveillance for buses was implemented and the competition formalities were carried out.

The project plans to equip urban buses with a security system by the end of 2019, consisting of video cameras, video recorder, motion sensors, 4G/wifi router able to communicate with a video surveillance control unit, in order to reduce pick-pocketing and vandalism on buses and increase the perception of security by users.

INFORMATION MONITORS ON THE RAILWAY STATION - AIRPORT SHUTTLE

Thanks to an agreement with RFI and Società Aeroporto di Bologna, the infrastructure was created to share real-time information on bus, train and airplane schedules.

The information panels installed at the airport show the waiting times of the incoming BLQ buses, while a first BLQ bus has been equipped with a monitor displaying the aircraft departures when the bus is directed to the airport, displaying the train departure schedules when the bus is directed to the train station.

In the course of 2018, all BLQ buses will be equipped with such monitors.

THE GENERAL DATA PROTECTION REGULATION (REGULATION (EU) 2016/679)

In compliance with the Regulation (EU) 2016/679, which will come into effect on 25 May 2018, the Privacy Impact Assessment was drawn up with the analysis of the risks and actions required in the various company systems in 2017, and work began for the 2018 Plan that will outline the activities necessary for the GDPR compliance. In particular:

- staff training
- data processing register
- appointment of a DPO
- IT security
- procedures for geolocation data and validation of travel documents

CONTROL OF TRAVEL PASSES, FINES AND SALES ON BOARD TRAINS

An app was created for NFC tablets, to perform all the operational functions of controllers and train captains. In particular, the app allows:

- issuing of tickets on board the train
- reading and verification of MiMuovo contactless cards
- compilation of electronic fines that are printed for the user on a portable belt printer
- check black-listed cards (stolen or disabled cards)
- check white-listed cards (dematerialized travel pass top-ups).

MISCELLANEOUS

CONSOLIDATED STATEMENT OF NON-FINANCIAL CHARACTER

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

Secondary Locations

The company carries out its activities in the following locations: in Bologna (BO), via Battindarno 121, via Due Madonne 10, via Ferrarese 114, via delle Biscie 17, piazza XX Settembre 6, via Marconi 2/2 and 4, via Rizzoli 1/D, Piazza delle Medaglie d'Oro, via San Donato 25, via Magenta 16; in Ferrara (FE), via Trenti 35, via Porta Reno 182; at Castel di Casio - Località Prati (BO) via Caduti di Nassirya 8; in Imola (BO), via Marconi 4; in Casalecchio di Reno (BO), via Don Minzoni 13; at Codigoro (FE) in Viale Papa Giovanni XXIII 45; in Comacchio (FE), via Provinciale 38; in Sermide (MN) in Viale Stazione 17; in Modena (MO) in piazza A.Manzoni 21; in Reggio Emilia (RE) in via Orazio Talami 7.

TPER GROUP

The Tper Group has drawn up its consolidated financial statements according to the applicable rules. The Group closed the year with a net profit of 8.9 million euros.

In addition to the parent company Tper, the Group includes all the subsidiaries as defined by art. 2359 of the Italian Civil Code.

Area of Consolidation	Consolidation %	% ownership	% third parties
Tper SpA (controlling company)	100%	100.00%	0%
MA.FER Srl	100%	100.00%	0%
TPF Soc.Cons.a rl	100%	97.00%	3.00%
Dinazzano Po SpA	100%	95.35%	4.65%
Herm Srl	100%	94.95%	5.05%
TPB Soc.Cons.a rl	100%	85.00%	15.00%
Omnibus Soc.Cons.a rl	100%	51.00%	49.00%
SST Srl	100%	51.00%	49.00%

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

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

MA.FER Srl

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

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

TPF SOC.CONS.A R.L.

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

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

DINAZZANO PO SPA

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

The other shareholders are the consortium Azienda Consorziale Trasporti ACT (RE), the Port Authority of Ravenna, and intermodal port of Ravenna Porto Intermodale diRavenna SAPIR SpA with 1.55% of the share capital each.

TPB SOC.CONS.A R.L.

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

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

HERM HOLDING EMILIA-ROMAGNA MOBILITÀ SRL

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

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

OMNIBUS SOC.CONS.A R.L.

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

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

SST SRL

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

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

SIGNIFICANT EVENTS AFTER THE END OF THE REPORTING PERIOD

TENDER FOR THE MANAGEMENT OF THE PARKING SERVICE IN THE MUNICIPALITY OF BOLOGNA

Having completed the tender for the management of the parking service in the municipality of Bologna, as indicated above, the municipal mobility agency SRM Srl on 12 February 2018 opened a negotiated procedure without prior publication of a call for tenders, with new specifications and deadline for the submission of bids on 29 March 2018.

Tper, invited for the negotiated phase, has submitted a new offer within the set deadlines, which will be evaluated.

BUSINESS OUTLOOK

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

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

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

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

Tper is ready to face the challenge to support its mission as a sustainable mobility company, continuing its careful focus on the management economy, also deriving from aggregation processes, to maintain the trend of growth and repetitiveness of results, to support the service and the region of operation.

PRINCIPAL RISKS AND UNCERTAINTIES

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

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

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

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

LIQUIDITY RISK

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

CREDIT RISK

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

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

OPERATIONAL AND MARKET RISKS

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

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

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

PROPOSED ALLOCATION OF OPERATING PROFIT

Dear Shareholders,
to complete the summary of the management data and the business facts illustrated above, Tper's Board of Directors submits the draft financial statements for 2017 to your examination and approval, and proposes to allocate the profit for the year of 8,226,965.69 euros as follows:

- € 411,348.28 to legal reserve,
- € 3,015,617.41 to extraordinary reserve,
- € 4,800,000.00 in distribution of dividends to shareholders.

Bologna, 20/04/2018

For the Board of Directors

President

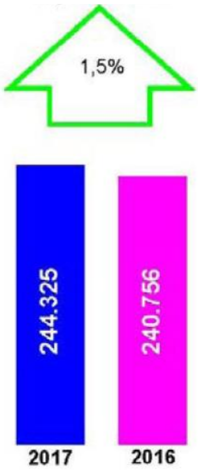
Giuseppina Gualtieri

Trasporto Passeggeri Emilia-Romagna

Financial Statements 2017

Highlights - summary of most significant data

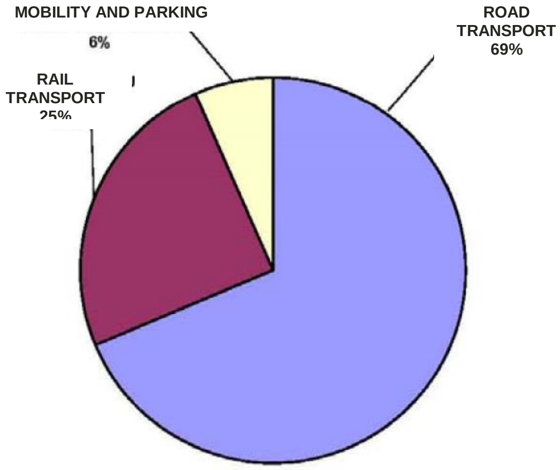
OPERATING INCOME
thousands of euro



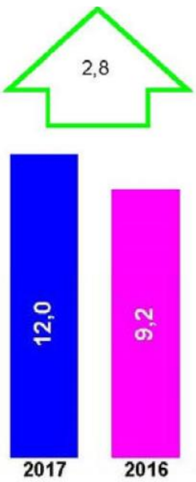
OPERATING RESULT
thousands of euro

NET OPERATING RESULT
thousands of euro

Management revenue



PROFIT PER SHARE
cents



DIVIDED PER SHARE
cents

Balance sheet

ASSETS	notes	31/12/17	31/12/16
NON-CURRENT ASSETS			
Tangible assets	1	198089759	166434013
Real estate		3412688	4338813
Rolling stock		155738954	123157756
Infrastructure		38423659	38763490
Other tangible assets		514458	173953
Intangible assets	2	1214097	865731
Goodwill and other intangible assets with an indefinite useful life		0	0
Concession rights			
Other intangible assets		1214097	865731
Equity investments	3	54689056	54689056
Financial assets	4	12746058	8197543
Financial assets for contributions			
Other financial assets		12746058	8197543
Deferred tax assets	5		
Other assets			
NON-CURRENT ASSETS TOTAL		266738969	230186344
CURRENT ASSETS			
Trade assets	6	107703519	101798141
Inventory		10790374	10113617
Trade receivables		96913145	91684524
Cash and cash equivalents	7	59320973	25621603
Financial assets	4	19369597	6538618
Financial assets for contributions		18911353	6538618
Other financial assets		458245	
Assets for current income taxes	8	1738657	1865775
Other assets	9	17907792	10381375
Assets held for sale or connected to discontinued operations			
TOTAL CURRENT ASSETS		206040539	146205512
TOTAL ASSETS		472779509	376391856

Statement of Assets and Liabilities

	notes	2017	2016
LIABILITIES			
Shareholders' equity	**10**	**147154306**	**143626970**
Capital issued		68492702	68492702
Reserves		47154083	44237448
Profit / (loss) carried forward		24027782	25515639
Actuarial profit / loss from		(747227)	(893881)
Profit / loss for the year		8226966	6275063
Shareholders' equity pertaining to third parties			
Capital and third-party reserves			
Profit / (loss) of third parties			
TOTAL NET EQUITY		**147154306**	**143626970**
NON-CURRENT LIABILITIES			
Trade liabilities	**11**	**5493145**	**4696916**
Funds for provisions	**12**	**59716256**	**57850739**
Funds for employee benefits		25709717	28754702
Fund for restoration and replacement of rolling stock		5394133	5394133
Other provisions		28612407	23701905
Financial Liabilities	**13**	**113804652**	**24804529**
Debenture loans		94212275	
Medium to long-term financing		18616455	23935441
Derivatives		335228	507355
Other financial liabilities		340695	361733
Liabilities for deferred taxes	**5**	**2845544**	**2940909**
Other liabilities	**14**	**20907702**	**20.780.916**
TOTAL NON-CURRENT LIABILITIES		**202467298**	**111.074.009**
CURRENT LIABILITIES			
Trade liabilities	**11**	**71803274**	**63.165.233**
Funds for provisions for current portion	**12**	**3074090**	**5.495.964**
Funds for employee benefits		2135007	1.811.263
Fund for restoration and replacement of rolling stock			
Other current provisions		939083	3684701
Financial Liabilities	**13**	**10627049**	**11497328**
Current account overdrafts			
Short-term financing			
Derivative			
Medium to long-term financing		8080428	5318987
Other financial liabilities		2546621	6178341
Current income tax liabilities	**8**	**471125**	**185964**
Other current liabilities		**37182368**	**41346389**
Liabilities connected to discontinued operations	**14**		
TOTAL CURRENT LIABILITIES		**123157905**	**121690877**
TOTAL LIABILITIES		**325625203**	**232764886**
Total liabilities and net assets		**472779509**	**376391856**

TPER SpA

Profit & loss account

		2017	2016
Revenue		**244325449**	**240755628**
Services TPL line	**15**	167735919	165466903
Services railway line	**15**	60436348	58770781
Parking and car sharing	**17**	16153182	16517944
Other revenues	**18**	**10327279**	**12326449**
Operating costs		**220932432**	**223203200**
Cost of personnel	**19**	115148600	115384566
Cost of services	**20**	65674255	65383267
Raw materials and materials	**21**	27539562	27751067
Enjoyment of third party assets	**22**	10452199	11240820
Other operating costs	**23**	2117815	3443480
Depreciation	**24**	**11172383**	**8366417**
Depreciation of tangible assets		10794257	7932001
Amortization of intangible assets		378126	434415
Value write-downs/(restorations)	**25**	4371434	**557029**
Change in funds for provisions	**26**	**2720966**	**7853761**
Change in fund for refurbishment and replacement of rolling stock		0	2329948
Change in other funds		2720966	5523813
Operating income		**15455513**	**13101670**
Financial revenue	**27**	**258756**	**169033**
Dividends		54676	55142
Other financial income		204080	113891
Financial charges	**28**	**1305811**	**296722**
Charges from debenture loans		573789	
Borrowing costs		462946	135897
Other financial charges		269076	160825
Total financial income/expense		**(1047054)**	**(127689)**
Result before taxes		**14408459**	**12973981**
Taxes	**29**		
Current taxes on income		6323169	7800000
Prepaid and deferred taxes		(141676)	(1101081)
Net profit for the year		**8226966**	**6275063**

Comprehensive Income Statement

		2017	2016
Profit for the year	**(a)**	8226966	6275063
Other components of the comprehensive income statement for the year that can be reclassified to the income statement	**(b)**	**0**	**0**
Profit/(loss) from actuarial valuation of funds for employee benefits		192966	(1176159)
Tax effect on profit/(loss) from actuarial valuation of funds for employee benefits		(46312)	282278
Other components of the comprehensive income statement for the year that cannot be reclassified to the income statement	**(c)**	**146654**	**(893881)**
Total other components of the income statement for the year	**(d= b+c)**	**146654**	**(893881)**
Comprehensive economic result of the year	**a+d**	**8373620**	**5381182**

Financial statement

	notes	2017	2016
Profit/(Loss) for the period		**8226966**	**6275063**
Depreciation		11172383	8366417
Operating change of funds		3570966	7853761
Write-downs/(Revaluations) of financial assets and equity investments accounted for at cost and fair value			
Write-downs/(Revaluations) of value of current and non-current assets		4371434	557029
Capital losses/(capital gains) from realization of non-current assets		(201176)	(60279)
		(141677)	(1101081)
Net change in deferred taxation		(21168310)	(14093961)
Net cash flows from operating activities		**5830586**	**7796949**
Investments in tangible assets		(51626859)	(64646256)
Investments in intangible assets		(726491)	(549620)
Investments in shareholdings		0	(2040119)
Investments gross of contributions		**(52353350)**	**(67235995)**
Contributions to tangible assets		14376432	12216080
Contributions to intangible assets			
Contributions		**14376432**	**12216080**
Disposals in tangible assets		241645	76764
Disposals in intangible assets			
Disposals		**241645**	**76764**
Net cash flow used in investing activities		**(37735273)**	**(54943152)**
Issuance/(redemptions) of bonds		94212275	0
Issue/(repayment) of medium-long-term loans		(2557546)	29254428
Issue/(Repayment) of short-term loans		0	(1599244)
Change in financial assets		(17379494)	1363156
Changes in financial liabilities		(3824885)	682142
Purchase of own shares		(188536)	**0**
Dividends paid		(4657756)	**0**
Net cash flow from financial assets		**65604058**	**29700483**
Net cash flow for the period		**33699371**	**(17445720)**
Cash and cash equivalents at the start of the year		25621603	43067323
Cash and cash equivalents at the end of the year		59320974	25621603

Statement of Changes in Equity

	Share capital	Reserves												Shareholders' equity
		Evaluation reserves				Other reserves								
		Evaluation reserve for CFII financial instruments	Reserve for actuarial evaluations of employee benefits	Reserve for AFS fair value valuations	Other	Treasury shares	Legal reserve	Share premium reserve	Reserve for capital grants	Merger surplus reserve	Other reserves	Profits (losses) carried forward	Profit for the financial year	
Balance at 1 January 2016	68492702	0		0	0		3838667	2720S8	32716499	1515984	6197240	25S1S639	0	
Transactions with shareholders and other changes														
Distribution of dividends														
Destination of the profits for the previous year														
Change of consolidation area														
Other minor changes and reductions														
Total economic result of the year			(893881)											
Balance at 31 December 2016														
Transactions with shareholders and other changes														
Distribution of dividends													(4657756)	(46577S6)
Allocation of profit for the previous year												(1487864)	(L617307)	W
Purchase of own shares						(188536)								(188536)
Other minor variations and reclassifications												8		8
Comprehensive economic result of the year														8373620
Balance at 31 December 2017														

Explanatory notes

General information

Tper SpA (hereinafter Tper or Company) is a joint-stock company established in 2012 with registered office is in Bologna, Via di Saliceto, 3. The company's duration is established until 31st December 2050.

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

The present financial statements as at 31 December 2017 were approved by the Board of Directors of Tper at the meeting of 20/04/2018, considering that the Board of Directors of Tper dated 27/03/2018, using the conditions set forth in art. 2364, paragraph 2 of the Italian Civil Code, resolved to defer the ordinary deadline for approval of the company's financial statements from 120 days to 180 days from the end of the financial year.

On 15 September 2017 Tper issued bonds that have listed on the regulated market of the Dublin stock exchange (ISE-Irish Stock Exchange). Consequently, commencing from the year ended 31 December 2017, Tper is obliged to adopt *International Financial Reporting Standards* ("**IFRS** *")* issued by the International Accounting Standards Board ("**IASB**") and approved by the European Commission in force on the date of the financial statements. The preparation of financial statements is in compliance with art. 4, paragraph 1, of Legislative Decree 38/2005 for holding companies and in accordance with art. 3, paragraph 1, of Legislative Decree 38/2005 as per IFRS.

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

Transition to International Accounting Standards (IFRS)

Tper presents for the first time, as mentioned in the previous paragraph, the consolidated financial statements as at 31 December 2017 prepared in accordance with IFRS international accounting standards.

For an analysis of the effects of the transition to IFRS, the reconciliation between the financial statements prepared by the Company on the basis of the international accounting standards IFRS and the corresponding accounting tables prepared according to the Civil Code, as well as the exceptions and exemptions adopted, please refer to what is indicated in annex 1 - Transition to international accounting standards (IFRS).

Structure and content of the interim financial statements

The financial statements for the year ended 31 December 2017, prepared under the assumption of the company's business continuity, have been prepared pursuant to art. 2 and 3 of Legislative Decree no. 38/2005, in compliance with the *International Financial Reporting Standards* (IFRS), issued by*International Accounting Standards Board* and approved by the European Commission, which include the interpretations issued *by the International Financial Reporting Interpretations Committee* (IFRIC) as well as the previous *International Accounting Standards* (IAS) and previous interpretations of the *Standard Interpretations Committee* (SIC) still in force. For simplicity, the set of all the principles and interpretations is hereafter defined as the "IFRS".

The consolidated financial statements consist of the financial statements (statement of financial position, income statement, statement of comprehensive income, statement of changes in shareholders' equity and cash flow statement) and of these explanatory notes and are prepared by applying the general criteria of historical cost, with the exception of the items balance sheet that according to IFRS are recognised *fair value,* as indicated in the evaluation criteria of the individual items described in the paragraph "Accounting standards and valuation criteria applied". The statement of financial position is presented on the basis of the scheme that provides for the distinction between current and non-current assets and liabilities. Costs are classified according to their nature in the income statement. The cash flow statement is prepared by applying the indirect method.
IFRS is applied consistently with the indications provided in the *"Conceptual Framework for Financial Reporting"* and there have not been any critical issues that have led to the use of derogations pursuant to IAS 1, Paragraph 19.

<In 2017, Tper completed the issue of an *unsecured* bond loan for €95 million, listed on the Dublin Stock Exchange, a world-class exchange for the regulated government and corporate bond market.
<Non-convertible Tper bonds, with a maturity of 7 years and *amortisation* repayments starting from the fifth year, its information note stated they present a fixed annual coupon of 1.85%, and were entirely placed with institutional investors.
Following the aforementioned bond issue, the Company was able to pay off a bridge loan in advance for the purchase of the 7 electric trains that went into operation in 2017 and to support a challenging multi-year investment plan.

All values are expressed in thousands of euros, unless otherwise indicated. The euro is the functional currency of the Company, as well as that of presenting the financial statements.

For each item of the financial statements, the corresponding value of the previous year is shown for comparative purposes.

Estimates and evaluations

The preparation of the financial statements, in application of the IFRS, requires making estimates and assumptions that affect the values of revenues, costs, assets and liabilities in the financial statements and information on potential assets and liabilities at the reference date.
In making the budget estimates, the main sources of uncertainties are also considered that

could have an impact on the evaluation processes. The final results may differ from these estimates.

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

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

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

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

For more details on the methods in question, please refer to the following paragraphs.

Accounting policies and valuation criteria

The most important accounting principles and valuation criteria applied in the preparation of the financial statements for the year ending 31 December 2017 are described below.

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

Tper has adopted in advance the Interpretation IFRIC 23 - Uncertainties on the treatment of income taxes. The interpretative document, published by IASB on 7 June 2017, provides clarifications on the subject of *recognition* and *measurement* for the purposes of accounting of income tax in the event of uncertainty.

The interpretation establishes that the uncertainties in determining the assets and liabilities related to income taxes, regulated by IAS 12, are reflected in the financial statements only when it is probable that the entity will actually pay or collect the amount in question.

This early adoption had no impact on the balances recorded in previous periods.

Tangible assets

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

During the transition to IFRS, Tper has chosen to avail itself of the *"deemed cost" exemption* that allows using the*fair value* for some goods on the date of transition to IFRS, as a substitute for the cost, for all rolling stock used in the context of the Bologna Service Contract and the Ferrara Service Contract.

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

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

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

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

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

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

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

In particular, for the purposes of defining the depreciation plan for buses and trolley buses used by TPER under the Bologna service contract and the Ferrara service contract and allocated for transfer the depreciation is defined on the basis of the difference between the net book value at the beginning of the year and the residual value, which in this specific case is the estimate of the market value recognised by the new contractor, calculated according to the criteria identified by the Resolution of the Transport Regulatory Authority no. 49 of 17 June 2015 and referring to the UNI 11282/2008 standard and subsequent amendments or additions.

With the exception of what was shown in relation to the depreciation of buses and trolley buses used in the service contracts for the Bologna and Ferrara TPL, the annual depreciation rates used in 2017 presented for similar categories are shown in the following table:

Tangible assets	rate of depreciation
Business properties	2.57%
Trains and locomotives	3.50%
Coaches	3.50%
Buildings	4%
Lightweight buildings	10%
Plants	10%
Railcars	10%
Office furniture and equipment	12%
Expenses with long-term benefits on third-party assets	20%
Machines and office equipment	20%
Technical tools	20%
Emitters and validators	20%
Electronic machines	20%
LED signs	20%
Motor vehicles	25%
Other vehicles	25%

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

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

Intangible Assets

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

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

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

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

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

The annual amortisation rates used in 2017, presented by similar categories with evidence of the relative application interval, are shown in the following table:

Intangible assets	rate of depreciation
Customised software	33.33%
Packaged software	33.33%

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

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

Business combinations and Goodwill

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

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

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

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

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

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

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

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

Participations

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

Investments in other companies, which are non-current financial assets and not destined for trading activities, are valued at *fair value* if determinable: in this case the gains and losses incurred by the valuation at *fair value* are recognised directly in the equity until the date of sale when all the accumulated profits and losses are charged to the income statement for the period.

Investments in other companies for which the *fair value is not availabl* are recorded at cost, written down if need be following permanent losses in value. Dividends are recognised in the income statement when the right to receive payment is established only if they derive from the distribution of profits subsequent to the acquisition of the investee company. If, however, they derive from the distribution of reserves of the investee prior to the acquisition, these dividends are recorded as a reduction in the cost of the investment itself.

Treasury shares

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

FINANCIAL INSTRUMENTS

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

Receivables and payables

1 receivables are initially recorded at *fair value* and subsequently valued at amortised cost, using the effective interest rate method, net of the related impairment losses with reference to the amounts considered uncollectable. The estimate of amounts deemed uncollectable is made on the basis of the expected future cash flows. These flows take into account the expected recovery times, the presumed realisation value, any guarantees received, as well as the costs that are expected to be incurred for the recovery of the receivables. The original value

of receivables is reinstated in subsequent years to the extent that the reasons that determined the adjustment cease to exist. In this case, the write-back is recorded in the income statement and cannot in any case exceed the amortised cost that the receivable would have had in the absence of previous adjustments.

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

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

Liquidity position and equivalent means

Cash and cash equivalents are recorded at nominal value and include the values that meet the requirements of high liquidity, short-term or very short-term availability and an insignificant risk of changes in their value.

Financial derivative instruments

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

Derivatives are classified as hedging instruments, in accordance with IAS 39, when the relationship between the derivative and the subject of the hedge is formally documented and the effectiveness of the hedge, initially and periodically verified, is high and is included between 80% and 125%.

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

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

For transactions in derivative instruments that can be defined pursuant to IAS 39 of *"net investment hedge",* as a hedge against the risk of an unfavourable change in exchange rates to which net investments in foreign operations are converted, since they are instruments of *"cash flow hedge",* the effective hedging component of the changes *in fair value* of the underwritten derivatives has been recognised in the other components of the comprehensive income statement, thus compensating the changes in the translation reserve relating to net investments in foreign operations. Cumulative changes of *fair value* set aside in the reserve of *net investment hedge* are written down from the statement of comprehensive income to the income statement at the time of the total or partial admission of the investment in the foreign operation.

The changes of fair value derivatives that do not meet the conditions for qualifying for IAS 39 as hedging instruments are recognised in the income statement.

Other financial assets and liabilities

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

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

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

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

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

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

a) identification of the *"unit of account",* that is, the level at which an asset or a liability is aggregated or disaggregated to be recognised for IFRS purposes;

b) identification of the main market (or, in the absence, of the most advantageous market) in which transactions could take place for the asset or liability subject to valuation; in the absence of any evidence to the contrary, it is assumed that the currently used market coincides with the main market or, in its absence, with the most advantageous market;

c) definition, for non-financial activities, *of the highest and best use* (maximum and best use): in the absence of contrary evidence, *the highest and best use* coincides with the current use of the asset;

d) definition of the most appropriate evaluation techniques for estimating the *fair value:* these techniques maximise the use of observable data, which market participants use to determine the price of the asset or liability;

e) determination of *fair value* of the assets, as the price that would be received for sale, and of the liabilities and capital instruments, as the price to be paid for the relative transfer in a regular transaction between market operators at the date of the valuation;

f) inclusion of the *"non-performance risk"* in the valuation of assets and liabilities and, in particular for financial instruments, determination of an adjustment factor in the *measurement of* the fair value to include, in addition to counterparty risk (CVA- *credit valuation adjustment),* own credit risk (DVA - *debit valuation adjustment).*

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

a) level 1: includes quoted prices in active markets for assets or liabilities identical to those valued;

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

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

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

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

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

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

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

Funds for provisions

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

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

The "Funds for the restoration and replacement of rolling stock" include the charges to be incurred in connection with the contractual obligations to restore and replace the railway rolling stock to meet the commitments made under the service agreements in place for passenger rail transport managed through the Consorzio Trasporti Integrati Soc. Consortile in rl .. The provisions for these funds are determined on the basis of the wear and age of the rolling stock outstanding at year-end, taking into account, where significant, the financial component linked to the passage of time.

Employee benefits

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

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

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

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

Revenue

Revenues are recognised to the extent that it is possible to reliably determine their value *(Fair value)* and it is probable that the related economic benefits will be taken. Depending on the type of transaction, revenues are recognised on an accrual basis based on the specific criteria set out below:

a) revenues for TPL line services based on services provided;

b) revenues for railway line services based on the services provided;

c) revenues for parking and car sharing based on the services provided;

d) sales for the sale of goods when the significant risks and benefits associated with the ownership of the assets themselves are transferred to the buyer;

e) the provision of services based on the stage of completion of the activities, according to the criteria for "construction contracts and services in progress". In the event that it is not possible to reliably determine the value of revenues from the provision of services, the latter are recognised up to the amount of the costs incurred which are deemed to be recovered;

f) the lease instalments during the maturity period, based on the contractual agreements signed.

g) interest income, as well as interest charges, are calculated on the value of the related financial assets and liabilities, using the effective interest rate;

h) dividends when the right of shareholders to receive payment is established.

Government grants

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

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

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

Income tax

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

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

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

a) firstly, only if it is probable that there will be sufficient taxable income to enable it to be recovered;

b) secondly, if they exist, in any case.

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

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

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

Earnings per share

Basic earnings per share are calculated by dividing the result for the year by the weighted average of the Company's shares in circulation during the year.

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

Accounting principles, interpretations and improvements applied from 1 January 2017

From 1 January 2017, the following documents, previously issued by the IASB and endorsed by the European Union, which bring amendments to the international accounting standards, have entered into force:

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

IAS 12: INCOME TAX On 19 January 2016 the IASB published the aforementioned *Amendments* which have the purpose of providing clarifications on the methods for recognising the default payments relating to debt instruments valued at *fair value.*

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

IMPROVEMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (2014-2016 CYCLE) On 8 December 2016, the IASB published the document *"Annual Improvements to IFRSs: 2014-2016 Cycle".*

The changes concern a draft project issued on 19 November 2015. The document introduces, inter alia, amendments to IFRS 12 *Disclosure of Interests in Other Entities:* the amendment requires that the disclosure requirements required for the investments in other entities be shown even if they are classified as held for sale. The changes will be applied retrospectively, starting from the financial years beginning on or after January 1, 2017.

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

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

IFRS 9 Financial instruments

In July 2014, the IASB definitively issued IFRS 9, a standard aimed at replacing the current IAS 39 for the accounting and measurement of financial instruments.

The standard introduces new rules for the classification and measurement of financial instruments and a new model of *impairment* of financial assets, as well as accounting for hedging transactions definable as *"hedge accounting".*

Classification and measurement

IFRS 9 provides for a single approach for the analysis and classification of all financial assets, including those containing embedded derivatives. The classification and related valuation is carried out considering both the management model of the financial asset and the contractual characteristics of the cash flows obtainable from the asset.

The financial asset is valued using the amortised cost method if both of the following conditions are met:

a) the management model of the financial asset consists in holding it with the purpose of collecting the related financial flows; and

b) financial assets generate contractually, at predetermined dates, financial flows that are exclusively representative of the return on the financial asset itself.

The financial asset is valued at *fair value,* with the recognition of the effects in the comprehensive income statement, if the objectives of the management model are to hold the financial asset for the purpose of obtaining the related contractual cash flows or selling it.

Finally, the residual category of financial assets valued at *fair value* with the recognition of the effects in the income statement, which includes the assets held for the purpose of their negotiation.

A financial asset that meets the requirements to be classified and valued at the amortised cost may, upon initial recognition, be designated as a financial asset at *fair value,* with recognition of the effects in the income statement, if such accounting allows elimination or significantly reduces the asymmetry in the valuation or recognition (so-called *"accounting mismatch"),* that would otherwise result from the valuation of assets or liabilities or the recognition of the related gains or losses on different bases.

Moreover, in the case of investments in equity instruments for which, therefore, it is not possible to record and evaluate at amortised cost, if these are equity investments not held for trading purposes, but of a strategic nature, the new principle provides for that at the time of initial recognition the entity can irrevocably choose to devalue them to *fair value,* with the detection of the subsequent changes in the comprehensive income statement.

With regard to financial liabilities, the provisions established by the current IAS 39 are confirmed by the new IFRS 9, also with reference to the relative recognition and measurement of amortised cost or, in specific circumstances, to the *fair value* with the recording of the effects in the income statement.

It should be noted that, as a result of the amendment approved on 12 October 2017 (and mandatory application from 1 January 2019), it was specified that a debt instrument that envisages an early repayment option could comply with the only required contractual flows from IFRS 9 and, consequently, be valued at the depreciated cost or at *fair value* with the recording of changes in the comprehensive income statement, even if a negative repayment is provided for the financial institution.

The changes compared to the current requirements of IAS 39 are mainly related to:

a) the representation of the effects of the changes of *fair value* attributable to the credit risk associated with the liability, which IFRS 9 requires are recognised in the comprehensive income statement for certain types of financial liabilities, rather than in the income statement as *fair value* changes attributable to other types of risk;

b) elimination of the option for valuation at amortised cost of financial liabilities consisting of derivative financial instruments that provide for the delivery of unlisted equity instruments. As a result of this change, all derivative financial instruments must be valued at *fair value.*

Impairment

IFRS 9 defines a new model of *impairment* of financial assets, with the aim of providing information to the users of the financial statements about related expected losses. In particular, the model requires the verification and recognition of any expected losses at any time of the duration of the instrument and of updating the amount of expected losses at each balance sheet date, to reflect changes in the credit risk of the instrument; it is therefore no longer necessary for a particular event to occur *("trigger event* ") in order to proceed with the verification and recognition of losses on receivables.

The tests of *impairment* must be applied to all financial instruments, with the exception of those used for *fair value* with recognition of the effects in the income statement.

Hedge accounting

The main changes introduced by IFRS 9 concern:

a) the greater extent of the types of risk hedged, to which non-financial assets and liabilities are exposed, also allowing the designation of an aggregate exposure as a subject of hedging, which also includes any derivative instruments;

b) the possibility of designating as a hedging instrument also a financial instrument valued at *fair value* with recognition of the effects in the income statement;

c) the different method of accounting for forward contracts and option contracts, when included in a report of *hedge accounting;*

d) changes to the method for preparing hedge effectiveness tests, as the principle of the "economic relationship" is introduced between the hedged item and the hedging instrument; moreover, the retrospective assessment of the effectiveness of the hedge is no longer required;

e) the possibility of "rebalancing" an existing hedge if the risk management objectives remain valid.

<u>IFRS 15 – Revenue from contracts with customers</u>

IFRS 15 replaces the previous IAS 18 standard, in addition to IAS 11, relating to contract work, and to the related interpretations IFRIC 13, IFRIC 15, IFRIC 18 and SIC 31.

IFRS 15 establishes the standards to be followed for the recognition of revenues deriving from contracts with customers, with the exception of those contracts that fall within the scope of application of the standards concerning leasing contracts, insurance contracts and financial instruments.

The new standard defines an overall reference framework to identify the time and amount of revenue to be recorded in the financial statements.

According to the new standard, the company must proceed with the analysis of the contract and related accounting effects through the following phases:

a) contract Identification;

b) identification of the performance obligations present in the contract;

c) determination of the transaction price;

d) allocation of the transaction price to each identified performance obligation;

e) recognition of revenues at the time the performance obligation is satisfied.

Therefore, the amount that the entity recognises as revenue must reflect the consideration to which it is entitled in exchange for assets transferred to the customer and / or services rendered, to be recognised when their contractual obligations have been fulfilled.

Furthermore, for the recognition of the revenue the need for probability of obtaining / collection of the economic benefits related to the income is emphasised; for work in progress on orders, currently regulated by IAS 11, the requirement to proceed with the recognition of revenues has been introduced, also taking into account any discounting effect deriving from deferred collections over time.

In the first application, if it is not possible to proceed with the retrospective application of the new standard, an alternative approach is envisaged *("modified approach")* in which the effects deriving from the application of the new standard must be recognised in the initial net equity of the first year of application.

<u>IFRS 16 - Leases</u>

On 13 January 2016, the IASB published the definitive version of the new accounting principle relating to the accounting of financial leasing operations, which replaces
10 IAS 17, IFRIC 4, SIC 15 and SIC27, and whose adoption, with the exception of the approval process by the European Union, is established starting from 1 January 2019; early application is permitted to companies that apply IFRS15 in advance - Revenues from contracts with customers.

With regard to the lessee, the new accounting principle intervenes by standardising the accounting treatment of operating and financial leases. In fact, IFRS 16 requires the lessee to recognise assets deriving from a leasing contract in the balance sheet, to be recorded and classified as rights of use (therefore, among intangible assets), regardless of the nature of the leased asset, to be subjected to depreciation on the basis of the duration of the right; at the time of initial recognition, against the aforementioned right, the lessee records the liability deriving from the contract, for an amount equal to the present value of the minimum fees to be paid. IFRS 16 also clarifies that a lessee, in the context of the leasing contract, must separate the components relating to the lease (to which the provisions of IFRS 16 apply) from those relating to other services, to which related conditions of other IFRSs must instead be applied.

Leasing contracts with a duration of 12 months or less and those with low-value items may be excluded from the new accounting presentation method, with a view to low significance for the lessee.

As far as the lessor is concerned, the alternative accounting models of financial leasing or operating leases, on the basis of the characteristics of the contract, remain substantially applicable, as they are currently governed by IAS 17; consequently, it will be necessary to proceed with the recognition of the financial receivable (in the case of financial leasing) or of the tangible asset (in the case of an operating lease).

<u>Annual Improvements to IFRSs: 2014 - 2016</u>

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

11 document introduces changes to the following standards:

- IFRS 1 First-time Adoption of International Financial Reporting Standards: the amendment eliminates the limited exemption provided for the transition of new users to the standards

IFRS 7, IAS 19 and IAS 10. These transition provisions were available for past reporting periods and therefore no longer apply.

- IAS 28 Investments in Associates and Joint Ventures: the amendment allows capital companies, mutual funds, trust units and similar entities to choose to record their investments in associates or joint ventures, classifying them as *fair value* through profit or loss (FVTPL). The Board clarified that such valuations should be made separately for each shareholder or joint venture at the time of initial recording.

These changes must be applied retrospectively for the annual periods beginning on
1 January 2018 or later. Earlier application is permitted.

<u>Annual Improvements to IFRSs: 2015 - 2017</u>

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

The document introduces changes to the following standards:

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

is ready for the intended use or for sale subsequently to be considered as part of the entity's general borrowing costs.

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

For all the new issue principles, as well as for revisions and amendments to the existing standards, TPER is evaluating any impacts currently not reasonably estimated, deriving from their future application, with the exception of IFRS 9, IFRS 15 and IFRS 16, which the following represents.

In particular, with reference to IFRS 15, TPER has essentially completed the initiation of the verification activities regarding the applicability of the new standard to the different types of contracts in force, as well as to the study of possible management and accounting effects. On the basis of the analyses and in-depth analyses developed so far, no significant impacts have emerged that may derive from the adoption of IFRS 15.

With reference to the new accounting standards IFRS 9 and IFRS 16, TPER has started the analysis of the possible impacts deriving from the application of these principles, with reference to the main items of the financial statements that may be involved, represented by trade receivables, related financial assets, financial liabilities and derivative financial instruments.
No significant impacts have been identified that may derive from the introduction of these standards.

INFORMATION ON THE STATEMENT OF FINANCIAL POSITION

The items in the statement of financial position at December 31, 2017 are commented on below. The values in brackets in the headings of the notes refer to the balances as of December 31, 2016. For the details of the balances of the statement of financial position items deriving from transactions with related parties, please refer to the paragraph "Other information" in these explanatory notes.

1. Tangible assets

Thousands of euros 198,090 (166,434)

Tangible assets at 31 December 2017 show a net value of EUR 198,090 thousand compared to the net value at 31 December 2016, equal to EUR 166,434 thousand. The table below shows the initial and final amounts of the items of tangible assets, with evidence of the original cost and cumulative depreciation at the end of the year.

In thousands of euros	31/12/2017			31/12/2016		
	cost	depreciation accumulated	net value	cost	depreciation accumulated	net value
Property	4,374	(1,149)	3,225	4,374	(1,073)	3,301
Property in progress	188	0	188	1,038	0	1,038
PROPERTY	**0**	**0**	**3,413**	**0**	**0**	**4,339**
Bus/trolleybus rolling stock	289,890	(230,721)	59,170	276,699	(227,689)	49,010
Bus / trolleybus rolling stock in progress	6,090	0	6,090	0	0	0
Rail rolling stock	95,787	(5738)	90,049	53,622	(2,794)	50,827
Rail rolling stock in progress	0	0	0	23,052	0	23,052
Vehicles rolling stock	3,036	(2,606)	430	2,734	(2466)	268
ROLLING STOCK	**0**	**0**	**155,739**	**0**	**0**	**123,158**
Infrastructure	24,853	(20,166)	4,688	21,594	(20,022)	1,573
Infrastructures in progress	33,736	0	33,736	37,191	**0**	37,191
INFRASTRUCTURE	**0**	**0**	**38,424**	**0**	**0**	**38,763**
Other tangible assets	9,329	(8,814)	514	8,865	(8,691)	174
OTHER FIXED ASSETS	**0**	**0**	**514**	**0**	**0**	**174**
Total "Tangible Assets"	**467,283**	**(269,194)**	**198,090**	**429,168**	**(262,734)**	**166,434**

The increase in the net value of tangible assets compared to the balance at 31 December 2016, equal to EUR 31,656 thousand, is analysed in the following movements.

In thousands of euros	31/12/2016	investments	depreciation	write-downs	disposals of	others reclassifications or adjustments	31/12/2017
Property	3,301	0	(76)	0	0	0	3,225
Property in progress	1,038	0	0	(850)	0	0	188
Bus/trolleybus rolling stock	49,010	17,056	(6,655)	0	(242)	0	59,170
Bus / trolleybus rolling stock in progress	0	6,090	0	0	0	0	6,090
Rail rolling stock	50,827	23,518	(2,944)	0	0	18,647	90,049
Rail rolling stock in progress	23,052	0	0	0	0	(23,052)	
Vehicles rolling stock	268	302	(140)	0	0	0	430
Infrastructure	1,573	514	(854)	0	0	3,455	4,688
Infrastructures in progress	37,191	0	0	0	0	(3,455)	33,736
Other tangible assets	174	465	(125)	0	0	0	514
Total	166,434	47,947	(10,794)	(850)	(242)	(4,405)	198,090

The item "property" includes buildings and land owned for purposes instrumental for the financial year of the assets The write-down refers to the loss in value recorded in the financial year 2017 as a result of the *impairment test* of a summary of goods consisting of building land and a building partially constructed in the town of Bologna and originates from the well-known collapse of the property market still underway in the tertiary and productive sectors, occurring since 2008, as well as the fact the structures created many years ago, became obsolete and non-profitable according to current regulations.

The "bus and trolleybus rolling stock" is used within the TPL of Bologna and Ferrara and its useful life is estimated on the basis of the remaining duration of the service agreements. The increases for the year refer to 84 buses and 17 trolley buses that entered service in 2017.

In relation to the "railway rolling stock" it is pointed out that in the first months of 2017 the supply and commissioning of the last batch of 7 new ETR 350 Stadler electric traction trains, all equipped with every comfort according to the best current quality standards, was completed (in particular double toilets, air conditioning, security cameras, stop warning, low floor for flush parking even for passengers with reduced mobility and bicycle racks).

The "infrastructure" item consists of works carried out on third party assets, electronic machines, issuers, validators, parking meters, electronic message panels with variable message and information systems for users.

Lastly, it should be noted that as of December 31, 2017, tangible assets are not encumbered by mortgages, liens or other real guarantees that limit their availability.

2. Intangible Assets

Thousands of euros 1,214 (866)

In thousands of euros	31/12/2017 cost	depreciation accumulated	net value	31/12/2016 cost	depreciation accumulated	net value
Intangible Assets	5,864	(4,650)	1,214	5,138	(4,272)	866
Total intangible assets	5,864	(4,650)	1,214	5,138	(4,272)	866

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

The goodwill paid for the purchase of the Modena-Sassuolo and Bologna-Casalecchio-Vignola railway management for a residual value of EUR 1.3 million was entirely written down in 2013 in view of the re-assignment of the public auction of the public passenger transport service by rail within the competence of the Emilia-Romagna Region.

The table below shows the amounts at the beginning and at the end of the year as well as the relative changes occurred in 2017.

In thousands of euros	31/12/2016			31/12/2017
	net value	investments	depreciation and write-downs	net value disposals
intangibles	866	726	378-	- 1,214
Total Thousands of euros	866	726	378-	- 1,214

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

3. Participations

Thousands of euros 54,689 (54,689)

In thousands of euros	31/12/2016	changes in the financial year				31/12/2017
	opening balance	contributions of capital	Revaluations (Write-downs)	Valuation reimbursements with capital the PN method	reclassifications or adjustments	closing balance
Participations	**54,689**	-	-	- -	-	**54,689**
Total Movements in Participations	**54,689**					**54,689**

Tper holds direct participations in 13 companies, of which 7 are subsidiaries, 4 are associates and 2 in which a stake is held.

The table below shows the participations held by the Company as at 31 December 2017, indicating the percentage of ownership and the related carrying amount, net of any tenths to be paid, with evidence of the original cost and of the revaluations and accumulated write-downs at the end of the year.

In thousands of euros	% of possession	31/12/2017 cost	Revaluations (write-downs)	closing value	% of possession	31/12/2016 Revaluations cost (write-downs)	Closing value
Subsidiary companies							
TPF Scarl	97.00%	10		10	51%	10 -	10
SST S.r.l.	51.00%	94		94	51%	94-	94
TPB Scarl	85.00%	9		9	85%	9 -	9
OMNIBUS Scarl	51.00%	39		39	51%	39	39
DINAZZANO PO S.p.A.	95.30%	36,905		36,905	95%	36,905-	36,905
MA.FER S.r.l.	100.00%	3,100		3,100	100%	3,100 -	3,100
HERM S.r.l.	95.00%	10,621 -	2,400	8,221	95%	10,621 - 2,400	8,221
Associated companies							
CONSORZIO TRASPORTI INTEGRATI S.c.a.r.l.	26.00%	3		3	26%	3 -	3
Marconi Express S.p.A.	25.00%	2,000		2,000	25%	2,000 -	2,000
SOCIETA' FERROVIARIA PROVVISORIA S.c.a.r.l.	30.00%	300		300	30%	300 -	300
SETA S.P.A.	6.70%	673		673	7%	673 -	673
Participations in other companies							
Consorzio Esperienza Energia S.c.a.r.l. in liquidation	1.00%	0		0	1%	0 -	0
START ROMAGNA S.P.A.	13.90%	4,036 -	700	3,336	14%	4,036 - 700	3,336
Total Participations		57,789 -	3,100	54,689		57,789 - 3,100	54,689

Tper has made a resolution to exit the Consorzio Esperienza Energia S.Cons.a rl (formerly Consorzio Bolognese Energia Galvani Scrl) for a value of EUR 350 in the balance sheet, unchanged from the previous year.

On 22/09/2016 the Consorzio Esperienza Energia S.Cons.a rl resolved to accept the withdrawal of Tper which will be finalised in 2018.

With reference to the participations, it is specified that the *impairment tests were carried out in* relation to the carried over values as of December 31, 2017:

a) which include a goodwill, or

b) for which indications of possible impairment have been found.

4. Financial assets

Non-current amount Thousands of euros 12,746 (8,198)

Current amount Thousands of euro 19,370 (6,539)

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

In thousands of euros	31/12/2017			31/12/2016		
	financial statement value	current amount	non-current amount	financial statement	current amount	non-current
Financial assets for contributions	***18,911***	***18,911***		***6,539***	***6,539***	
Emilia Romagna Region	15,150	15,150		2,357	2,357	
Municipality of Bologna	1,003	1,003		646	646	
Ministry of Transport	2,569	2,569		2,940	2,940	
Municipality of San Lazzaro	188	188		126	126	
Other				470	470	
Other financial assets	***13,204***	***458***	***12,746***	***8,198***	-	***8,198***
Subsidiary loan to Mafer SpA	7,000		7,000	7,000		7,000
Loan to company Marconi Express in which participation held	5,746		5,746	750		750
Other	458	458		448		448
Total Thousands of euros	32,116	19,370	12,746	14,736	6,539	8,198

The receivables from the Emilia-Romagna Region, amounting to EUR 15,150 thousand, refer to EUR 1,413 thousand for contributions to be collected on the Stimer regional electronic ticketing system, to EUR 13,342 thousand for bus purchase, to EUR 205 thousand for the trolleyway extension 14 and to EUR 190 thousand for remote control.

The receivables from the Municipality of Bologna, amounting to EUR 1,003 thousand, refer to contributions to be received for remote control for EUR 411 thousand, and EUR 592 thousand for the creation of the TPGV Crealis transport system.

The receivable from the Ministry of Transport, amounting to EUR 2,569 thousand, refers to the state share of the contributions for the construction of the TPGV Crealis transport system.

The loan to the subsidiary Ma.Fer SpA, amounting to EUR 7,000 thousand, refers to an interest-bearing loan contract acquired with the extraordinary operation of 2012 and was disbursed for the purchase of the warehouse relating to railway spare parts material.

The loan to the investee company Marconi Express SpA, amounting to EUR 5,746 thousand, was disbursed in line with the approved business plans and the shareholders' agreements, and refers to the Tper share of the loan for the construction of the monorail connecting the railway station and Bologna airport.

5. Pre-paid Tax Assets and Deferred Tax Liabilities

Liabilities for deferred taxes Thousands of euros 2,846 (2,941)

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

In thousands of euros	31/12/2017	31/12/2016
Liabilities for IRES (corporation Tax)deferred taxes	5,883	5,883
Liabilities for IRAP (regional tax) deferred taxes	956	956
Liabilities for deferred taxes	**6,838**	**6,838**
IRES pre-paid tax assets	3,540	3,464
IRAP pre-paid tax assets	453	433
Compensab pre-paid tax assets	**3,993**	**3,898**
Net deferred tax liabilities	**2,846**	**2,941**

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

In thousands of euros	31/12/2016	changes in the financial year				31/12/2017
	opening balance	Provisions ti	(Releases) / (uses)	Provisions nti (releases) in changes of OCI estimates ap	others reclassifications or adjustments	closing balance
Differences between tax value and book value of	6,838					6,838
Other temporary differences						0
Liabilities for deferred taxes	**6,838**	**0**	**0**	**0**	**0**	**6,838**
Provisions for funds not deducted	3,082	0	0	0	0	3,082
Other temporary differences	816	142	0	(46) 0	0	911
Deferred tax assets, countervailable	**3,898**	**142**	**0**	**(46) 0**	**0**	**3,993**
Net deferred tax liabilities	**2,941**	**(142)**	**0**	**46 0**	**0**	**2,846**

6. Other assets

Current amount Thousands of euros 17,908 (10,381)

These total EUR 17,908 thousand, the main items contributing to the balance being analysed below:

In thousands of euros	31/12/2017	31/12/2016
Tax Authorities VAT account	8,552	3,667
Receivables from Ferrovie Emilia Romagna	5,527	2,763
Prepaid expenses	1,814	1,841
Other receivables	5,855	5,701
Total	21,747	13,973
Provision for Doubtful Accounts/Bad Debts	- 3,839	- 3,592
Total other assets	**17,908**	**10,381**

The receivable from Emilia-Romagna railways, amounting to EUR 5,527 thousand, refers to public grants to cover the increased charges of the national collective labour agreement.

The item "Other receivables" includes the receivable from Atc SpA, equal to EUR 3.6 million, referable to the adjustments of the extraordinary merger operation of 2012 and the accounting recognition of the

IRES credit from IRAP referable to previous years. For this receivable it was considered appropriate to attach an adequate provision for write-downs because, despite the recognition of the debt and the full availability to extinguish it, Atc has tax litigation underway that could compromise - in the event of a loss to ATC - the financial capacity of the company.

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

In thousands of euros	01/01/2017	uses	provisions	31/12/2017
On other assets	3,592		248	3,839
Total Provision for bad debts	**3,592**	**-**	**248**	**3,839**

7. Trade assets

Thousands of euros 107,704 (101,798)

The item, mainly consisting of trade receivables, increased by EUR 5,905 thousand compared to the balance at 31 December 2016, mainly due to advances for bus supplies.

It is pointed out that the value of trade assets approximates its *fair value.*

At December 31, 2017, trade assets included:

a) inventories, amounting to EUR 10,790 thousand (EUR 10,114 thousand at December 31, 2016), consisting of fuel and lubricant stocks and spare parts for the maintenance of the rolling stock;

1 *Thousands of euros*	31/12/2017	31/12/2016
Inventories:		
Raw materials	13,788	13,112
Funds for loss in value of inventory	- 2,998	- 2,998
Total	10,790	10,114

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

b) trade receivables, equal to EUR 96,913 thousand (EUR 91,684 thousand at December 31, 2016), the breakdown of which is detailed in the table below.

In thousands of euros	31/12/2017	31/12/2016
Trade receivables from:		
Subsidiary Companies	40,798	42,303
Associated companies	12,352	12,338
Owned entities	2,165	1,574
Others for different services	48,138	38,770
Total trade receivables (gross)	103,452	94,983
Provision for Doubtful Accounts/Bad Debts	(6,539)	(3,299)
Trade receivables (net)	96,913	91,684

Trade receivables from subsidiaries, amounting to EUR 40,798 thousand, essentially refer to invoices issued or to be issued for fees for minimum services for automotive services (to TPB and TPF consortia) and for administrative services, personal posting and lease of the company branch (to Ma.fer SpA and Dinazzano Po SpA).

Trade receivables due from associated companies, amounting to EUR 12,352 thousand, mainly refer to the receivable from Consorzio Trasporti Integrati Scarl for railway services.

The item "Other receivables for other services", amounting to EUR 48,138 thousand, is attributable to receivables for the sale of travel and parking securities (6,445), the collection of administrative penalties (330), advance payments to suppliers (14,408) and receivables from customers for the penalties charged to the manufacturers of rolling stock, for the repair and maintenance services of third party vehicles, for services related to mobility, for renting and the sale of advertising space.

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

In thousands of euros	01/01/2017	uses	provisions	31/12/2017
On trade receivables	3,299	- 405	3,645	6,539
Total Provision for bad debts	**3,299**	**- 405**	**3,645**	**6,539**

8. Liquid assets

Thousands of euros 59,321 (25,622)

The item includes:

a) bank deposits, amounting to EUR 59,161 thousand (EUR 25,480 thousand at December 31, 2016);

b) postal current accounts, equal to EUR 144 thousand (EUR 123 thousand at December 31, 2016);

c) the company funds, amounting to EUR 15 thousand (EUR 18 thousand at December 31, 2016);

The consistent overall increase in cash and cash equivalents is substantially correlated with the cash collected following the 2017 bond issue, already cited in the notes.

For more details on the events that generated the increase in the item during the 2017 financial year, please refer to the cash flow statement.

9. Assets and liabilities for current taxes

Current tax assets Thousands of euros 1,739 (1,866)

Liabilities for current taxes Thousands of euros 471 (186)

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

Assets for current income taxes

In thousands of euros	Assets for income taxes		Liabilities for current taxes	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
IRES (corporate tax)	1,739	1,866	-	-
IRAP (Regional Tax)	-	-	471	186
	1,739	**1,866**	**471**	**186**

10. Shareholders' equity

Thousands of euros 147,154 (143,627)

The fully paid-up share capital of TPER at December 31, 2017, consists of the number of 68,492,702 ordinary shares with a par value of 1 euro each, for a total of EUR 68,493 thousand, and did not change in the 2017 financial year.

At 31 December 2017:

a) the shares in circulation are equal to 68,492,702 (68,492,702 as of December 31, 2016);

b) treasury shares amount to 111,480 (0 at December 31, 2016).

The reduction in the number of shares outstanding and the simultaneous increase in treasury shares originated from the acquisition on the market of 11,480 shares, in relation to the withdrawal of the shareholders Province of Mantua, Province of Modena, Province of Reggio Emilia and Province of Rimini.

Shareholders' equity increased by EUR 3,527 thousand compared to 31 December 2016, mainly due to the combined effect of:

a) the overall economic result, positive for an amount of EUR 8,374 thousand, due to the profit for the year (equal to EUR 8,227 thousand) and the change in the other components of the comprehensive income statement (equal to EUR 147 thousand).
b) the distribution of the dividend balance for 2016 (EUR 4,658 thousand);

c) the aforementioned purchase of treasury shares for EUR 189 thousand.

The following is a summary table of the shareholders' equity items as at 31 December 2017 with an indication of the relative possibility of use and the evidence of the available quota.

				Summary of uses made in the period 01/01/2014 - 31/12/2017 (pursuant to article 2427, 7 a, of the civil code)	
Thousands of euros		POSSIBILITY OF USE	QUOTA AVAILABLE	Quota For coverage losses	available For others reasons
Description	**31/12/2017**	(A,B,C,D)			
Issued capital	68,493				
Share premium reserve					
Legal reserve	3,924	B	3,924		
Extraordinary reserve	8,914	A, B, C	8,914		
Reserve from profits (losses) from actuarial valuation -	747	-	747		
Other reserves	34,505	A, B, C	34,505		
Profits carried forward	24,028	A, B, C	24,028		
Reserves and profits carried forward	139,116		70,623		
Treasury shares	189				
Total	138,927				
of which:					
Non-distributable quota	72,228				
Distributable quota	66,699				

Key:
A: for increase of capital
B: loss coverage
C: for distribution to shareholders

11. Funds for provisions

Non-current amount Thousands of euros 59,716 (57,851)

Current amount Thousands of euros 3,074 (5,496)

In thousands of euros	financial statement value	31/12/2017 current amount	non-current amount	financial statement value	31/12/2016 current amount	non-current amount
Funds for employee benefits	27,845	2,135	25,710	30,566	1,811	28,755
Fund for restoration and replacement of rolling stock	5,394		5,394	5,394		5,394
Other provisions	29,551	939	28,612	27,387	3,685	23,702
Total funds for provisions	**62,790**	**3,074**	**59,716**	**63,347**	**5,496**	**57,851**

The table of the amounts at the beginning and end of the year for provisions and related changes for 2017 is shown below.

In thousands of euros	31/12/2016	changes in the financial year						31/12/2017
	opening balance	Provisions	Financial charges	Decreases for use	Decreases for releases	Provisions for (releases) in OCI	other reclassifications or adjustments	closing balance
Funds for employee benefits	30,566	250		- 2,778		-193-		27,845
Fund for restoration and replacement of rolling stock	5,394							5,394
Insurance deductibles fund	5,847		35-495				18	5,368
Contract fund for charges for MAFER warehouse	5,352	2,113						7,465
Fund for work disputes in progress	6,413	3,759	13- 113		- 3,256		-53	6,762
Litigation fund Cuneo Fiscal Revenue Agency	c 9,593							9,593
Other provisions	182	182						364
Total changes in Funds for provisions	**63,347**	**6,303**	**48■ 3,386 ■**		**■ 3,256**		**■ 193 ■ 72**	**62,790**

Funds for employee benefits

At December 31, 2017, the employee benefits provision, amounting to EUR 27,845 thousand, refers entirely to employee severance indemnity (TFR) for employees subject to Italian legislation, to be liquidated upon termination of employment.

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

	31/12/2017	31/12/2016
Annual rate of discounting	0.88%	0.86%
Annual rate of inflation	1.50%	1.50%
Annual rate of increase of severance indemnity	**2.625%**	**2.625%**
Frequency of advances	**2%**	**2%**
Annual turnover rate	**1.50%**	**1.50%**

In particular, it should be noted that:

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

Below the list of the statistical sources used is reported.

Mortality rate	RG48 mortality tables published by the State General Accounting 0.88% INPS tables
Incapacity	distinguished by age and sex
Retirement age	100% upon reaching the AGO requirements

The "Rolling stock restoration and replacement fund", amounting to EUR 5,394 thousand, refers to amounts set aside to meet the commitments made under the existing service agreements for passenger rail transport managed through the Consorzio Trasporti Integrati Soc. Consortile a rl for the restoration and replacement of railway rolling stock.

The "Insurance deductibles fund", equal to EUR 5,368 thousand, represents the probable liability for the excesses paid by Tper still to be paid on motor vehicle accidents occurring before 2017.

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

The "Provision for work disputes in progress", amounting to EUR 6,762 thousand, has been created to cover the foreseeable liabilities, expressed at current values, relating to disputes with employees.
The fund also includes an estimate of legal fees and other potential ancillary costs.

The "Provision for tax disputes", amounting to EUR 9,593 thousand, consists of the involvement of Tper - as a legally supportive subject - in relation to tax disputes on matters prior to its constitution.

12. Financial Liabilities

Non-current amount Thousands of euros 113,505 (24,805)

Current amount Thousands of euros 10,627 (11,497)

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

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

In thousands of euros	31/12/2017				31/12/2016			
	value nominal	value of the current financial statement	amount	non-current amount	value nominal	value of the current financial statement	amount	non-current amount
Debenture loans	95,000	94,212		94,212			0	0
Medium to long-term financing	26,697	26,697	8,080	18,616	29,254	29,254	5,319	23,935
Derivatives		335		335		507	0	507
Current account overdrafts							0	0
Short-term financing							0	0
Other financial liabilities	2,887	2,887	2,547	341	6,465	6,540	6,178	362
Total financial liabilities	124,584	124,132	10,627	113,505	35,719	36,302	11,497	24,805

On 15/09/2017, Tper completed the issue of an unsecured debenture bond loan for an amount of EUR 95 million, listed on the Dublin Stock Exchange, the world's leading market place for regulated government and corporate bonds.

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

The item "long-term loans" refers to a bridging loan for the purchase of a batch of 7 electric trains, contracted in 2016 and with expiry expected in 2022.

13. Other liabilities

Non-current amount Thousands of euros 20,908 (20,781)

Current amount Thousands of euros 37,182 (41,346)

The following table details the composition of the item.

In thousands of euros	31/12/2017			31/12/2016		
	value of the current financial statement		non-current amount	value of		non-current amount
Payables to shareholders	1,634	1,018	616	742	126	616
Payables to Subsidiaries	95	95		95	95	
Payables to associated companies				151	151	
Payables to pension and social security institutions	1,975	1,975		2,254	2,254	
Tax payables	778	778		399	399	
Payables to employees	12,102	12,102		12,206	12,206	
Payables to SRM Mobility Agency	19,159	10	19,149	19,167	20	19,148
Other payables	22,347	21,204	1,143	27,114	26,097	1,017
Total other liabilities	58,090	37,182	20,908	62,127	41,346	20,781

Payables to shareholders, equal to EUR 1,634 thousand, show the amount of dividends still not paid at the end of the year and an amount of contributions

The item "payables to employees", amounting to EUR 12,102 thousand, refers to wages accrued still to be paid and holidays accrued and not yet taken.

The amount of payables to SRM Mobility Agency Reti e Mobilità SpA, amounting to EUR 19,159 thousand, essentially refers to the balance due on the reference date in relation to the business unit lease contract signed on 4 March 2011 between the SRM Mobility Agency Società Reti e Mobilità SpA and the company Trasporto Pubblico Bolognese S.c.a.r.l. at the same time as signing the service agreement for the management of public transport on the local road in the Bologna area.

Among the most significant items of the "Other payables" we would point out: EUR 11.5 million for revenues on prepaid tickets for the next financial years, EUR 4.7 million accrued revenues for the next financial years, EUR 4.6 million for bus subsidies not yet in operation and EUR 0.4 million euros for payables for accrued liabilities for insurance deductibles.

14. Trade liabilities

Non-current amount Thousands of euros 5,493 (4,697)

Current amount Thousands of euros 71,803 (63,165)

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

in thousands of euros	31/12/2017 value of the current financial statement		non-current amount	31/12/2016 value of the current financial statement		non-current amount
Payables due to suppliers	71,391	65,898	5,493	58,974	54,277	4,697
Payables to Subsidiaries	4,151	4,151		6,973	6,973	
Payables to associated companies	281	281		463	463	
Payables to shareholders	761	761		1,116	1,116	
Other payables	713	713		336	336	
Total other liabilities	77,296	71,803	5,493	67,862	63,165	4,697

Payables to suppliers recorded an increase of EUR 12,417 thousand attributable mainly to investments in rolling stock made in 2017.

INFORMATION ON THE INCOME STATEMENT ITEMS

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

15. Revenues for TPL line services

In thousands of euros 167,736 (165,467)

Revenues from services from the TPL line amounted to EUR 167,736 thousand and show an increase of EUR 2,269 thousand (+1.37%) compared to 2016 (EUR 165,467 thousand).

In thousands of euros	2017	2016	*VARIATIONS*
TICKETS	74,387	75,796	-1,410
REMUNERATIVE INTEGRATIONS	77,771	74,765	3,005
CLA CONTRIBUTIONS	10,509	10,509	0
PASSENGER FINES	4,188	3,514	674
OTHER REVENUES	882	883	-1
Total	**167,736**	**165,467**	**2,269**

16. Revenues from railway line services

In thousands of euros 60,436 (58,771)

Revenues from railway services amounted to EUR 60,436 thousand and increased by EUR 1,665 thousand (+2.83%) compared to 2016 (EUR 58,771 thousand).

In thousands of euros	2017	2016	*VARIATIONS*
TICKETS	13,843	13,875	-32
REMUNERATIVE INTEGRATIONS	44,054	42,496	1,558
CLA CONTRIBUTIONS	2,282	2,282	0
PASSENGER FINES	214	86	128
OTHER REVENUES	43	31	12
Total	**60,436**	**58,771**	**1,666**

17. Revenues from parking and car-sharing

In thousands of euros 16,153 (16,518)

Revenues for parking and car sharing amounted to EUR 16,153 thousand and decreased by EUR 365 thousand (-2.21%) compared to 2016 (EUR 16,518 thousand).

In thousands of euros	2017	2016	*VARIATIONS*
PARKING	13,921	14,224	-304
ACCESS TO THE HISTORIC CENTRE	1,833	1,925	-91
CAR-SHARING	399	369	30
Total	16,153	16,518	- 365

18. Other revenues

In thousands of euros 10,327 (12,326)

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

In thousands of euros	2017	2016	*VARIATIONS*
VEHICLE AND OTHER MAINTENANCE	3,284	3,219	65
INSURANCE AND OTHER REBATES	3,148	3,239	-91
FINES	772	1,064	-292
OTHER	3,124	4,805	-1,681
Total	10,327	12,326	-1,999

19. Cost of staff

Thousands of euros 115,149 (115,385)

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

In thousands of euros	2017	2016	*VARIATIONS*
Wages and payrolls	83,651	83,941	-290
Social security costs	25,035	24,993	42
Provision for pension funds	5,525	5,621	-96
Other personnel costs	938	830	107
Total	115,149	115,385	-236

Personnel costs amounted to EUR 115,149 thousand (EUR 115,385 thousand in 2016) and were substantially in line with what was incurred in the previous year.

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

UNIT	2017	2016	*VARIATIONS*
Senior executives	12	12	0
Management	51	53	-2
Office staff	291	288	3
Blue-collar staff	2,093	2,165	-72
Apprentices	44	7	37
Associate staff	0	1	-1
Total	**2,491**	**2,526**	**-35**

20. Costs for services

In thousands of euros 65,674 (65,383)

The financial statement balance is detailed in the following table.

In thousands of euros	2017	2016	*VARIATIONS*
Transportation services	3,097	2,698	399
Railway tolls	10,241	10,270	-29
Maintenance	19,981	22,066	-2,086
Cleaning	4,702	5,006	-304
Insurance	4,510	4,861	351
Electricity	4,093	4,161	-68
Catering services	1,925	1,832	94
Other utilities	1,671	1,430	241
Consultancy	1,441	928	513
other	14,014	12,131	1,883
Total	**65,674**	**65,383**	**291**

21. Raw materials and materials

In thousands of euro 27,540 (27,751)

This item includes the costs for the purchases of materials:

In thousands of euros	2017	2016	*VARIATIONS*
Fuels	15,302	15,109	193
Lubricants	507	546	-39
Tyres	660	875	-215
Spare parts	9,026	9,295	-269
Various materials	1,448	1,458	-9
other	596	468	128
Total	**27,540**	**27,751**	**-212**

22. Costs for the use of third-party assets

In thousands of euro 10,452 (11,241)

The item includes:

In thousands of euros	2017	2016	*VARIATIONS*
Parking and parking management fees	6,108	6,975	-867
Other rentals and leasing	2,154	2,170	-16
Company rentals	2,190	2,096	94
Total	10,452	11,241	-789

The parking and parking management fee relates to the amount due to the Municipality of Bologna on the basis of the contract awarding the related tender. The relative increase is attributable to the higher revenues achieved.

The item "company rental fee" refers to:

- €1,704 thousand for the mobility agency SRM Società Reti e Mobilità SpA in relation to the lease agreement for a business unit signed on 4 March 2011 between the SRM Mobility Agency Società Reti e Mobilità SpA and the company Public Transportation Bolognese Scarl at the same time as signing the service agreement for the management of public transport on the local road in the Bologna area with SRM Srl Agency; and
- 486 thousand euros for the Agency's Mobility and Facilities in relation to the concession contract in use of the assets functional to the TPL signed on 23 December 2010 between the Mobility and Plants Agency and the Ferrarese Public Transport company Scarl at the same time as the signing of the service agreement for the management of public transport on the local roads in the Ferrara area.

Other operating costs

Thousands of euro 2,118 (3,443)

The item includes:

In thousands of euros	2017	2016	*VARIATIONS*
Taxes and other levies	1,057	1,134	-77
Servicing and tests	124	85	39
Membership fees	333	265	68
other	604	1,959	-1,355
Total	2,118	3,443	-1,326

24. Depreciation

In thousands of euros 11,172 (8,366)

The item consists of the depreciation charge for 2017, which amounts to 11,172 thousand euro and refers to the following fixed assets:

In thousands of euros	2017	2016	*Variations*
Depreciation on tangible assets of which:	**10,794**	**7,932**	**2,862**
Real estate	76	77	- 1
Bus/trolleybus rolling stock	6,655	5,612	1,043
Rolling stock railways	2,944	1,299	1,645
Vehicles rolling stock	140	99	41
Infrastructure	854	729	125
Other tangible assets	125	116	9
Depreciation on intangible assets	**378**	**434**	**-56**
Depreciation	**11,172**	**8,366**	**2,806**

25. Write-downs and write-backs

In thousands of euro 4,371 (557)

The item consists of provisions for write-downs of receivables for €3,521 thousand and the write-down of an industrial building in the municipality of Bologna for €850 thousand.

26. Change in funds for provisions

Thousands of €2,721 (€7,854)

The item consists of the operating changes (provisions and releases) of funds for provisions, excluding those for employee benefits (classified in personnel costs), allocated by Group companies to fulfil the legal and contractual obligations that are presumed to require the use of economic resources in subsequent years.
The balance of €2,721 thousand is connected to the net increase of €445 thousand in the issue of the provision for labour disputes, and to a provision for the onerous MAFER warehouse to cover the obligation to repurchase the warehouse railway spare parts from the subsidiary MAFER S.p.A.

27. Financial revenue

Thousands of euro 259 (169)

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

In thousands of euros	2017	2016	Variations
Dividends	55	55	-0
Other financial income			
of which interest receivable on credits	186	96	90
of which interest receivable on bank accounts	1	7	-6
of which other interest income	17	11	6
Financial revenue	**259**	**169**	**90**

The receivable financial income recorded a slight decrease due to the reduction in interest bearing loans.

28. Financial expenditures

In thousands of €1,306 (€297)

In thousands of euros	2017	2016	Variations
Bond loan charges	574		574
Charges for financing	463	136	327
Other financial charges	269	161	108
Financial expenditures	**1,306**	**297**	**1,009**

Financial charges recorded a substantial increase, due to the charges from loans on the purchase of electric trains and the interest accrued on the bond loan initiated on 15 September 2017.

29. Taxes

In thousands of €6,181 (€6,699)

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

In thousands of euros	2017	2016	*Variations*
IRES (Corporate Income Tax)	4,864	6,600	- 1,736
IRAP (Regional Income Tax)	1,013	1,200	187
Current income taxes	**5,877**	**7,800**	**1,923**
Income taxes from previous years	446		
Differences on income taxes of previous years	**446**	-	
Provisions	- 142	- 1,101	959
Releases			-
Prepaid taxes	**- 142**	**- 1,101**	**959**
Provisions			
Releases			
Deferred taxes	**-**	**-**	**-**
Prepaid and deferred taxes	**- 142**	**- 1,101**	**959**
Tax revenues (expenses)	**6,181**	**6,699**	**- 964**

The total tax charges amounted to €6,181 thousand, substantially in continuity with the previous year.

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

Description	Value	Tax
Pre-tax income	**14,378**	
Theoretical tax burden (24% rate)		3,451
Temporary differences that can be taxed in subsequent years		
Temporary differences deductible in future balances	7,239	1,737
Reversal of temporary differences from previous years	(2,056)	(493)
Differences that do not reverse in subsequent years	707	170
Taxable income	**20,269**	
Accrued IRES for the year		4,864
Accrued IRAP for the year		1,013
Total current taxes for the year		**5.8771**

Earnings per share

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

	31/12/2017	31/12/2016
Weighted average number of shares issued	68,492,702	68,492,702
Weighted average number of treasury shares in portfolio	11,480	
Weighted average number of outstanding shares for the purpose of calculating basic earnings	68,481,222	68,492,702
Profit for the year (in thousands of euros)	8,227	6,275
Basic earnings per share (Euro)	0.12	0.09

OTHER FINANCIAL INFORMATION

Information on the cash flow statement

The financial trend for 2017 shows an increase in net cash and cash equivalents of €33,699 thousand, while in 2016 there was a decrease of €17,446 thousand.

Net cash flow from operating activities, equal to €5,831 thousand, decreased by €1,966 thousand compared to 2016 (€7,797 thousand) mainly due to the change in working capital due essentially to the combined effect of:

a) an increase in trade receivables, equal to €5,229 thousand;
b) an increase in other current assets, equal to €7,526 thousand;
c) an increase in trade liabilities, equal to €9,434 thousand;
d) the use/release of provisions for risks and charges, equal to €6,642 thousand.

The net cash flow absorbed by investing activities, equal to - €37,735 thousand, is mainly generated by investments in tangible assets, equal to €51,627 thousand, net of grants received for these investments, equal to €14,376 thousand.

Cash flow generated by financial assets, amounting to €65,604 thousand, essentially derives from the combined effect of:

a) the issue of the bond loan amounting to €94,212 thousand;
b) the repayment of medium and long-term loans, amounting to €2,558 thousand;
c) the increase in financial assets, totaling €17,379 thousand, essentially due to an increase in financial assets for grants, equal to €12,373 thousand, and to the increase in financial assets related to the interest-bearing loan disbursed to the investee Marconi Express SpA, equal to €4,996 thousand;
d) the decrease in other financial liabilities, totalling €3,835 thousand;
e) the purchase of treasury shares for €189 thousand; is
f) the dividends distributed to shareholders at the time of approval of the 2016 financial statements for €4,658 thousand.

Management of the financial risk

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

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

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

Operating risk

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

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

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

Market risk

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

The objectives of the strategy are to:

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

Interest rate risk

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

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

Liquidity risk

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

The strategy adopted by the Company for the management of liquidity risk focuses on optimising its ability to generate cash flows, and on diversifying sources of funding to cover its requirements for the management of the year and for investments.

Credit risk

Tper operates by providing public services and revenues deriving from the tariffs applied to the users of the transport service are essentially collected with the provision of the service.

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

ADDITIONAL INFORMATION

Guarantees and third party assets at the company

At 31 December 2017, there were personal and real guarantees issued by the Company and the asset risks assumed in relation to the assets of third parties at the company, among which are reported by relevance:

Description	31/12/2017	31/12/2016	Variations
Guarantees granted to third parties			
Guarantees given	23,162,291	21,188,796	1,973,494
Risks			
Third party assets at the company	651	651	0
SRM rented assets at the company	30,121,533	30,772,796	-651,263
SRM assets at the company	19,102	19,102	
Total	**53,303,577**	**51,981,345**	**1,322,232**

The guarantees given to third parties refer - for the most part - to the guarantees provided by Tper, on behalf of Tpb Scarl and Tpf Scarl, to the respective mobility agencies for service contracts for local public transport in the Bologna and Ferrara areas.

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

In addition to the guarantees summarised above, it should be noted that Tper had at the closing date of the financial year €34 million of guarantees from third parties to cover the purchases of goods (mainly rolling stock) and services. The most significant items of third party guarantees consisted of guarantees on the construction of the Bologna-San Lazzaro bound public transport system (TPGV) (€22 million), for the purchase of 7 train trains (€0.9 million) and for the purchase of new buses (€6 million).

Management and coordination activities pursuant to Article 2497 et seq.

Article 2497 et seq. of the Civil Code it is not applicable because Tper autonomously defines its strategic guidelines and is fully autonomous in terms of organisation, management and negotiation, as it is not subject to any management and coordination activity.

Relations with related parties

The main relationships maintained by the Company with its related parties, identified according to the criteria defined by Article 2427 no. 22 bis of the Civil Code

The following tables show the economic and financial balances, of a commercial and financial nature, deriving from transactions with related parties, including those relating to directors, statutory auditors and other executives with strategic responsibilities of the Company.

In thousands of euros		Sales to parties related	Purchases from parties related	Credits vs parties related	Debts vs parties related
Subsidiary Companies					
Omnibus S.Cons.a r. l.	2017	3	1,752	150	712
	2016	4	1,412	255	406
TPF S.Cons.a r. l.	2017	17,264	527	6,502	179
	2016	17,255	528	2,127	184
TPB S.Cons.a r.l.	2017	70,079	18	25,391	18
	2016	70,280	13	26,717	13
MA.FER S.r.l.	2017	1,214	10,043	14,040	2,200
	2016	1,159	9,072	17,905	7,920
DINAZZANO PO S.p.A.	2017	981	567	1,184	2,812
	2016	1,233	474	1,701	3,979
HERM S.r.l.	2017	193	0	190	0
	2016	250	0	250	0
SST Srl	2017	335	1,954	391	856
	2016	353	3,008	347	745
Total	2017	*90,069*	*14,861*	*47,847*	*6,777*
	2016	*90,534*	*14,507*	*49,303*	*13,247*
Affiliated companies					
SETA S.P.A.	2017	1,626	217	276	89
	2016	1,500	251	1,046	274
START ROMAGNA S.P.A.	2017	9	6	69	3
	2016	13	1	16	32
INTEGRATED TRANSPORT CONSORTIUM	2017	41,127	192	12,054	192
	2016	40,273	190	11,276	190
PROVIOSONAL RAILWAY COMPANY	2017	19	0	19	0
	2016	0	0	0	225
MARCONI EXPRESS S.p.A.	2017	175	0	5,746	0
	2016	0	0	750	0
Total	2017	*42,956*	*415*	*18,163*	*284*
	2016	*41,786*	*442*	*13,088*	*721*
TOTAL	2017	133,026	15,276	66,010	7,061
	2016	132,320	14,949	62,390	13,967

Sales and purchases with related parties are made with the terms and conditions equivalent to those prevailing in free transactions. No guarantees have been provided for receivables and payables with related parties. In the financial year ended 31 December 2017, the Company did not record any loss in value of receivables contracted with related parties. This assessment is carried out annually, at each balance sheet date, taking into consideration the financial position of the related party and the market in which the related party operates.

Contributions 2017

In 2017 Tper collected €14,399 thousand in contributions, in addition to the coverage of the CLA charges (Law 47/04, Law 58/05 and Law 296/06).

Events after 31 December 2017

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

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

Dear Shareholders,

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

a) discuss and approve the report on the management of the Board of Directors and the financial statements for the year ended 31 December 2017, which show a profit for the year of €8,226,965.69;
b) allocate the profit for the year:
    i. €411,348.28 to legal reserve,
    ii. €3,015,617.41 to extraordinary reserve,
    iii. €4,800,000.00 in distribution of dividends to shareholders.

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

For the Board of Directors

The Chairman

Passenger Transportation Emilia-Romagna

Annex 1

Tper S.p.A.

Transition to principles

International Accounting (IFRS)

Introduction

Until the year ended 31 December 2016, Tper SpA (hereinafter also referred to as "Tper" or the "Company") prepared the financial statements in accordance with the provisions of the Italian Civil Code, as interpreted and supplemented by the accounting standards prepared and issued by the Italian Accounting Organisation - IAO (hereinafter referred to as "Ita Gaap" or "Previous Accounting Principles").

Starting from the 2017 financial year, Tper following the issue of a bond loan on the regulated market of the Dublin Stock Exchange, recurring the requirements of Legislative Decree no. 38/2005 foreseen for issuers of financial instruments admitted to trading on regulated markets of any Member State of the European Union, was held in the drafting of the budget in accordance with *International Financial Reporting Standards* issued *by the International Accounting Standards Board* (IASB) and adopted by the European Union, include the interpretation issued *by the International Financial Reporting Interpretations Commitee* ("IFRIC"), as well as former *International Accounting Standards* ("IAS") and the ongoing interpretations of the *Standing Interpretations Committee* ("SIC"). For simplicity's sake, the set of all the principles and interpretations of reference listed above are hereafter referred to as "IFRS".

As part of the process of transition to IFRS and for the purpose of preparing the financial statements for the period ended 31/12/2017 according to these principles, it was therefore necessary to provide for the reconciliation schedules required by IFRS 1 - *First-time adoption of IFRS* ("IFRS 1").

This document aims to present the reconciliation, with the relative notes, among the accounting statements prepared by the Company on the basis of the international accounting standards IFRS and the corresponding accounting tables prepared on the basis of the previous accounting standards, as well as to present the effects of the transition to IFRS adopted by the European Union applicable in the preparation of the financial statements for the year ended 31/12/2017.

1. Accounting principles used and rules applied at the time of first-time adoption of the IFRS

The following reconciliation statements have been prepared by making the adjustments and reclassifications required to make these accounting documents compliant with the recognition and measurement criteria required by the IFRS to the schedules prepared according to the Ita Gaap.

The adjustments made and highlighted in the attached tables have been determined on the basis of the IFRS issued by the IASB and adopted by the European Union, in force as at 31/12/2017.

The accounting policies adopted by the Company for the preparation of the reconciliation statements are the same used for the preparation of the financial statements for the year ending 31 December 2017 and indicated in the explanatory notes, to which reference should be made for further details.

For the adoption of the international accounting standards, Tper has applied the provisions of IFRS 1 which establishes as a basic principle that the financial statements are drawn up as if the company had always applied IFRS, and with the aim of minimising conversion costs and facilitating the adoption of IFRS, provides for this basic principle exemptions of an optional nature (exemptions) or mandatory (exceptions).

The main choices made by the Company are listed below, including the exemptions and exceptions provided for by IFRS 1 applicable to the Company, with an indication of those used in the preparation of the opening balance sheet as at 1 January 2016:

1.1 Exemptions required by IFRS 1

In the first application of the IFRS standards, Tper has adopted the following exemptions:

- IFRS 3 *Business combinations have* not been applied to business combinations occurring prior to 1 January 2016, nor to acquisitions of holdings in affiliated companies and joint ventures. The use of this exemption implies that the book value of assets and liabilities determined according to Ita Gaap has been assumed as a substitute for cost at the date of acquisition. After the acquisition date, the valuation took place in accordance with IFRS. Therefore, assets and liabilities that did not meet the requirements for recognition under IFRS were eliminated from the opening IFRS balance sheet. In this regard, it should be noted that the Company has not recognised or excluded amounts previously recognised following the recognition requirements established by the IFRS. IFRS 1 also requires that the accounting value of Ita Gaap goodwill must be used in the opening IFRS balance sheet (with the exception of adjustments for the impairment of goodwill and for the registration or cancellation of intangible assets).

Evaluation at revalued cost as a substitute of cost ("deemed cost"): some elemental real estate, plant and machinery, consistently with the exemption foreseen by Paragraph D5 of IFRS 1, have been evaluated at *fair value* at the date of transition to IFRS. In particular, the rolling stock represented by buses and trolley buses was valued at *fair value* as at 1 January 2016, referring to an evaluation prepared by an independent expert.

IAS 23 Financial charges: the Company applied the exemption provided for in Paragraph23 of IFRS 1, which provides that a new user can choose to apply the provisions of IAS 23 from the transition date. By virtue of this exemption, the financial charges directly attributable to the acquisition, construction or production of an asset presenting the capitalisation requirements have been included in the cost of the asset only after the date of transition to the IFRS.

1.2 Compulsory exceptions required by IFRS 1

IFRS 1 provides some mandatory exceptions to the retrospective application of IFRS in the transition process.

The only mandatory exception applied by Tper is that relating to estimates. This exception provides that at the transition date the IFRS estimates must be consistent with the estimates made for the same date in accordance with Ita Gaap (after adjustments to reflect any differences in accounting policies), unless there is objective evidence that these estimates were incorrect.

The transition to IFRS, therefore, led to the maintenance of the estimates previously formulated according to the Ita Gaap, unless the adoption of the IFRS accounting standards required the formulation of estimates according to different methods.

2. Reconciliation of shareholders' equity as at 1 January 2016, 31 December 2016 and the total result for 2016

The table below shows the reconciliation of shareholders' equity as at 1 January 2016, at 31 December 2016 and the result for 2016, which highlights:

- The values determined according to Ita Gaap;
- adjustments to comply with IFRS principles;
- the values determined according to IFRS.

Furthermore, the notes to the main adjustments made to shareholders' equity and to the result for the year are provided.

As a result of the transition to the IFRS standards, all assets and liabilities have been restated in the values that would have arisen if the IFRS standards were applied retrospectively from the time of origin of the transactions, taking into account the exemptions and exceptions provided by IFRS 1 and described in the previous paragraph.

The effects of the transition to IFRS derive from changes in accounting policies and, as a consequence, were reflected in the initial shareholders' equity at the transition date (1 January 2016) and updated as at 31 December 2016 on the basis of the effects produced in the income statement or statement of comprehensive income for 2016.

Values Ita Gaap

IFRS

adjustments:	*NOTES*				
- IFRS 1 - Use of the *fair value* as a substitute for the cost	(a)	24,693	(1,641)		23,052
- IAS 37 - Elimination of provisions for risks and charges	(b)	5,055	(128)		4,927
- IAS 39 - Elimination of deferred income from the transfer	(c)	2,315	(831)		1,484
- IAS 19 - Employee benefits - Severance	(d)	2,139	(8)	(1,176)	(3,323)
- IAS 38 - Elimination of intangible assets	(e)	(74)	37		(37)
- IAS 2 - Disclosure of inventories at weighted average cost	(f)	(10)	(18)		(28)
Tax effects of the corrections		(4,324)	1,101	282	(2,941)
IFRS Values		**138,246**	**6,275**	**(894)**	**143,627**
Absolute variation		***25,516***	***(1,488)***	***(894)***	***23,134***
Percentage variation		***22.6%***	***-19.2%***	***n.d.***	***19.2%***

IFRS Values

Absolute variation

Percentage variation

2.1 Notes to the main corrections

a) Use of the *fair value* as a substitute for the cost

Adopting the optional exemption granted by IFRS 1, Paragraph D5, Tper chose to evaluate the rolling stock used for urban public transport at fair value as a substitute for the cost at the date of transition to IFRS, referring to an independent external evaluation. As a result, as at 1 January 2016, these assets were revalued for an amount of €24,693 thousand. Against this revaluation, deferred tax liabilities were recognised for €6,899 thousand. The revaluation, based on the different depreciation it generated, was reflected in the comprehensive income statement with a negative pre-tax effect of €1,641 thousand.

Overall, this adjustment led to a gross increase in shareholders' equity at 31 December 2016 of €23,052 thousand, against which deferred tax liabilities were recognised for €6,381 thousand.

b) Elimination of provisions for risks and charges

IAS 37 provides for more restrictive conditions with respect to the previous accounting standards for the recognition of provisions for risks and charges. In particular, the international standard provides that a provision should be recognised only when: (i) the entity has an ongoing obligation (legal or implicit) as a result of a past event; (ii) it is probable that the use of resources will be necessary to produce economic benefits to fulfil the obligation; and (iii) a reliable estimate of the amount of the obligation can be made. Furthermore, according to the same international principle, the financial component linked to the passage of time must be taken into consideration, if significant.

The Company at the time of transition proceeded to reverse the funds without the requisites envisaged by IAS 37 and to update the amounts that it is presumed to pay later than twelve months.

The elimination of the provisions that did not meet the requirements of IAS 37 for their recognition and discounting of the funds expected to be used over a period of more than twelve months resulted in a positive effect on the shareholders' equity as at 1 January 2016 equal to €5,055 thousand; a negative effect on the income statement for 2016 of €128 thousand and a consequent positive effect on the shareholders' equity as at 31 December 2016 of €4,927 thousand.

c) IAS 39 - Elimination of deferred income from the transfer

According to IAS 32, a financial liability is a financial instrument that contains a contractual obligation for which the entity is or may be required to deliver cash or another financial asset to the instrument holder. Consequently, during the transition, financial liabilities that did not have the characteristics to qualify as such pursuant to IAS 32 were eliminated.

The elimination of these liabilities led to an increase of €2,315 thousand in shareholders' equity at 1 January 2016 and €1,484 thousand at 31 December 2016, gross of the related deferred tax effect

€646 thousand and €414 thousand respectively. The impact on the income statement for 2016 was negative for €831 thousand, gross of the related deferred tax effect of €232 thousand.

d) Employee Benefits

The adjustment in the accounting value of employee benefits is related to the adoption of actuarial assumptions in accordance with the requirements of IAS 19. According to the previous accounting standards, provisions for employee severance indemnities have been made based on the nominal value of the liabilities at the balance sheet date, assuming that all employees can leave the company on that date. Pursuant to IAS 19, the employee severance indemnity is defined as a "defined benefit plan" and the present value of the obligation for the benefit at the balance sheet date is measured by actuarial valuations, based on specific demographic, economic and financial assumptions. Following the valuation carried out by an independent appointed actuary, the value of the defined benefit obligation as at 1 January 2016, revalued in accordance with IAS 19, was €2,139 thousand higher than the value determined in accordance with the previous accounting standards. As at 31 December 2016, the same difference amounted to €3,323 thousand. This led to a reduction in shareholders' equity of €1,626 thousand as at 1 January 2016 and €2,525 thousand as at 31 December 2016, net of the related tax effect of €513 thousand and €797 thousand respectively. The impact on the income statement for 2016 is negligible, as the negative impact of actuarial losses, equal to €1,176 thousand, was recognised in the other components of the comprehensive income statement for 2016, net of the related tax effect deferred amounting to €282 thousand.

e) Elimination of intangible assets

IAS 38 provides for some restrictions on the recognition of intangible assets. According to the aforementioned principle, an intangible asset, to be recognised in the balance sheet, must be identifiable, controlled by the entity and capable of producing future economic benefits. An asset is identifiable if: (i) it is separable, that is, it can be separated or divided by the entity and sold, transferred, licensed, leased or exchanged, individually or together with the related contract, assets or liabilities; or (ii) derives from contractual rights or other legal rights, regardless of whether these rights are transferable or separable from the entity or other rights and obligations. Consequently, intangible assets capitalised according to the previous accounting standards, which did not present the aforementioned requirements established by IAS 38, were eliminated from the balance sheet and financial position at the transition date. This elimination led to a reduction in shareholders' equity of €74 thousand as at 1 January 2016 and €37 thousand as at 31 December 2016, gross of the related deferred tax effect of €21 thousand and €10 thousand respectively. Consequently, the income statement for 2016 benefited from lower amortisation and depreciation for €27 thousand gross of the related deferred tax effect of €10 thousand.

f) Inventories at weighted average cost

IAS 2 - Establishes that inventories can be valued using the first-in, first-out (FIFO) or weighted average cost (CMP) method, while, in accordance with the previous Comparable Principles, Tper has valued its inventories according to the last- in, first-out (LIFO). With the transition to IFRS, the Company has chosen to evaluate its inventories with the weighted average cost method; this involved:

- a decrease in shareholders' equity of €10 thousand as at 1 January 2016, gross of the related deferred tax effect of €3 thousand;
- a negative impact on the income statement for 2016 for €18 thousand, gross of the related deferred tax effect of €5 thousand, and
- a decrease of €28 thousand as at 31 December 2016, gross of the related tax effect of €8 thousand.

3. Reconciliation of the balance sheet as at 1 January 2016 and 31 December 2016 and the income statement for 2016

The table below shows the reconciliation statements of Tper's balance sheet and income statement as at 1 January 2016 and 31 December 2016 and of income statement for the year ending 31 December 2016, which show:

- the values according to the previous accounting standards, reclassified to take into account the adopted IFRS schemes;
- the adjustments and reclassifications for the adaptation to the IFRS principles.

Furthermore, the notes to the main adjustments and reclassifications made to the balance sheet and income items are provided.

As required by IFRS 1, at the date of transition to IFRS standards:

- all the assets and liabilities that were registered under IFRS were recognised;
- the assets and liabilities were valued at the values that would have been determined if the IFRS standards were applied retrospectively, taking into account the exemptions and the exceptions provided for by IFRS 1 and described above;
- the items previously indicated in the financial statements have been reclassified according to the different methods envisaged by the IFRS.

The effect of the adjustment to the new IFRS standards of the initial balances of assets and liabilities has been recognised in a specific reserve of net income/(loss) of shareholders' equity, net of the tax effect where applicable.

Balance sheet and financial situation as at 1 January 2016

	Note	01/01/2016 Ita Gaap	*Reclassifications*	IFRS Adjustments	01/01/2016 IFRS
Non-current assets					
Tangible assets	**(a)**	206,997,599	517,248	(85,562,524)	121,952,323
Intangible Assets	**(b)**	925,098	(100,570)	(74,001)	750,527
Licences		416,678	(416,678)	0	0
Stakeholdings		52,648,937	0	0	52,648,937
Non-current financial activities		10,852,413	0	0	10,852,413
Other non-current assets		2,837,949	0	0	2,837,949
Total non-current assets		**274,678,673**	**0**	**(85,636,525)**	**189,042,149**
Current assets					
Warehouse	**(d)**	10,371,730	0	(9929)	10,361,801
Trade and other receivables		77,498,645	(859,204)	0	76,639,441
Current tax assets		3,365,647	(2,486,637)	0	879,010
Current financial assets		5,246,905	0	0	5,246,905
Other current assets		10,200,147	3,236,637	0	13,436,784
Cash and cash equivalents		43,067,323	0	0	43,067,323
Total current assets		**149,750,397**	**(109,204)**	**(9,929)**	**149,631,264**
Total assets		**424,429,070**	**(109,204)**	**(85,646,454)**	**338,673,413**
Shareholders' equity					
Share Capital		68,492,702	0	0	68,492,702
Reserves/profits and losses carried forward		36,868,983	0	25,515,639	62,384,622
Operating result		7,368,465	0	0	7,368,465
Total Net Equity		**112,730,150**	**0**	**25,515,639**	**138,245,789**
Non-current liabilities					
Funds for employee benefits	**(e)**	29,066,437	0	2,138,929	31,205,366
Funds for risks	**(f)**	33,169,715	(2,143,911)	(5,055,278)	25,970,526
Liabilities for deferred taxes	**(c)**	0	0	4,324,268	4,324,268
Other non-current liabilities		23,465,242	616,041	0	24,081,283
Total non-current liabilities		**85,701,394**	**(1,527,870)**	**1,407,919**	**85,581,443**
Current Liabilities					
Current financial liabilities		7,295,864	668,666	0	7,964,530
Trade and other payables		66,547,383	0	0	66,547,383
Liabilities for current taxes		4,020,061	750,000	0	4,770,061
Other current liabilities	**(g)**	148,134,218	0	(112,570,012)	35,564,206
Total current liabilities		**225,997,527**	**1,418,666**	**(112,570,012)**	**114,846,181**
Total liabilities		**311,698,921**	**(109,204)**	**(111,162,092)**	**200,427,624**
Total liabilities and net assets		**424,429,070**	**(109,204)**	**(85,646,454)**	**338,673,413**

Statement of financial position as at 31 December 2016

	Note	31/12/2016 Ita Gaap	*Reclassifications*	IFRS Adjustments	31/12/2016 IFRS
Non-current assets					
Tangible assets	**(a)**	261,637,160	782,336	(95,985,483)	166,434,013
Intangible Assets	**(b)**	1,250,135	(347,404)	(37,000)	865,731
Licences		434,932	(434,932)	0	0
Shareholdings		54,689,056	0	0	54,689,056
Non-current financial activities		8,197,543	0	0	8,197,543
Total non-current assets		**326,208,826**	**0**	**(96,022,483)**	**230,186,344**
Current assets					
Warehouse	**(d)**	10,141,561	0	(27,944)	10,113,617
Trade and other receivables		92,726,574	(1,042,050)	0	91,684,524
Current tax assets		7,771,393	(5,905,618)	0	1,865,775
Current financial assets		6,538,618	0	0	6,538,618
Other current assets		4,475,757	(5,905,618)	0	10,381,375
Cash and cash equivalents		25,621,603	0	0	25,621,603
Total current assets		**147,275,506**	**(1,042,050)**	**(27,944)**	**146,205,512**
Total assets		**473,484,331**	**(1,042,050)**	**(96,050,427)**	**376,391,855**
Shareholders' equity					
Share Capital		68,492,702	0	0	68,492,702
Reserves/profits and losses carried		44,237,448	0	24,621,757	68,859,205
Operating result		7,762,927	0	(1,487,863)	6,275,063
Total Net Equity		**120,493,077**	**0**	**23,133,893**	**143,626,970**
Non-current liabilities					
Non-current financial liabilities		24,297,174	507,355	0	24,804,529
Funds for employee benefits	**(e)**	27,243,064	(1,811,263)	3,322,901	28,754,702
Funds for risks	**(f)**	39,873,037	(2,165,446)	(4,926,852)	32,780,739
Liabilities for deferred taxes	**(c)**	0	0	2,940,909	2,940,909
Trade payables		4,696,916			4,696,916
Other non-current liabilities		20,164,878	616,041	0	20,780,919
Total non-current liabilities		**116,275,069**	**(2,853,313)**	**1,336,958**	**114,758,714**
Current Liabilities					
Current financial liabilities		11,497,328		0	11,497,328
Trade and other payables		63,165,233	0	0	63,165,233
Funds for employee benefits		0	(1,811,263)		(1,811,263)
Liabilities for current taxes		185,964	0	0	185,964
Other current liabilities	**(g)**	161,867,662	0	(120,521,278)	41,346,384
Total current liabilities		**236,716,187**	**(1,811,263)**	**(120,521,278)**	**118,006,172**
Total liabilities		**352,991,256**	**(1,042,050)**	**(119,184,320)**	**232,764,886**
Total liabilities and net assets		**473,484,332**	**(1,042,050)**	**(96,050,427)**	**376,391,856**

Profit & loss account of the fiscal year 2016

	Note	2016 Ita Gaap	Reclassifications	IFRS Adjustments	2016 IFRS
Revenue		102,812,443	137,688,842	0	240,501,285
Increase in fixed assets for works		254,343	0	0	254,343
Other revenues	(a) (g)	154,148,799	(136,292,137)	(5,530,213)	12,326,449
Total revenues		**257,215,585**	**1,396,705**	**(5,530,213)**	**253,082,077**
Costs for materials	(d)	(28,132,685)	399,633	(18,015)	(27,751,067)
Costs for services and use of third-party		(75,998,140)	555,387	(1,181,334)	(76,624,087)
Staff costs	(e) (f)	(114,194,101)	(737,018)	(453,448)	(115,384,566)
Other administrative expenses		(2,364,863)	(1,078,617)	0	(3,443,480)
Total operating costs		**(220,689,790)**	**(860,613)**	**(1,652,797)**	**(223,203,200)**
Gross operating margin		**36,525,795**	**536,092**	**(7,183,010)**	**29,878,877**
Depreciation, provisions and	(a) (b) (f) (g)	(20,848,722)	(398,626)	4,470,141	(16,777,207)
Operating income		**15,677,074**	**137,465**	**(2,712,869)**	**13,101,670**
Financial revenue		169,033	0	0	169,033
Financial expenditures	(a) (f)	(420,653)	0	123,931	(296,722)
Net financial result		**(251,620)**	**0**	**123,931**	**(127,689)**
Gross profit		**15,425,454**	**137,465**	**(2,588,938)**	**12,973,981**
Taxes for the year	(c)	(7,662,527)	(137,465)	1,101,074	(6,698,918)
Financial year balance		**7,762,927**	**0**	**(1,487,863)**	**6,275,063**

Comprehensive income statement for 2016

		2016 Ita Gaap			2016 IFRS
Financial year balance		**7,762,927**	**0**	**(1,487,863)**	**6,275,063**
Profits/(losses) from an actuarial evaluation of funds for employee benefits	**(e)**	0	0	(1,176,159)	(1,176,159)
Tax effect on Profit/(loss) from actuarial evaluation of funds for employee benefits		0	0	282,278	282,278
Profits and losses without reversal to the profit and loss statement		**0**	**0**	**(893,881)**	**(893,881)**
Total economic result for the year		**7,762,927**	**0**	**(2,381,744)**	**5,381,182**

3.1 Notes to the main reclassifications and adjustments to the balance sheet as at 1 January 2016 and 31 December 2016 and to the income statement as at 31 December 2016

The following notes contain a description of the main adjustments and reclassifications deriving from the transition to IFRS, relating to the financial statements as at 1 January 2016 and 31 December 2016, including the income statement for the year ended 31 December 2016.

a) Tangible assets

The reclassifications and adjustments mainly concern:

- public contributions: based on the previous accounting standards, public contributions paid for the purchase of a tangible asset were presented as a deferred income under liabilities. At the transition date, public contributions relating to rolling stock are presented in the IFRS balance sheet, deducting the total amount of the same from the book value of the related buildings, plant and machinery. Therefore, government grants are recognised in the income statement over the life of the depreciable assets as a reduction in depreciation costs. This led to the reclassification as at 1 January 2016 of €110,255 thousand and at 31 December 2016 of €119,037 thousand from the item "Other current liabilities" to reduce the value of tangible assets.

- fair *value* as a substitute for cost: Tper applied the optional exemption established by IFRS 1, Paragraph D5 to identify some components of the buildings, plant and machinery, at the transition date at fair *value* as opposed to cost. In particular, the exemption was applied to the rolling stock attributable to the bus and trolleybus categories used for urban public transport in Bologna and Ferrara. As at 1 January 2016, based on the valuation carried out by an independent expert, the value of these tangible assets was increased by an amount equal to €24,693 thousand.

As a result of using the *fair value* as a substitute for cost and the different methodologies for the presentation of public contributions, the income statement for the year ended 31 December 2016 is broken down to: (i) eliminate the depreciation determined on the basis of the previous accounting standards (equal to €7,564 thousand); (ii) eliminating the share of government grants recorded in the income statement among other revenues (for €3,754 thousand); (iii) recognise the depreciation portion determined in accordance with IAS 16, for €5,612 thousand.

b) Elimination of intangible assets

In accordance with Italian accounting principles, some intangible assets have been recorded that do not meet the registration requirements established by IAS 38. Therefore, during the transition to IFRS accounting principles, these intangible assets have been eliminated from the opening balance sheet and financial position. These adjustments led to a reduction of €74 thousand in other intangible fixed assets as at 1 January 2016 and a positive adjustment to the 2016 income statement, due to the reversal of depreciation, equal to €37 thousand. Consequently, at 31 December 2016, the net carrying amount of intangible assets was reduced by €37 thousand.

c) Assets and Liabilities for deferred taxes and current taxes

In relation to the general criterion of fiscal neutrality related to the operations referable to the variations arising on the first application of IFRS, on adjustments made and qualifying as temporary differences, the impacts related to the deferred tax assets and liabilities were determined. It should also be noted that, in compliance with IAS 12, upon the initial application of IFRS, deferred tax assets have been recognised to the extent that the Company has deemed it possible that future taxable income will be available.

The assets and liabilities for deferred taxes were determined by applying the tax rate applicable to the Company to the temporary differences. This entailed the recognition:

- as at 1 January 2016, deferred tax assets of €3,211 thousand and liabilities for deferred taxes equal to €7,535 thousand, for a net of €4,324 thousand;
- as at 31 December 2016 of deferred tax assets of €3,897 thousand and liabilities for deferred taxes equal to €6,838 thousand, for a net amount of €2,941 thousand;
- of a net income recorded in the income statement for 2016 for €1,101 thousand;
- of a positive tax effect recorded in the 2016 income statement totalling €282 thousand.

d) Inventories at weighted average cost

As already described above, the Company evaluated inventories based on the so-called LIFO criterion on the basis of the previous accounting standards. This criterion is not included among those usable on the basis of IAS 2. Consequently, at the time of the first application of the IFRS, the Company opted to evaluate its inventories on the basis of the weighted average cost method.

The change in the criterion for the valuation of inventories led to a reduction in their value as at 1 January 2016 of €10 thousand, a higher cost for 2016 of €18 thousand therefore, an overall reduction in the value of inventories as at 31 December 2016 of €28 thousand.

e) Funds for employee benefits

As envisaged by the previous accounting standards, the employee severance indemnity accrued is allocated in the financial statements on the basis of the nominal value of the liability determined on the closing date for the period. According to IAS 19, the severance pay can be configured as a defined benefit plan, subject to actuarial valuation based on specific demographic and economic-financial assumptions (relating to the corporate population) to express the current value of the benefit, payable at the end of the employment relationship that employees have accrued at the balance sheet date. The Company proceeded to re-determine the value of the liability for defined benefits entrusting its determination to an independent actuary. Based on the results obtained, provisions for employee benefits were increased to €2,138 thousand as at 1 January 2016 and €3,323 thousand as at 31 December 2016. In addition, with reference to 2016, higher personnel costs amounted to €8 thousand and losses from actuarial valuations totalled €1,176 thousand.

f) Elimination of provisions for risks and charges

As previously indicated, during the transition to the IFRS, the Company has reversed funds without the requisites envisaged by IAS 37 for their recognition and, at the same time, proceeded to determine the current value of funds that are expected to be used beyond the twelve month period. This adjustment led to a reduction in the value of funds determined on the basis of the previous accounting standards as at 1 January 2016 for €5,055 thousand and at 31 December 2016 for €4,927 thousand. As a consequence, the income statement for 2016 was adjusted to record higher charges for €128 thousand.

g) Elimination of Financial Liabilities

At the time of the first application of the IFRS, the Company carried out the accounting elimination of financial liabilities that did not meet the definition contained in IAS 32.

The elimination of these liabilities led to a decrease in other current liabilities for €2,315 thousand at 1 January 2016 and €1,484 thousand at 31 December 2016.

The impact on the income statement for 2016 was negative for €831 thousand.

4. Effects of the transition to IFRS on the cash flow statement

The adoption of the IFRS did not have a significant impact on the financial statement of TPER SpA

Consolidated financial statements 2017

Passenger Transportation Emilia-Romagna

GRUPPOTPER

Highlights - Summary of the most significant data

REVENUE OPERATORS
in thousands of Euro

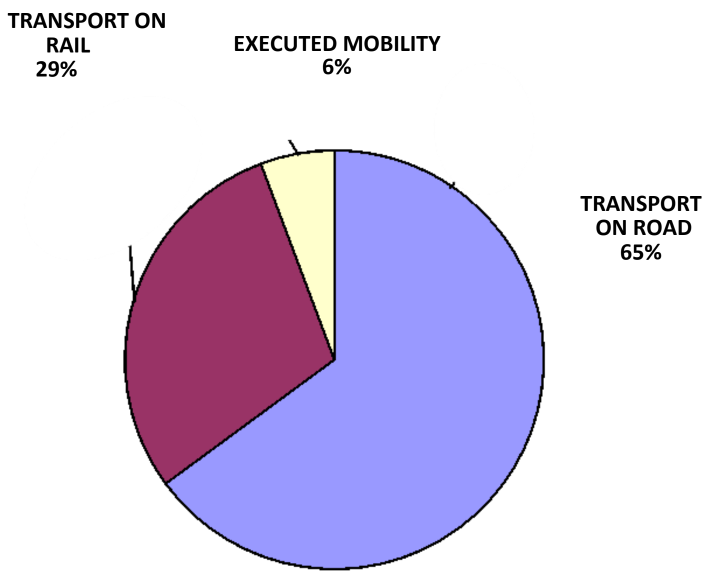
RESULT OPERATIVE
in thousands of Euro

RESULT OPERATIVE
in thousands of Euro

GRUPPOTPER

Highlights - Summary of the most significant data

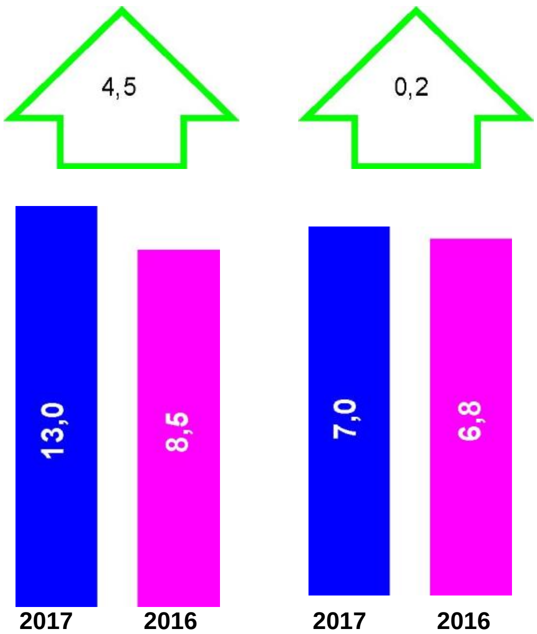
Revenues for management



EARNINGS PER SHARE

DIVIDEND PER SHARE

cents



IN THOUSANDS OF EURO		31/12/2017	31/12/2016
ASSETS			
NON-CURRENT ASSETS			
Tangible assets	**1**	**212,840**	**178,296**
Real estate		3,413	4,339
Rolling stock		164,228	130,640
Infrastructure		38,430	38,771
Other tangible assets		6,769	4,546
Intangible Assets	**2**	**24,705**	**24,878**
Goodwill and other intangible assets with an indefinite useful life		0	0
Concession rights		23,614	0
Other intangible assets		1,091	24,878
Shareholdings	**3**	**14,621**	**14,675**
Equity investments at cost or fair value		3,343	3,343
Investments valued using the net equity method		11,278	11,332
Financial assets	**4**	**8,623**	**3,478**
Financial assets for contributions		1,649	2,280
Other financial assets		6,974	1,198
Deferred tax assets	**5**	**0**	**0**
Other assets	**6**	**0**	**0**
NON-CURRENT ACTIVITIES TOTAL		**260,789**	**221,327**
CURRENT ASSETS			
Commercial businesses	**7**	**119,065**	**109,322**
Inventory		21,553	21,556
Trade receivables		97,512	87,766
Liquidity position and equivalent means	**8**	**62,645**	**30,243**
Financial assets	**4**	**19,420**	**6,539**
Financial assets for contributions		18,911	6,539
Other financial assets		509	0
Assets for current income taxes	**9**	**1,996**	**1,921**
Other assets	**6**	**25,580**	**17,788**
Assets held for sale or connected to assets discontinued operations	- -	**0**	**0**
TOTAL CURRENT ASSETS		**228,706**	**165,813**
TOTAL ASSETS		**489,495**	**387,140**

Consolidated equity and financial status

IN THOUSANDS OF EURO	NOTES	31/12/2017	31/12/2016
LIABILITIES			
	-		
Shareholders' equity pertaining to the Group		**148,105**	**144,120**
Issued capital		68,493	68,493
Reserves		46,794	41,528
Profits/(Losses) carried forward		24,700	29,174
Actuarial profit/loss		(747)	(894)
Profit/loss for the year		8,865	5,819
Shareholders' net equity attributable to third parties		**2,805**	**2,731**
Third-party capital and reserves		2,678	2,606
Third-party profit/(loss)		127	125
TOTAL NET EQUITY	**10**	**150,910**	**146,851**
NON-CURRENT LIABILITIES			
Commercial liabilities	**14**	**5,493**	**4,697**
Funds for provisions	**11**	**56,861**	**57,112**
Funds for employee benefits		27,949	30,998
Fund for restoration and replacement of rolling stock		5,394	5,394
Other provisions		23,518	20,720
Financial Liabilities	**12**	**116,415**	**27,975**
Debenture loans		94,212	0
Medium to long-term financing		20,354	26,339
Derivatives		335	507
Other financial liabilities		1,514	1,129
Liabilities for deferred taxes	**5**	**3,005**	**3,016**
Other liabilities	**13**	**20,906**	**20,768**
TOTAL NON-CURRENT LIABILITIES		**202,680**	**113,568**
CURRENT LIABILITIES			
Commercial liabilities	**14**	**84,029**	**71,007**
Funds for provisions for current portion	**11**	**3,074**	**5,496**
Funds for employee benefits		2,135	1,811
Fund for restoration and replacement of rolling stock		0	0
Other provisions		939	3,685
Financial Liabilities	**12**	**8,145**	**6,106**
Current account overdrafts		0	0
Short-term financing		0	0
Derivatives		0	0
Medium to long-term financing		8,082	5,977
Other financial liabilities		63	129
Current income tax liabilities	**9**	**678**	**498**
Other current liabilities	**13**	**39,979**	**43,614**
Liabilities connected to discontinued operations	**-**	**0**	**0**
TOTAL CURRENT LIABILITIES		**135,905**	**126,721**
TOTAL LIABILITIES		**338,585**	**240,289**
TOTAL LIABILITIES AND NET EQUITY		**489,495**	**387,140**

Consolidated income statement

IN THOUSANDS OF EURO	NOTES	2017	2016
Revenue		**294,598**	**290,203**
TPL line services	15	195,034	192,024
Railway line services	ie	83,418	81,661
Car sharing and parking spaces	17	16,146	16,518
Other revenues	18	**13,890**	**17,481**
Operating costs		**274,051**	**275,661**
Staff costs	19	126,939	126,656
Cost for services	20	98,799	97,806
Raw materials and materials	21	36,427	35,371
Use of third party assets	22	8,779	11,834
Other operating costs	23	3,107	3,994
Depreciation		**12,794**	**9,739**
Depreciation on tangible assets	1	11,947	9,348
Depreciation on intangible assets	2	847	391
Value write-downs/(restorations)	24	**4,550**	**592**
Change in funds for provisions	25	**608**	**7,954**
Fund variation for restoration and replacement of rolling stock		0	2,330
Variations in other provisions		608	5,624
Operating income		**16,485**	**13,738**
Financial revenue	26	**208**	**140**
Other financial income		208	140
Financial expenditures	27	**1,412**	**424**
Charges from debenture loans		574	0
Charges for financing		582	281
Other financial charges		256	143
Total financial income/expense		**1,204**	**(284)**
Share of profit/(loss) on investments accounted for using the net equity method	28	**134**	**433**
Pre-tax income		**15,415**	**13,021**
Taxes	29	**6,423**	**7,077**
Current income taxes		6,488	8,178
Prepaid and deferred taxes		(65)	(1,101)
Net result for the year (Group and third parties)		**8,992**	**5,944**
of which:			
Profit/(Loss) attributable to the Group		8,865	5,819
Third-party profit		127	125

Consolidated profit & loss account

IN THOUSANDS OF EURO		NOTES	2017	2016
Profit for the year	**(a)**		**8,992**	**5,944**
Profit/(loss) from valuation of investments using the net equity method		**3**	(188)	0
Tax effect on profit/(loss) from valuation at fair value of financial instruments from cash flow			0	0
Profit / (loss) from valuation at fair value of assets available for sale			0	0
Tax effect on profit/(loss) from valuation at fair value of assets available for sale			0	0
Other components of the comprehensive income statement for the year that can be reclassified in the income statement	**(b)**		**(188)**	**0**
Profit/(loss) from actuarial valuation of funds for employee benefits		**11**	201	(1,207)
Tax effect on profit/(loss) from actuarial valuation of funds for employee benefits		**5**	(48)	290
Other components of the comprehensive income statement for the year that can be reclassified in the income statement	**(c)**		**153**	**(917)**
Reclassifications of the other components of the comprehensive income statement to the income statement for the period	**(d)**		0	0
Tax effect connected to the reclassifications of the other components of the comprehensive income statement	**(e)**		0	0
Total of the other components of the comprehensive	**(f= b+c+d+e)**		**(35)**	**(917)**
Economic result of the year	**a+f**		**8,957**	**5,027**
Of which:				
pertaining to the Group			8,830	4,902
attributable to third-parties			127	125

Consolidated statement of accounts

IN THOUSANDS OF EURO	2017	2016
Profit/(Loss) for the period	**8,992**	**5,944**
Depreciation	12,794	9,739
Operational variations in funds	608	7,954
Share of profit/(loss) on investments accounted for using the net equity method	(134)	433
Write-downs/(liabilities) of value of current and non-current assets current	4,550	592
Capital losses/(capital gains) from the yields on non-current assets		
Net change in deferred taxation	(59)	(1,164)
Change in working capital and other variations	(14,737)	(586)
Net cash flows from operating activities	**12,014**	**22,046**
Investments in tangible assets	(61,056)	(65,772)
Investments in intangible assets	(674)	(1,386)
Investments in holdings	0	(4,267)
Acquisitions of additional capital and/or investments in consolidated	0	(1,203)
Investments gross of contributions	**(61,730)**	**(72,628)**
Contributions of tangible assets	14,376	12,216
Contributions in intangible assets		
Contribution in shares		
Contributions	**14,376**	**12,216**
Divestments in tangible assets	189	81
Divestments in intangible assets		75
Divestments	**189**	**156**
Net cash flow used in investing activities	**(47,165)**	**(60,256)**
Purchase of own shares	(188)	0
Dividends paid	(4,712)	(53)
Issuance/(redemptions) of bonds	94,212	0
Origination/(repayment) of medium-long-term loans	(3,880)	20,012
Origination/(Repayment) of short-term loans	0	0
Net variation in current financial assets	(18,026)	(518)
Net variations in financial liabilities	147	1,765
Net cash flow from financial assets	**67,553**	**21,206**
Net cash flow for the period	**32,402**	**(17,004)**
Cash and cash equivalents at the beginning of the financial year	30,243	47,247
Cash and cash equivalents at the end of the financial year	62,645	30,243

THOUSANDS OF EUROS	GROUP NET ASSETS									
	Capital issued	Reserve for valuations of shares based on net equity method	Stocks own	Other reserves	Profit/Loss actuarial	Profit/(Loss) carried forward	Profit/Loss for the financial	Total	Net shareholders' equity pertaining to	TOTAL GROUP NET EQUITY AND THIRD PARTIES
Balance as at 1/1/2016	**68,493**	**570**		**43,661**		**26,760**	**0**	**139,484**	**3,596**	**143,080**
Economic result of the year					(917)		5,819	**4,902**	125	**5,027**
Shareholder transactions other variations										
- Variations in the interest of consolidated companies				(265)				**(265)**	(938)	**(1,203)**
- Dividends								**0**	(53)	**(53)**
Balance as at 31 December 2016	**68,493**	**570**	**0**	**43,396**	**(917)**	**26,760**	**5,819**	**144,121**	**2,730**	**146,851**
Total economic result for the year		(188)			153		8,865	**8,830**	127	**8,957**
								0		**0**
								0		**0**
- Dividends							(4,659)	**(4,659)**	(53)	**(4,712)**
- Purchase of own shares			(188)					**(188)**		**(188)**
- Allocation of the result of the previous financial year						1,161	(1,161)	**0**		**0**
- Other variations				3,105		(3,105)		**0**		**0**
Balance as at 31/12/2017	**68,493**	**382**	**(188)**	**(46,501)**	**(764)**	**24,816**	**8,864**	**148,104**	**2,804**	**150,908**

Explanatory notes

General information

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

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

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

The present financial statements as at 31 December 2017 were approved by the Board of Directors of Tper in the meeting of 20 April 2018.

Tper issued a bond on 15 September 2017 which listed on the regulated market of the Dublin Stock Exchange (ISE - Irish Stock Exchange); consequently, from the year ending 31 December 2017, the Tper Group is obliged to adopt international accounting standards *International Financial Reporting Standards* (hereinafter also "**IFRS "***)* issued by the International Accounting Standards Board ("**IASB**") and endorsed by the European Commission, in force at the balance sheet date in the preparation of the consolidated financial statements of Article 3, Paragraph 1, of Legislative Decree No. 38/2005 according to the IFRS.

Transition to International Accounting Standards (IFRS)

The Tper Group presents for the first time, as mentioned in the previous paragraph, the consolidated financial statements as at 31 December 2017 prepared in accordance with IFRS international accounting standards.

For an analysis of the effects of the transition to IFRS, the reconciliation between the financial statements prepared by the Tper Group on the basis of the international accounting standards IFRS and the corresponding accounting tables prepared according to the Civil Code, as well as the exceptions and exemptions adopted, please refer to what is indicated in annex 1 - Transition to international accounting standards (IFRS).

Structure and content of the interim financial statements

The consolidated financial statements for the year ended 31 December 2017, prepared in accordance with the business continuity of the Parent Company and other consolidated companies, have been prepared pursuant to Articles 2 and 3 of Legislative Decree no. 38/2005, in compliance with the *International Financial ReportingStandards* (IFRS), issued by the *International Accounting Standards Board* and endorsed by the European Commission, which include the interpretations issued by the *International Financial Reporting Interpretations Committee* (IFRIC) as well as the previous ones *International Accounting*

Standards (IAS) and previous interpretations of the *Standard Interpretations Committee* (SIC) still in force. For simplicity, the set of all the principles and interpretations is hereafter defined as the "IFRS".

The consolidated financial statements consist of the financial statements (statement of financial position, income statement, statement of comprehensive income, statement of changes in shareholders' equity and cash flow statement) and of these explanatory notes and are prepared by applying the general criteria of historical cost, with the exception of the items balance sheet that according to IFRS are recognised *fair value,* as indicated in the evaluation criteria of the individual items described in the paragraph "Accounting standards and valuation criteria applied". The statement of financial position is presented on the basis of the scheme that provides for the distinction between current and non-current assets and liabilities. Costs are classified according to their nature in the income statement. The cash flow statement is prepared by applying the indirect method.
IFRS is applied consistently with the indications provided in the *"Conceptual Framework for Financial Reporting"* and there have not been any critical issues that have led to the use of derogations pursuant to IAS 1, Paragraph 19.

In 2017, Tper completed the issue of an unsecured *bond* loan for €95 million, listed on the Dublin Stock Exchange, a world-class exchange for the regulated government and corporate bond market.
Non-convertible Tper bonds, with a maturity of 7 years and amortisation repayments starting from the fifth year, its information note stated they present a fixed annual coupon of 1.85% and were entirely placed with institutional investors.
Following the aforementioned bond issue, the Company was able to pay off a bridge loan in advance for the purchase of the 7 electric trains that went into operation in 2017 and to support a challenging multi-year investment plan.

All values are expressed in thousands of euros, unless otherwise indicated. Euro represents the
functional currency of the Parent Company and of the main subsidiaries, as well as that of
the presentation
of the consolidated financial statements.
For each item of the financial statements, the corresponding value of the previous year is shown for comparative purposes.

Estimates and evaluations

The preparation of the consolidated financial statements, in application of the IFRS, requires making estimates and assumptions that affect the values of revenues, costs, assets and liabilities in the financial statements and information on potential assets and liabilities at the reference date.
In making the budget estimates, the main sources of uncertainties are also considered that

could have an impact on the evaluation processes. The final results may differ from these estimates.

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

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

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

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

CRITERIA, PROCEDURES AND AREAS OF CONSOLIDATION

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

Company Name	Registered offices	Currency	Share capital	Interest of the Tper Group
OMNIBUS Soc. cons. a r.l.	Via di Saliceto, 3 BOLOGNA	EUR	80,000	51
TPF Soc. cons. a r.l.	Viale S. Trenti, 35 FERRARA	EUR	10,000	97
TPB Soc. cons. a r.l.	Via di Saliceto, 3 BOLOGNA	EUR	10,000	85
MA.FER S.r.l.	Via di Saliceto, 3 BOLOGNA	EUR	3,100,000	100
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
Holding Emilia Romagna Mobilità S.r.l.	Via di Saliceto, 3 BOLOGNA	EUR	10,840,000	94.95

The entities are included in the scope of consolidation from the date on which the Tper Group acquires control, as defined above, while they are excluded from the date on which the Tper Group loses control.
According to the provisions of accounting standard IFRS 10, control is obtained when the Tper Group is exposed, or is entitled to variable returns deriving from the relationship with the investee and has the capacity, through the exercise of power over the investee, to influence the related returns.
Power is defined as the present ability to direct the relevant assets of the subsidiary under existing substantial rights. The existence of control does not depend solely on the possession of the majority of the voting rights, but on the substantial rights of the investor over the investee company. Consequently, it is required
the management's judgment to evaluate specific situations that determine substantial rights that give the Tper Group the power to direct the significant activities of the investee in order to influence its returns.

For the purposes of *the assessment* on the requirement of control, the management analyses all the facts and circumstances, including agreements with other investors, rights deriving from other contractual agreements with potential voting rights (call options, warrants, put options assigned to minority shareholders, etc.). These other facts and circumstances may be particularly relevant in the context of this assessment, especially in cases where the Tper Group holds less than the majority of the voting rights, or similar rights, of the investee company. Tper Group reviews the existence of the control conditions on an investee when the facts and circumstances indicate that there has been a change in one or more elements considered for the verification of the

its existence. Lastly, it should be noted that, in assessing the existence of the control requirements, no de facto control situations were found. The changes in the shareholding in investments in subsidiaries that do not involve the loss of control are recognised as capital transactions by adjusting the portion attributable to the shareholders of the Parent Company and that to third parties to reflect the change in ownership. Any difference between the amount paid or collected and the corresponding

fraction of equity acquired or sold is recognised directly in consolidated equity. When the Tper Group loses control, any residual interest in the company

previously controlled is remeasured to *fair value* (with a counterpart to the income statement) on the date on which control is lost.

I the financial statements of the subsidiaries are drawn up adopting the same accounting standards of the parent company for each accounting item; any consolidation adjustments are made to homogenise the items that are affected by the application of different accounting standards.

All infragroup balances and transactions, including any unrealised profits deriving from transactions between companies of the Tper Group, are completely eliminated. The accounting value of the participation in each of the subsidiaries is eliminated against the corresponding share of net equity of each of the subsidiaries including any adjustments to the *fair value* at the date of acquisition; any positive difference is treated as a "start", the negative one is

recorded in the income statement at the acquisition date.

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

II The consolidation perimeter of the Tper Group as at 31 December 2017 did not change with respect to 31 December 2016.

Accounting policies and valuation criteria

The most important accounting principles and valuation criteria applied in the preparation of the consolidated financial statements for the year ending 31 December 2017 are described below.

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

The Tper Group has adopted in advance the IFRIC Interpretation 23 - Uncertainties on the treatment of income taxes. The interpretative document, published by the IASB on 7 June 2017 provides clarifications on the subject of *recognition is* measurment on the treatment of income tax in the event of uncertainty.

The interpretation establishes that the uncertainties in determining the assets and liabilities related to income taxes, regulated by IAS 12, are reflected in the financial statements only when it is probable that the entity will actually pay or collect the amount in question.

This early adoption had no impact on the balances recorded in previous periods.

Tangible assets

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

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

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

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

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

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

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

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

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

In particular, for the purposes of defining the depreciatin plan for buses and trolley buses used by TPER under the Bologna service contract and the Ferrara service contract, and allocated for transfer the depreciation is defined on the basis of the difference between the net book value at the beginning of the year and the residual value, which in this specific case is the estimate of the market value recognised by the new contractor, calculated according to the criteria identified by the Resolution of the Transport Regulatory Authority no. 49 of 17 June 2015 and referring to the UNI 11282/2008 standard and subsequent amendments or additions.

With the exception of what was shown in relation to the depreciation of buses and trolley buses used in the service contracts for the Bologna and Ferrara TPL, the annual depreciation rates used in 2017 presented for similar categories are shown in the following table:

Tangibles	rate depreciation
Instrumental buildings	2.57%
Trains and locomotives	3.50%
Coaches	3.50%
Buildings	4%
Light buildings	10%
Facilities	10%
Railcars	10%
Office furniture and equipment	12%
Expenses with long-term benefits on third-party assets	20%
Machines and workshop tools	20%
Technical tools	20%
Emitters and validators	20%
Electronic machines	20%
Bright palettes	20%
Motor vehicles	25%
Other vehicles	25%

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

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

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

Intangible Assets

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

The ability to identify is defined with reference to the possibility of distinguishing the acquired intangible asset compared to the goodwill. As a rule, this requirement is met when the intangible asset: (i) is attributable to a legal or contractual right or (ii) is separable, i.e.

it can be sold, transferred, rented or exchanged independently or as an integral part of other activities. The control by the company consists in the ability to take advantage of the future economic benefits deriving from the asset and in the possibility of limiting its access to others.

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

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

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

The annual amortisation rates used in 2017, presented by similar categories with evidence of the relative application interval, are shown in the following table:

Intangible assets	rate depreciation
Dinazzano grant	2.30%
Software	33.33%

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

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

Business combinations and Goodwill

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

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

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

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

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

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

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

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

Shareholdings

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

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

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

Investments in other companies, which are non-current financial assets and not destined for trading activities, are valued at *fair value* if determinable: in this case the gains and losses incurred by the valuation at fair value are recognised directly in the equity until the date of sale when all the accumulated profits and losses are charged to the income statement for the period.

Investments in other companies for which the *fair value is not available* are recorded at cost, written down if need be following permanent losses in value. Dividends are recognised in the income statement when the right to receive payment is established only if they derive from the distribution of profits subsequent to the acquisition of the investee company. If, however, they derive from the distribution of reserves of the investee prior to the acquisition, these dividends are recorded as a reduction in the cost of the investment itself.

Treasury shares

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

FINANCIAL INSTRUMENTS

The financial assets and liabilities are recognised when the Tper Group becomes part of the instrument's contractual clauses.

Receivables and payables

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

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

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

Cash and cash equivalents

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

Financial derivative instruments

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

The derivatives are classified as hedging instruments, in accordance with IAS 39, when the relationship between the derivative and the subject of the hedge is formally documented and the effectiveness of the hedge, initially and periodically verified, is high and is included between 80% and 125%.

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

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

For transactions in derivative instruments that can be defined pursuant to IAS 39 of *"net investment hedge",* as a hedge against the risk of an unfavourable change in exchange rates to which net investments in foreign operations are converted, since they are instruments of *"cash flow hedge",* the effective hedging component of the changes *in fair value* of the underwritten derivatives has been recognised in the other components of the comprehensive income statement, thus compensating those recorded in the other components of the comprehensive income statement, thus offsetting the changes in the conversion reserve relating to net investments in foreign operations. The cumulative changes of *fair value* set aside in the reserve of *net investment hedge* are written down from the statement of comprehensive income to the income statement at the time of the total or partial admission of the investment in the foreign operation.

The changes of fair value derivatives that do not meet the conditions for qualifying for IAS 39 as hedging instruments are recognised in the income statement.

Other financial assets and liabilities

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

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

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

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

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

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

a) identification of the "unit of account", that is, the level at which an asset or a liability is aggregated or disaggregated to be recognised for IFRS purposes;

b) identification of the main market (or, in the absence, of the most advantageous market) in which transactions could take place for the asset or liability subject to valuation; in the absence of any evidence to the contrary, it is assumed that the currently used market coincides with the main market or, in its absence, with the most advantageous market;

c) definition, for non-financial activities, of the highest and best use (maximum and best use): in the absence of contrary evidence, the highest and best use coincides with the current use of the asset;

d) definition of the most appropriate evaluation techniques for estimating the *fair value:* these techniques maximise the use of observable data, which market participants use to determine the price of the asset or liability;

e) determination of *fair value* of the assets, as the price that would be received for sale, and of the liabilities and capital instruments, as the price to be paid for the relative transfer in a regular transaction between market operators at the date of the valuation;

f) inclusion of the *"non-performance risk"* in the valuation of assets and liabilities and, in particular for financial instruments, determination of an adjustment factor in the *measurement of* the fair value to include, in addition to counterparty risk (CVA- *credit valuation adjustment),* own credit risk (DVA - debit valuation adjustment).

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

a) level 1: includes quoted prices in active markets for assets or liabilities identical to those valued;

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

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

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

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

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

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

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

Funds for provisions

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

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

The "Funds for the restoration and replacement of rolling stock" include the charges to be incurred in connection with the contractual obligations to restore and replace the railway rolling stock to meet the commitments made under the service agreements in place for passenger rail transport managed through the Consorzio Trasporti Integrati Soc. Consortile in r.l.. The provisions for these funds are determined on the basis of the wear and age of the rolling stock outstanding at year-end, taking into account, where significant, the financial component linked to the passage of time.

Employee benefits

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

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

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

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

Revenues

The revenues are recognised to the extent that it is possible to reliably determine their value *(Fair value)* and it is probable that the related economic benefits will be taken. Depending on the type of transaction, revenues are recognised on an accrual basis based on the specific criteria set out below:

a) revenues for TPL line services based on services provided;
b) revenues for railway line services based on the services provided;
c) revenues for parking and car sharing based on the services provided;
d) sales for the sale of goods when the significant risks and rewards associated with ownership of the assets are transferred to the purchaser;
e) the provision of services based on the stage of completion of the activities, according to the criteria for "construction contracts and services in progress". In case it is not possible to reliably determine the value of revenues from

provision of services, the latter are recognised up to the amount of the costs incurred which are deemed to be recovered;

f) the active fees and royalties during the vesting period, based on the contractual agreements signed.

g) interest income, as well as interest charges, are calculated on the value of the related financial assets and liabilities, using the effective interest rate;

h) dividends when the right of shareholders to receive payment is established.

Government grants

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

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

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

Income taxes

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

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

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

a) first, only if it is probable that there will be sufficient taxable income to enable it to be recovered;

b) second, if they exist in any case.

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

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

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

Earnings per share

The basic earnings per share are calculated by dividing the result for the year by the weighted average of the Company's shares in circulation during the year.

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

Accounting principles, interpretations and improvements applied from 1 January 2017

From 1 January 2017, the following documents, previously issued by the IASB and endorsed by the European Union, which bring amendments to the international accounting standards, have entered into force:

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

IAS 12: INCOME TAX On 19 January 2016 the IASB published the aforementioned *Amendments* which have the purpose of providing clarifications on the methods for recognising the default payments relating to debt instruments valued at *fair value.*

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

IMPROVEMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (2014-2016 CYCLE) On 8 December 2016, the IASB published the document *"Annual Improvements to IFRSs: 2014-2016 Cycle".*

The changes concern a draft project issued on 19 November 2015. The document introduces, inter alia, amendments to IFRS 12 *Disclosure of Interests in Other Entities:* the amendment requires that the disclosure requirements required for the investments in other entities be shown even if they are classified as held for sale. The changes will be applied retrospectively, starting from the financial years beginning on or after 1 January 2017.

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

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

IFRS 9 - Financial instruments

In July 2014, the IASB definitively issued IFRS 9, a standard aimed at replacing the current IAS 39 for the accounting and measurement of financial instruments.

The standard introduces new rules for the classification and measurement of financial instruments and a new model of *impairment* of financial assets, as well as accounting for hedging transactions definable as *"hedge accounting".*

Classification and measurement

The IFRS 9 provides for a single approach for the analysis and classification of all financial assets, including those containing embedded derivatives. The classification and related valuation is carried out considering both the management model of the financial asset and the contractual characteristics of the cash flows obtainable from the asset.

The financial asset is valued using the amortised cost method if both of the following conditions are met:

a) the management model of the financial asset consists in holding it with the purpose of collecting the related financial flows; and

b) financial assets generate contractually, at predetermined dates, financial flows that are exclusively representative of the return on the financial asset itself.

The financial asset is valued at *fair value,* with the recognition of the effects in the comprehensive income statement, if the objectives of the management model are to hold the financial asset for the purpose of obtaining the related contractual cash flows or selling it.

Finally, the residual category of financial assets valued at *fair value* with the recognition of the effects in the income statement, which includes the assets held for the purpose of their negotiation.

A financial asset that meets the requirements to be classified and valued at the amortised cost may, upon initial recognition, be designated as a financial asset at *fair value,* with recognition of the effects in the income statement, if such accounting allows elimination or significantly reduces the asymmetry in the valuation or recognition (so-called*"accounting mismatch"),* that would otherwise result from the valuation of assets or liabilities or the recognition of the related gains or losses on different bases.

Moreover, in the case of investments in equity instruments for which, therefore, it is not possible to record and evaluate at amortised cost, if these are equity investments not held for trading purposes, but of a strategic nature, the new principle provides for that at the time of initial recognition the entity can irrevocably choose to devalue them to *fair value,* with the detection of the subsequent changes in the comprehensive income statement.

With regard to financial liabilities, the provisions of the current IAS 39 are confirmed by the new IFRS 9, also with reference to the related registration and valuation of the amortised cost or, in specific circumstances, at fair value with the recording of the effects in the income statement.

It should be noted that, as a result of the amendment approved on 12 October 2017 (and mandatory application from 1 January 2019), it was specified that a debt instrument that envisages an early repayment option could comply with the only required contractual flows from IFRS 9 and, consequently, be valued at the depreciated cost or at *fair value* with the recording of changes in the comprehensive income statement, even if a negative repayment is provided for the financial institution.

The changes compared to the current requirements of IAS 39 are mainly related to:

a) the representation of the effects of the changes of *fair value* attributable to the credit risk associated with the liability, which IFRS 9 requires are recognised in the comprehensive income statement for certain types of financial liabilities, rather than in the income statement as *fair value* changes attributable to other types of risk;

b) elimination of the option for valuation at amortised cost of financial liabilities consisting of derivative financial instruments that provide for the delivery of unlisted equity instruments. As a result of this change, all derivative financial instruments must be valued at *fair value.*

Impairment

The IFRS 9 defines a new model of impairment of financial assets, with the aim of providing information to the users of the financial statements about related expected losses. In particular, the model requires the verification and recognition of any expected losses at any time of the duration of the instrument and of updating the amount of expected losses at each balance sheet date, to reflect changes in the credit risk of the instrument; it is therefore no longer necessary for a particular event to occur ("trigger event") in order to proceed with the verification and recognition of losses on receivables.

The tests of *impairment* must be applied to all financial instruments, with the exception of those used for *fair value* with recognition of the effects in the income statement.

Hedge accounting

The main changes introduced by IFRS 9 concern:

a) the greater extent of the types of risk hedged, to which non-financial assets and liabilities are exposed, also allowing the designation of an aggregate exposure as a subject of hedging, which also includes any derivative instruments;

b) the possibility of designating as a hedging instrument also a financial instrument valued at *fair value* with recognition of the effects in the income statement;

c) the different method of accounting for forward contracts and option contracts, when included in a report of *hedge accounting;*

d) change the method for preparing hedge effectiveness tests, as the principle of the "economic relationship" is introduced between the hedged item and the hedging instrument; moreover, the retrospective assessment of the effectiveness of the hedge is no longer required;

e) the possibility of "rebalancing" an existing hedge if the risk management objectives remain valid.

IFRS 15 – Revenue from contracts with customers

The IFRS 15 replaces the previous IAS 18 standard, in addition to IAS 11, relating to contract work, and to the related interpretations IFRIC 13, IFRIC 15, IFRIC 18 and SIC 31.

The IFRS 15 establishes the standards to be followed for the recognition of revenues deriving from contracts with customers, with the exception of those contracts that fall within the scope of application of the standards concerning leasing contracts, insurance contracts and financial instruments.

The new standard defines an overall reference framework to identify the time and amount of revenue to be recorded in the financial statements.

According to the new standard, the company must proceed with the analysis of the contract and related accounting effects through the following phases:

a) contract Identification;

b) identification of the performance obligations present in the contract;

c) determination of the transaction price;

d) allocation of the transaction price to each identified performance obligation;

e) recognition of revenues at the time the performance obligation is satisfied.

Therefore, the amount that the entity recognises as revenue must reflect the consideration to which it is entitled in exchange for assets transferred to the customer and/or services rendered, to be recognised when their contractual obligations have been fulfilled.

Furthermore, for the recognition of the revenue the need for probability of obtaining/collection of the economic benefits related to the income is emphasised; for work in progress on order, currently regulated by IAS 11, we introduced the requirement to proceed with the recognition of revenues, also taking into account any discounting effect deriving from deferred collections over time.

In the first application, if it is not possible to proceed with the retrospective application of the new standard, an alternative approach is envisaged *("modified approach")* in which the effects deriving from the application of the new standard must be recognised in the initial net equity of the first year of application.

IFRS 16 - Leasing

On 13 January 2016, the IASB published the definitive version of the new accounting principle relating to the accounting of financial leasing operations, which replaces
10 IAS 17, IFRIC 4, SIC 15 and SIC27, and whose adoption, with the exception of the approval process by the European Union, is established starting from 1 January 2019; early application is permitted to companies that apply IFRS15 in advance - Revenues from contracts with customers.

With regard to the lessee, the new accounting principle intervenes by standardising the accounting treatment of operating and financial leases. In fact, IFRS 16 requires the lessee to recognise assets deriving from a leasing contract in the balance sheet, to be recorded and classified as rights of use (therefore, among intangible assets), regardless of the nature of the leased asset, to be subjected to depreciation on the basis of the duration of the right; at the time of initial recognition, against the aforementioned right, the lessee records the liability deriving from the contract, for an amount equal to the present value of the minimum fees to be paid. The IFRS 16 also clarifies that a lessee, in the context of the leasing contract, must separate the components relating to the lease (to which the provisions of IFRS 16 apply) from those relating to other services, to which related conditions of other IFRSs must instead be applied.

Leasing contracts with a duration of 12 months or less and those with low-value items may be excluded from the new accounting presentation method, with a view to low significance for the lessee.

As far as the lessor is concerned, the alternative accounting models of financial leasing or operating leases, on the basis of the characteristics of the contract, remain substantially applicable, as they are currently governed by IAS 17; consequently, it will be necessary to proceed with the recognition of the financial receivable (in the case of financial leasing) or of the tangible asset (in the case of an operating lease).

Annual Improvements to IFRSs: 2014 - 2016

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

11 document introduces changes to the following standards:

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

These changes must be applied retrospectively for the annual periods beginning on
1 January 2018 or later. Earlier application is permitted.

Annual Improvements to IFRSs: 2015 - 2017

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

The document introduces changes to the following standards:

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

when the activity is not ready and available for the intended use or sale. The financial charges related to specific loans that remain after the asset is ready for intended use or for sale must subsequently be considered as part of the entity's overheads of borrowing.

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

For all the new issue principles, as well as for revisions and amendments to the existing standards, TPER GROUP is evaluating any impacts currently not reasonably estimated, deriving from their future application, with the exception of IFRS 9, IFRS 15 and IFRS 16, which the following represents.

In particular, with reference to IFRS 15, the TPER GROUP has substantially completed proceeding with the verification of the applicability of the new standard to the different types of contracts in force, as well as to the study of possible management and accounting effects. On the basis of the analyses and in-depth analyzes developed so far, no significant impacts were noted that could derive from the adoption of IFRS 15.

With reference to the new accounting standards IFRS 9 and IFRS 16, the TPER GROUP has started the analysis of the possible impacts deriving from the application of these principles, with reference to the main items of the financial statements that may be involved, represented by trade receivables, from related financial assets, financial liabilities and derivative financial instruments. No significant impacts have been identified that may derive from the introduction of these principles.

INFORMATION ON THE STATEMENT OF FINANCIAL POSITION

The items in the statement of financial position at 31 December 2017 are commented on below. The values in brackets in the headings of the notes refer to the balances at 31 December 2016.

1. Tangible assets

Thousands of euro 212,840 (178,296)

The tangible assets at 31 December 2017 show a net value of 212,840 thousand € compared to the net value at 31 December 2016, equal to 178,296 thousand €. The table below shows the initial and final amounts of the items of tangible assets, with evidence of the original cost and cumulative depreciation at the end of the year.

Thousands of euros	31/12/2017			31/12/2016		
	cost	depreciation accumulated	net value	cost	depreciation accumulated	net value
Real estate	4,562	(1,149)	3,413	5,412	(1,073)	4,339
Rolling stock	405,071	(240,842)	164,229	365,023	(234,384)	130,640
Infrastructure	58,601	(20,170)	38,430	58,797	(20,026)	38,771
Other tangible assets	18,571	(11,803)	6,769	15,399	(10,853)	4,546
Total Tangible Assets	**48,2243**	**(272,815)**	**212,840**	**439,218**	**(265,262)**	**178,296**

The increase in the net value of tangible assets compared to the balance at 31 December 2016, equal to EUR 34,544 thousand, is analysed in the following movements.

Thousands of euros	31/12/2016	investments	depreciation	write-downs	disposals	others reclassifications or corrections	31/12/20
Real estate	4,339	-	- 76	- 850	-	-	3,413
Rolling stock	130,640	48,318	- 10,082	-	24	- 4,405	164,229
Infrastructure	38,771	514	- 855	-	-	-	38,430
Other tangible assets	4,546	3,104	-934	-	53	0	6,769
Total movement of tangible assets	**178,296**	**51,936**	**- 11,947**	**- 850**	**189**	**- 4,405**	**212,840**

The item "property" includes buildings and land owned for instrumental purposes for the exercise of the operations. The write-down refers to the loss in value recorded in the financial year 2017 as a result of the *impairment test* of a summary of goods consisting of building land and a building partially constructed in the town of Bologna and originates from the well-known collapse of the property market still underway in the tertiary and productive sectors, occurring since 2008, as well as the fact the structures created many years ago, became obsolete and non-profitable according to current regulations.

The buses and trolley buses under the heading "rolling stock" are used within the TPL of Bologna and Ferrara and their useful life is estimated on the basis of the residual duration of the service agreements.

The increases for the year relate to 84 buses and 17 trolley buses that entered service in 2017, in addition to the commissioning of the last batch of 7 new ETR 350 electric trains.

Stadler all equipped with every comfort according to the best current quality standards (in particular double toilets, air conditioning, security cameras, stop warning, low floor for flushing even for passengers with reduced mobility, bike racks).

The "infrastructure" item consists of works carried out on third party assets, electronic machines, issuers, validators, parking meters, electronic information panels with variable message and information systems for users.

Finally, it should be noted that at 31 December 2017, the tangible assets are not encumbered by mortgages, liens or other real guarantees that limit their availability.

2. Intangible assets

Thousands of euro 24,705 (24,878)

Thousands of euros	31/12/2017 cost	31/12/2017 depreciation accumulated	31/12/2017 net value	31/12/2016 cost	31/12/2016 depreciation accumulated	31/12/2016 net value
Concession rights	24,128	- 51 4	23,614	32,738	- 7,860	24,878
Other intangible assets	5,855	- 4,76 4	1,091			
Total	**29,983**	**■ 5,278**	**24,705**	**32,738**	**■ 7,860**	**24,878**

The table below shows the amounts at the beginning and at the end of the year as well as the relative changes occurred in 2017.

Thousands of euros	31/12/2016						31/12/2017
	net value	investments	depreciation	write-downs	disposals	other reclassifications or adjustments	net value
Concession rights*Other intangible assets*	24,878	674	514 333			24,128 - 24,128	23,614 1,091
Total	**24,878**	**674**	**847**				**24,705**

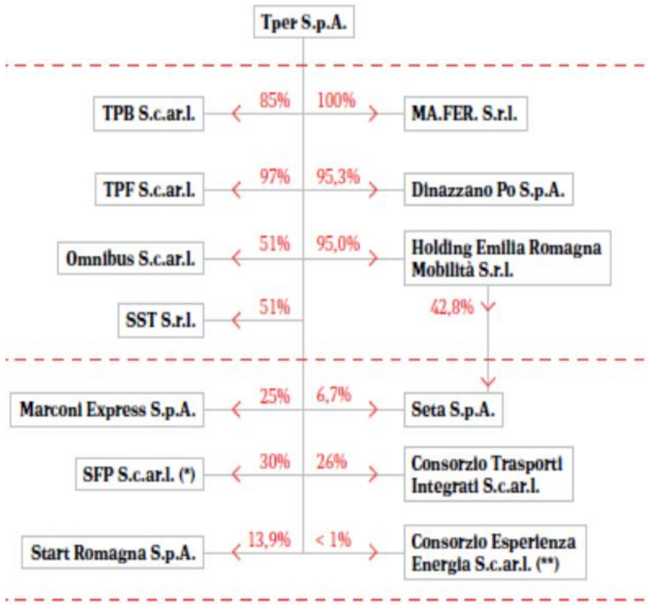
The "concession rights" refer to the concession contract for the compendium of the Dinazzano Po freight yard formalised on 04 August 2017 by means of a deed Repertory no. 15625 with the Province of Reggio Emilia. The contract provides for art. 3 that .. *"The Concession has a duration of 50 (fifty) years, starting from the date of completion of the works relating to the Scalo and specifically from 14 July 2014, ..* ", therefore, the expiry of the Concession appears to be 14 July 2064. It should be noted that the Dinazzano and Guastalla freight railway stations are managed by the Tper Group with effect from 1 February 2012, as part of the partial demerger of the transport branch carried out by FER S.r.l. to FER Trasporti S.r.l. which, on the same date, was merged into the company TPER S.p.A.

The goodwill paid for the purchase of the Modena-Sassuolo and Bologna-Casalecchio-Vignola railway management for a residual value of EUR 1.3 million was entirely written down in 2013 in view of the re-assignment of the public auction of the public passenger transport service by rail within the competence of the Emilia-Romagna Region.

3. Participations

Thousands of euros 14,621 (14,675)

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



The table below shows the main equity investments held by the Tper Group at 31 December 2017, with an indication of the percentages held and their carrying amount, net of any tenths to be paid, with evidence of the original cost and the accumulated revaluations and write-downs. at the end of the year.

Thousands of euros	31/12/2017				31/12/2016			
	% of possession	Cost	Revaluations (Write-downs)	Value final	% of possession	Cost	Revaluations (Write-downs)	Value final
Investments valued at cost or at fair value value		**4,042**	**- 700**	**3,343**		**4,042**	**- 700**	**3,343**
Start Romagna S.p.A.	14%	4,037	- 700	3,338	14%	4,037	- 700	3,338
Consorzio Esperienza Energia S.c.a.r.l. in liquidation	1%	0	-	0	1%	0	-	0
Transport Consortium S.c.a.r.l.		5	-	5		5	-	5
Shareholdings valued using the method of shareholder's equity		**13,695**	***w*** **- 2,417**	**11,278**		**13,695**	***w*** **- 2,363**	**11,332**
Marconi Express S.p.A.	25%	2,000	- 366	1,634	25%	2,000	- 95	1,905
Consorzio Trasporti Integrati S.c.a.r.l.	26%	3	1	4	26%	3	1	4
SOCIETA' FERROVIARIA PROVVISORIA S.c.a.r.l.	30%	300	-	300	30%	300	-	300
SETA S.P.A.	47%	11,393	- 2,052	9,340	47%	11,393	- 2,268	9,124
Total investments		**17,737**	**- 3,117**	**14,621**		**17,737**	**- 3,063**	**14,675**

With reference to investments, it is specified that the *impairment tests were carried out in* relation to the load values at 31 December 2017:

a) which include a goodwill, or

b) for which indications of possible impairment have been found.

4. Financial assets

Non-current quote Thousands of euro 8,623 (3,478)

Current quote Thousands of euro 19,420 (6,539)

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

Thousands of euros	budget value	31/12/2017	non-current quote	budget value	31/12/2016	non-current quote
Financial assets for contributions	***20,560***	***18,911***	***1,649***	***8,819***	***6,539***	***2,280***
Emilia Romagna Region	15,237	15,150	86	2,465	2,357	108
Municipality of Bologna	1,003	1,003		*r* 646	646	
Ministry of Transport	3,138	2,569	568	4,077	2,940	1.136
Municipality of San Lazzaro	188	188		*r* 126	126	
Others	994	-	994	1,505	470	1,036
Other financial assets	***7,483***	***509***	***6,974***	***1,198***	***0***	***1,198***
Finanziamento partecipata Marconi Express S.p.A.	5,746		5,746	750		750
Other	1,736	509	1,227	448		448
Total	**28,043**	**19,420**	**8,623**	**10,016**	**6,539**	**3,478**

The receivables from the Emilia-Romagna Region, equal to EUR 15,150 thousand, refer to € 1,413 thousand for contributions to be collected on the Stimer regional electronic ticketing system, to EUR 13,342 thousand for bus purchase, to EUR 205 thousand for the trolleyway extension 14 and to EUR 190 thousand for remote control and for 86 thousand euro to contributions on the interventions carried out on the Dinazzano airport.

The receivables from the Municipality of Bologna, amounting to EUR 1,003 thousand, refer to contributions to be received for remote control for EUR 411 thousand, and EUR 592 thousand for the creation of the TPGV Crealis transport system.

The receivable from the Ministry of Transport, equal to € 3,138 thousand, refers for € 2,569 thousand to the state share of the contributions for the creation of the TPGV Crealis transport system and € 568 thousand to contributions to be collected for the airport of Dinazzano.

The loan to the investee company Marconi Express S.p.A., amounting to EUR 5,746 thousand, was disbursed in line with the approved business plans and the shareholders' agreements, and refers to the Tper quote of the loan for the construction of the monorail connecting the railway station and Bologna airport.

5. Assets for deferred tax assets and liabilities for deferred taxes

Liabilities for deferred taxes Thousands of euro 3,005 (3,016)

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

Thousands of euros	31/12/2017	31/12/2016
IRES deferred tax liabilities	**6097**	**6083**
IRAP deferred tax liabilities	**992**	**990**
Liabilities for deferred taxes	**7089**	**7073**
IRES Deferred tax assets	**3513**	**3490**
IRAP Deferred tax assets	**571**	**568**
Deferred tax assets	**4084**	**4058**
Net deferred tax liabilities	**3,005**	**3,016**

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

Thousands of euros	31/12/2016 Initial balance	Provisions	changes in the financial year (Rilasci) / (uses)	Provision and (releases)	Changes in OCI	estimates a.p. Other reclassifications or adjustments	31/12/2017 Final balance
Differences between tax value and book value of adjustments from FT	7,073	51	(35)	0	0	0	7,089
Other temporary differences	0	0	0	0	0	0	0
Liabilities for deferred taxes	**7,073**	**51**	**(35)**	**0**	**0**	**0**	**7,089**
Provisions for funds not deducted	3,083	0	0	0	0	0	3,083
Other temporary differences	973	150	(69)	(48)	0	0	1,002
Deferred tax assets offset	**4,056**	**150**	**(69)**	**(48)**	**0**	**0**	**4,085**
Net deferred tax liabilities	**3,016**	**98**	**(34)**	**(48)**	**0**	**0**	**3,005**

6. Other assets

Current quote Thousands of euro 25,580 (17,788)

They total 25,580 thousand euros, mainly referable to:

- € 14,760 thousand for receivables from the tax authorities for VAT;
- € 5,527 thousand for credit towards Ferrovie Emilia Romagna, for public contributions to cover the higher costs of the national collective labour agreement;
- € 2,541 thousand for prepaid expenses on expenses due after 2017

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

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

Thousands of euros	01/01/2017	uses	provisions	31/12/2017
On other assets	3,592		248	3,839
Total Provision for bad debts	**3,592**	**-**	**248**	**3,839**

7. Trade assets

Thousands of euros 119,065 (109,322)

The item, mainly made up of trade receivables, increased by 9,743 thousand euro compared to the balance at 31 December 2016, mainly due to advances for bus supplies for 5.9 million euro and higher amounts due to mobility agencies for 2, 9 million euros.

It is pointed out that the value of trade assets approximates its *fair value.*

At 31 December 2017, the trade assets included:

a) inventories, amounting to € 21,553 thousand (€ 21,556 thousand as at 31 December 2016), consisting of inventories and spare parts for the maintenance of rolling stock:

Thousands of euros	31/12/2017	31/12/2016
Raw materials	1,282	1,256
Diesel	665	718
Lubricants	348	319
Tires	269	219
Parts	30,734	28,650
Inventory devaluation fund	- 10,463	- 8,350
Total	21,553	21,556

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

b) trade receivables, equal to EUR 97,512 thousand (EUR 87,766 thousand at 31 December 2016), the breakdown in which is detailed in the table below.

Thousands of euros	31/12/2017	31/12/2016
Trade receivables from:		
Customers	40,480	37,734
Associated companies	13,625	13,178
Proprietary bodies	2,165	1,574
Others for different services	48,155	38,781
Total trade receivables (gross)	10,4425	91,267
Provision for bad debts	(6,912)	(3,501)
Trade receivables (net)	97,512	87,766

The trade receivables due from associated companies, amounting to EUR 13,693 thousand, mainly refer to the receivable from Consorzio Trasporti Integrati S.c.a.r.l. for railway services.

The item "Other receivables for other services", amounting to EUR 48,069 thousand, is attributable to receivables for the sale of travel and parking securities (6,445), the collection of administrative penalties (330), advance payments to suppliers (14,408) and receivables from customers for the penalties charged to the manufacturers of rolling stock, for the repair and maintenance services of third party vehicles, for services related to mobility, for renting and the sale of advertising space.

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

Thousands of euros	01/01/2017	uses	provisions	31/12/2017
Provision for trade receivables	3,501 -	405	3,816	6,912
Total	3,501 -	405	3,816	6,912

8. Liquid availability

Thousands of euros 62,645 (30,243)

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

The consistent overall increase in cash and cash equivalents is substantially correlated with the cash collected following the listing of the bond loan referred to in point 12.

For more details on the events that generated the increase in the item during the 2017 financial year, please refer to the cash flow statement.

9. Assets and liabilities for current taxes

Current tax assets Thousands of euros 1,996 (1,921)

Liabilities for current taxes Thousands of euros 678 (498)

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

Thousands of euros	Assets for income taxes		Liabilities for current taxes	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
IRES	1,996	1,921	207	312
IRAP	-	-	471	186
	1,996	**1,921**	**678**	**498**

10. Net assets

Thousands of euro 150,909 (146,851)

At 31 December 2017:

a) the shares in circulation are equal to 68,492,702 (68,492,702 at 31 December 2016);

b) the treasury shares amount to 11,480 (0 at 31 December 2016).

The reduction in the number of shares outstanding and the simultaneous increase in treasury shares originated from the acquisition on the market of 11,480 shares, in relation to the withdrawal of the shareholders Province of Mantua, Province of Modena, Province of Reggio Emilia and Province of Rimini.

The shareholders' equity pertaining to the Group, amounting to 148,104 thousand euro, increased by 3,983 thousand euro compared to 31 December 2016. The main changes during the year, represented in detail in the statement of changes in the Group's shareholders' equity, refer to:

a) the profit for the year pertaining to the Group, equal to 8,858 thousand euro;
b) the positive result of the other components of the comprehensive income statement, equal to 153 thousand euro, entirely determined by the positive change in the actuarial gains and losses reserve;
c) the distribution of dividends for 2016 equal to 4,659 thousand euro;
d) the purchase of n. 11,480 treasury shares, for a consideration of 188 thousand euro.

The shareholders' equity attributable to non-controlling interests amounted to 2,804 thousand euro and shows an increase of 74 thousand euro compared to 31 December 2016 (2,730 thousand euro), essentially due to the combined effect of the following main changes:

a) the profit for the year attributable to minority interests, amounting to € 127 thousand; and
b) the distribution of dividends for 2016 is equal to 53 thousand euro.

11. Funds for provisions

Non-current quote Thousands of euro 56,861 (57,112)

Current quote Thousands of euros 3,074 (5,496)

Thousands of euros	budget value	31/12/2017 current quote	non-current quote	budget value	31/12/2016 current quote	non-current quote
Funds for employee benefits	30,084	2,135	27,949	32,810	1,811	30,998
Fund for restoration and replacement of rolling stock	5,394		5,394	5,394		5,394
Other funds	24,457	939	23,518	24,404	3,685	20,720
Total funds for provisions	**59,935**	**3,074**	**56,861**	**62,608**	**5,496**	**57,112**

The table of the amounts at the beginning and end of the year for provisions and related changes

for 2017 is shown below.

Thousands of euros	31/12/2016			changes in the financial year				31/12/2017
	Initial balance	provisions nti	Charges financial	Decreases for use	Decreases for releases	provisions minimum (releases) in	others Reclassification or	closing
Funds for employee benefits	32,810	546		- 3,070		- 201		30,084
Fund for restoration and material replacement	5,394							5,394
Insurance deductibles fund	5,847		35	-495			- 18	5,368
Fund for work disputes in progress	6,413	3,758	13	- 113	- 3,256		-53	6,762
Litigation fund for revenue agency Cuneo	9,593							9,593
Litigation fund express	2,370							2,370
Other funds	182	182		-	-			364
Total changes in Funds for provisions	62,608	4,486	48	- 3,678	- 3,256	- 201	- 72	59,935

<u>Funds for employee benefits</u>

At 31 December 2017, the employee benefits provision, amounting to EUR 30,084 thousand, refers entirely to employee severance indemnity (TFR) for employees subject to Italian legislation, to be liquidated upon termination of employment.

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

	31/12/2017	31/12/2016
Annual discount rate	0,88%	0,86%
Annual inflation rate	1,50%	1,50%
Annual rate of increase of severance indemnity	**2,625%**	**2,625%**
Frequency of advances	**2%**	**2%**
Annual turnover rate	**1,50%**	**1,50%**

In particular, it should be noted that:

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

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

Mortality	RG48 mortality tables published by the General Accounting of the State0,88%
Disability	INPS tables distinguished by age and sex
Retirement age	100% upon reaching the AGO requirements

The "Rolling stock restoration and replacement fund", amounting to EUR 5,394 thousand, refers to amounts set aside to meet the commitments made under the existing service agreements for passenger rail transport managed through the Consorzio Trasporti Integrati Soc. Consortile a r.l. for the restoration and replacement of railway rolling stock.

The "Insurance deductibles fund", equal to EUR 5,368 thousand, represents the probable liability for the excesses paid by Tper still to be paid on motor vehicle accidents occurring before 2017.

The "Provision for work disputes in progress", amounting to EUR 6,762 thousand, has been created to cover the foreseeable liabilities, expressed at current values, relating to disputes with employees. The fund also includes an estimate of legal fees and other potential ancillary costs.

The "Provision for tax disputes", amounting to EUR 9,593 thousand, consists of the involvement of Tper - as a legally supportive subject - in relation to tax disputes on matters prior to its constitution.

The "Expropriation Litigation Fund", amounting to € 2,370 thousand, is set up to cover the outcome of the disputes pending before the Court of Appeal, concerning the calculation of compensation for expropriation of land on which the Dinazzano railway station insists.

12. Financial Liabilities

Non-current quote Thousands of euro 116,415 (27,975)

Current quote Thousands of euro 8,145 (6,106)

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

Thousands of euros	31/12/2017				31/12/2016			
	value nominal	value of budget	quote current	quote non current	value nominal	value of budget	quote current	quote non current
Bond loans	95,000	94,212	-	94,212	-	-	-	
Medium/long-term loans	28,436	28,436	8,082	20,354	32,317	32,317	5,977	26,339
Derivatives		335		335		50		507
Current account overdrafts								
Short-term loans								
Other financial liabilities	1,577	1,577	63	1,514	1,258	1,258	129	1,129
Total	**125,013**	**124,560**	**8,145**	**116,415**	**33,575**	**34,082**	**6,106**	**27,976**

In 15/09/2017, Tper completed the issue of an unsecured debenture bond loan for an amount of EUR 95 million, listed on the Dublin Stock Exchange (Irish Stock Exchange), the world's leading market place for regulated government and corporate bonds.

The non-convertible Tper bonds, with a maturity of 7 years and amortisation repayments starting from the fifth year, made up the features of the bonds which presented a fixed annual coupon of 1.85%, and were entirely placed with institutional investors.

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

13. Other liabilities

Non-current quote Thousands of euros 20,906 (20,768)

Current quote Thousands of euros 39.979 (43.614)

The most significant portion of the non-current quote consists of amounts due to SRM Società Reti e Mobilità SpA, equal to € 19,159 thousand, corresponding to the balance due on the reference date in relation to the rental agreement of the business unit underwritten on 4 March 2011 between the Agenzia mobilità SRM Società Reti e Mobilità SpA and the public transport company Bolognese S.c.a.r.l. at the same time as signing the service agreement for the management of public transport on the local road in the Bologna area.

The main components of the current quote are payables to employees, equal to 12,7 million euros, for accrued salaries still to be paid and holidays accrued but not yet received, 11,5 million euros for deferral on accrual ticket revenues in the next financial years, 4,7 million euros for deferrals on other revenues for the next financial years, 4,6 million euros for contributions on buses that have not yet entered service and 0,4 million euros for payables for accrued passive deductibles .

14. Trade liabilities

Non-current quote Thousands of euros 5,493 (4,697)

Current quote Thousands of euro 84,029 (71,007)

Most of these consisted of payables to suppliers and recorded an increase due mainly to investments in rolling stock made in 2017.
Overall, at 31 December 2017 there were payables to suppliers for the non-current quote relating to advances on train and bus supplies for 4,3 million euros and 1,1 million euros, respectively. For the current quote, the payables to suppliers of greater importance are from reconnect to bus supplies for 31 million euros, 10 million euros for railway tracks purchase and 1,3 million euros for fuels.

INFORMATION ON THE INCOME STATEMENT ITEMS

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

15. Revenues for TPL line services

Thousands of euros 195,034 (192,024)

The revenues from services from the TPL line amounted to 195,034 thousand euro and show an increase of 3,010 thousand euro (+1.57%) compared to 2016 (192,024 thousand euro).

	2017	2016	VARIATIONS
TICKETS	74,387	75,796	-1,409
CORRISPECTIVE INTEGRATION	103,580	99,644	3,936
CCNL CONTRIBUTIONS	11,997	12,187	-190
PASSENGER FINES	4,188	3,514	674
OTHER REVENUES	882	883	-1
TOTAL REVENUES PER SERVICE	**195,034**	**192,024**	**3,010**

16. Revenues from railway line services

Thousands of euro 83,418 (81,661)

The revenues from railway services amounted to € 83,418 thousand and increased by €1,757 thousand (+2.15%) compared to 2016 (€ 81,661 thousand).

	2017	2016	VARIATIONS
TICKETS	13,857	13,875	-18
CORRISPECTIVE INTEGRATION	53,615	51,361	2,254
CCNL CONTRIBUTIONS	2,763	2,763	0
PASSENGER FINES	214	86	128
OTHER REVENUES	12,969	13,576	- 607
TOTAL REVENUES PER SERVICE	**83,418**	**81,661**	**1,757**

17. Revenues from parking and car-sharing

Thousands of euro 16,146 (16,518)

The revenues for parking and car sharing amounted to € 16,146 thousand and decreased by € 372 thousand (-2.25%) compared to 2016 (€ 16,518 thousand).

	2017	2016	VARIATIONS
PARKING	13,921	14,224	-303
ACCESS TO THE HISTORIC CENTRE	1,833	1,925	-92
CAR-SHARING	392	369	23
Total revenues from parking and car-sharing	**16,146**	**16,518**	**-372**

18. Other income

Thousands of euros 13,890 (17,481)

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

	2017	2016	VARIATIONS
VEHICLE MAINTENANCE AND	3,124	3,269	-145
RAILWAY MAINTENANCE	3,312	6,445	-3,133
INSURANCE REIMBURSEMENT AND 1	2,201	2,359	-158
SANCTIONS	779	1,121	-342
OTHER	4,474	4,287	187
Total other income	**13,890**	**17,481**	**-3,591**

19. Personnel costs

Thousands of euro 126,939 (126,656)

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

Thousands of euros	2017	2016	*VARIATIONS*
Wages and payrolls	92,650	92,525	125
Social charges	27,057	26,961	96
Provision for pension funds	6,053	6,119	-66
Other personnel costs	1,179	1,050	128
Total	**126,939**	**126,656**	**284**

The personnel costs amounted to € 126,939 thousand (€ 126,656 thousand in 2016) and were substantially in line with what was incurred in the previous year.

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

UNIT	2017	2016	*VARIATIONS*
Managers	13	13	0
Cadres	54	56	-2
Employees	318	316	2
Workers	2,255	2,334	-79
Apprentices	44	7	37
Collaborators	5	6	-1
Total	2,689	2,732	-43

20. Costs for services

Thousands of euros 98,799 (97,806)

The budget balance is detailed in the following table.

Thousands of euros	2017	2016	*VARIATIONS*
Transportation services	31,037	29,328	1,709
Railway tolls	11,542	11,553	-11
Maintenance	16,562	17,890	-1,328
Cleaning	4,893	5,086	-193
Insurance	4,656	5,005	-349
Electricity	4,406	4,496	-91
Catering services	1,925	1,832	94
Other utilities	1.951	1,806	145
Consultancy	1,756	1,504	252
other	20,071	19,306	765
Total	**98,799**	**97,806**	**993**

21. Raw materials and materials

Thousands of euro 36,427 (35,371)

This item includes the costs for the purchases of materials:

Thousands of euros	2017	2016	*VARIATIONS*
Fuels	17,941	17,359	582
Lubricants	747	784	-37
Tires	660	875	-215
Parts	14,810	13,818	992
Various materials	1,527	1,522	5
other	741	1,012	-271
Total	**36,427**	**35,371**	**1,056**

22. Costs for use of third party assets

Thousands of euro 8,779 (11,834)

The item includes:

Thousands of euros	2017	2016	*VARIATIONS*
Parking and parking management fees	6,108	6,975	-867
Other rentals and leasing	481	2,763	-2,282
Company rentals	2,190	2,096	94
Total	**8,779**	**11,834**	**-3.055**

23. Other operating costs

Thousands of euro 3,107 (3,994)

The item includes:

Thousands of euros	2017	2016	*VARIATIONS*
Taxes and levies	1,186	1,259	- 73
Revisions and tests	124	85	39
Associative contributions	378	294	84
other	1,419	2,356	-937
Total	**3,107**	**3,994**	**-888**

24. Write-downs and write-backs

Thousands of euros 4,550 (592)

The item consists of provisions for write-downs of receivables of € 3,6 million and the write-down of an industrial property in the municipality of Bologna for € 0,9 million.

25. Change in funds for provisions

Thousands of euros 608 (7,954)

The item consists of the operating changes (provisions and releases) of funds for provisions, excluding those for employee benefits (classified in personnel costs), allocated by Group company to fulfil the legal and contractual obligations that are presumed to require the use of economic resources in subsequent years. The balance of the item, equal to € 608 thousand, is connected to the net change in the employment fund and to an allocation related to a possible need for environmental remediation (€ 0,2 million).

26. Financial income

Thousands of euros 208 (140)

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

Thousands of euros	2017	2016	*Variations*
Dividends	0	94	- 94
Other financial income	-	23	- 23
of which interest receivable on credits	189	22	166
of which interest receivable on bank accounts	- 3	0	- 3
of which other interest income	22	0	22
Financial income	**208**	**140**	**69**

27. Financial charges

Thousands of euro 1,412 (424)

Thousands of euros	2017	2016	*Variations*
Bond loan charges	574	-	574
Charges for financing	582	281	301
Other financial charges	256	143	113
Financial charges	**1,412**	**424**	**988**

The financial charges recorded a substantial increase, due to the charges from loans on the purchase of electric trains and the interest accrued on the bond loan initiated on 15 September 2017.

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

Thousands of 134 euros (-433)

The "Share of net profit (loss) on investments accounted for using the equity method" of 2017 includes a net income of 134 thousand euro, attributable to the pro-quota results of the year in associated companies, and refers to:

- for 217 thousand euro to the profit attributable to the Group of the associate Seta S.p.A.; is
- - € 83 thousand for the loss attributable to the Group of the associated company Marconi Express S.p.A..

29. Tax charges

Thousands of euro -6,423 (-7,077)

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

Thousands of euros	**2017**	**2016**	*Variations*
IRES	4,948	6,789	- 1,841
IRAP	1,128	1,426	-299
Current income taxes	**6,076**	**8,215**	**- 2,139**
Income taxes from previous years	413	- 37	449
Differences on income taxes for traders	**413**	**- 37**	**449**
Provisions	- 150	- 1,101	951
Releases	69		69
Prepaid taxes	**- 81**	**- 1,101**	**1,020**
Provisions	51		51
Releases	- 35		- 35
Deferred taxes	**16**	**-**	**-**
Prepaid and deferred taxes	**- 65**	**- 1,101**	**1,036**
Tax charges (expenses)	**6,423**	**7,077**	**- 655**

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

Earnings per share

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

	31/12/2017	31/12/2016
Weighted average number of shares issued	68,492,702	68,492,702
Weighted average number of treasury shares in portfolio	11,480	
Weighted average number of outstanding shares for the purpose of calculating basic earnings	68,481,222	68,492,702
Profit for the year (in thousands of euros)	8,858	5,819
Basic earnings per share (Euro)	0,13	0,08

OTHER FINANCIAL INFORMATION

Information on the cash flow statement

The 2017 financial trend shows an increase in net cash and cash equivalents of € 32,402 thousand compared to a reduction in net cash and cash equivalents in 2016 of € 17,004 thousand.

The net cash flow generated by operating activities amounted to 12,014 thousand euro in 2017, and decreased by 10,032 thousand euro compared to the previous year. The decrease is attributable to the combined effect of the following factors:

a) the increase in net cash flow absorbed by changes in working capital and other changes for € 14,151 thousand, mainly due to the increase in trade receivables for 9,746 thousand euro and other assets for 7,792 thousand euro, for the use of provisions for risks and charges for 3,281 thousand euro, partially offset by the increase in trade payables for 13,818 thousand euro;

b) the improvement in the economic performance recorded by the increase in the profit for the year of € 3,048 thousand;

c) the net increase in the other components of the non-monetary income statement and the change in deferred tax assets totaling € 1,071 thousand.

The financial flow absorbed by investing activities amounted to € 47,165 thousand and mainly originated from investments in tangible assets for € 61,056 thousand, for which the Group collected € 14,376 thousand in contributions.

The net cash flow generated by the financial asset is equal to € 67,553 thousand and is essentially due to the combined effect of:

a) the issue of the bond loan amounting to € 94,212 thousand;
b) the repayment of medium and long-term loans, amounting to € 3,880 thousand;
c) the increase in financial assets, totaling € 18,026 thousand, essentially due to an increase in financial assets for grants, equal to € 11,741 thousand, and to the increase in financial assets related to the interest-bearing loan disbursed to the investee Marconi Express S.p.A., equal to € 4,996 thousand;
d) dividends distributed to shareholders for a total of 4,712 thousand euro.

Management of the financial risk

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

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

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

<u>Operational risk</u>

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

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

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

Market risk

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

The objectives of the strategy are to:

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

Interest rate risk

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

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

Liquidity risk

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

The strategy adopted by the Company for the management of liquidity risk focuses on optimising its ability to generate cash flows, and on diversifying sources of funding to cover its requirements for the management of the year and for investments.

Credit risk

The Tper Group mainly operates by providing public services and revenues deriving from the tariffs applied to the users of the transport service are essentially collected with the provision of the service.

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

ADDITIONAL INFORMATION

Operating sectors

The operating segments of the Tper Group are identified on the basis of the information provided and analysed by the Board of Directors of Tper, which constitutes the highest decision-making level of the Tper Group for the taking of strategic decisions, the allocation of resources and the analysis results.
In particular, the Board of Directors assesses the performance of the activities in consideration of the reference business, the operating segments of the Tper Group are as follows:

a) TPL line services: includes local car transport services for people in the Bologna and Ferrara basins;
b) railway line services: includes local railway transport services for people mainly supplied in the Emilia-Romagna region, directly and together with another operator;
c) parking and car sharing: includes the management and collection of parking lots and some facilities in the municipality of Bologna, the control and sanctioning of parking on behalf of the Municipality of Bologna, the issuance and collection of permits for the access to the Limited Traffic Zone in the city of Bologna, car and bike sharing management in Bologna.

Guarantees

Thousands of euros	31/12/2017	31/12/2016	Variations
Guarantees granted to third parties			
Guarantees given	24,499	23,087	1,412
Risks			
Third party assets at the company	1	1	0
SRM rented assets at the company	30,122	30,773	- 651
SRM assets at the company	19	19	
	54,640	**53,879**	**761**

The guarantees given to third parties refer - for the most part - to the guarantees provided by Tper, on behalf of Tpb Scarl and Tpf Scarl, to the respective mobility agencies for service contracts for local public transport in the Bologna and Ferrara areas.

1,3 millions of euros loaned by Dinazzano Po to the Emilia Romagna Region (Regional Law 15/2009). .

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

In addition to the guarantees summarised above, it should be noted that Tper had at the closing date of the financial year €34 million of guarantees from third parties to cover the purchases of goods (mainly rolling stock) and services. The most significant items of third party guarantees consisted of guarantees on the construction of the Bologna-San Lazzaro bound public transport system (TPGV) (€22 million), for the purchase of 7 trains (€ 0,9 million) and for the purchase of new buses (€ 6 million).

Relations with related parties

The following tables show the economic and financial balances of a commercial and financial nature, deriving from transactions with related parties, including those relating to directors, statutory auditors and other executives with strategic responsibilities in the Company.

Thousand of		Sales to related parties	Purchases from related parties	Loans vs related parties	Payables vs. related parties
Associated Companies **SETA S.P.A.**	**2017**	**1,626**	**217**	**276**	**89**
	2016	**1,500**	**251**	**1,046**	**274**
START ROMAGNA S.P.A.	**2017**	**9**	**6**	**69**	**3**
	2016	**13**	**1**	**16**	**32**
INTEGRATED TRANSPORT CONSORTIUM	**2017**	**41,127**	**192**	**12,054**	**192**
	2016	**40,273**	**190**	**11,276**	**190**
PROVVISORY RAILWAY COMPANY	**2017**	**19**	**0**	**19**	**0**
	2016	**0**	**0**	**0**	**225**
MARCONI EXPRESS S.p.A.	**2017**	**175**	**0**	**5,746**	**0**
	2016	**0**	**0**	**750**	**0**
TOTAL	**2017**	**42,956**	**415**	**18,163**	**284**
	2016	**41,786**	**442**	**13,088**	**721**

The sales and purchases with related parties are made with the terms and conditions equivalent to those prevailing in free transactions. No guarantees have been provided for receivables and payables with related parties. In the financial year ended at 31 December 2017, the Company did not record any loss in value of receivables contracted with related parties. This assessment is carried out annually, at each balance sheet date, taking into consideration the financial position of the related party and the market in which the related party operates.

Compensation to directors and statutory auditors and auditing companies

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

Thousands of euros	2017	2016	*VARIATIONS*
Directors' remuneration	257	243	14
Compensation to the mayors	155	154	1
Compensation to the Auditing Company	50	50	0
Total	**462**	**447**	**15**

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

Events after 31 December 2017

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

Trasporto Passeggeri Emilia-Romagna

Annex 1.

TPER GROUP

Transition to International Accounting Standards (IFRS)

Introduction

Until the year ended at 31 December 2016, the company Tper S.p.A. (hereinafter also "TPER" or the "Parent Company") has prepared the consolidated financial statements in accordance with the provisions of the Italian Civil Code, as interpreted and supplemented by the accounting standards prepared and issued by Italian Accounting Body - IAB (hereinafter referred to as "Ita Gaap" or "Previous Accounting Principles").

Starting from the 2017 financial year, Tper following the issue of a bond loan on the regulated market of the Dublin Stock Exchange, recurring the requirements of Legislative Decree no. 38/2005 provided for companies issuing financial instruments admitted to trading on regulated markets of any EU Member State, is required to prepare the financial statements and the consolidated financial statements in accordance with the *International Financial Reporting Standard* issued *from the International Accounting Standard Board* ("IASB") and adopted by the European Union, which include the interpretations issued *from the International Financial Reporting Interpretations Committee* ("IFRIC"), as well as the previous ones *International Accounting Standards*("IAS") and interpretations of the *Standing Interpretations Commitee* ("SIC") still in force. For simplicity, the set of all the principles and interpretations of reference listed above are hereafter referred to as "IFRS".

As part of the process of transition to IFRS and for the purpose of preparing the financial statements for the period ended 31/12/2017 according to these principles, it was therefore necessary to provide for the reconciliation schedules required by IFRS 1 - *First-time adoption of IFRS* ("IFRS 1").

The present document, therefore, aims to present the reconciliation, with the related notes, between the accounting tables prepared by the Tper Group on the basis of the international accounting standards IFRS and the corresponding accounting tables prepared on the basis of Ita Gaap, as well as to present the effects of the transition to IFRS adopted by the European Union applicable to the Tper Group in the preparation of the consolidated financial statements as on 31.12.2017.

1. Accounting principles used and rules applied at the time of first-time adoption of the IFRS

The following reconciliation statements have been prepared by making the adjustments and reclassifications required to make these accounting documents compliant with the recognition and measurement criteria required by the IFRS to the schedules prepared according to the Ita Gaap.

The adjustments made and highlighted in the attached tables have been determined on the basis of the IFRS issued by the IASB and adopted by the European Union, in force as at 31/12/2017.

The accounting policies adopted by the Group for the preparation of the reconciliation statements are the same used for the preparation of the consolidated financial statements for the year ended at 31 December 2017 and indicated in the paragraph [•] of the explanatory notes, to which reference should be made for further details.

For the adoption of international accounting standards, the Group has applied the provisions of IFRS 1 which establishes, as a basic principle, that the financial statements are drawn up as if the company had always applied IFRS, and with the aim of minimising costs for conversion and to facilitate the adoption of IFRS, provides for this basic principle exemptions of an optional nature (exemption) or mandatory (exception).

The main choices made by the Group are listed below, including the exemptions and exceptions provided for by IFRS 1 applicable to the Company, with an indication of those used in the preparation of the opening balance sheet as at 1 January 2016:

1.1 Exemptions required by IFRS 1

The Tper Group has adopted the following exemptions:

- IFRS 3 *Business combinations have* not been applied to business combinations occurring prior to 1 January 2016, nor to acquisitions of holdings in affiliated companies and joint ventures. The use of this exemption implies that the book value of assets and liabilities determined according to Ita Gaap has been assumed as a substitute for cost at the date of acquisition. After the acquisition date, the measurement complies with the IFRS. The assets and liabilities that do not meet the requirements for recognition under IFRS are eliminated from the opening IFRS balance sheet. In this regard, it should be noted that the Group has not recognised or excluded amounts previously recorded following the recognition requirements established by the IFRS. IFRS 1 also requires that the carrying value of the Ita Gaap goodwill be used in the opening IFRS balance sheet (with the exception of adjustments for the impairment of goodwill and for the registration or cancellation of intangible assets).

Evaluation at revalued cost as a substitute of cost ("deemed cost"): some elemental real estate, plant and machinery, consistently with the exemption foreseen by par. D5 of IFRS 1, have been evaluated at *fair value* at the date of transition to IFRS. In particular, the rolling stock represented by buses and trolley buses was valued at *fair value* at 1 January 2016, referring to an evaluation prepared by an independent expert.

IAS 23 Financial charges - the Group applied the exemption provided for in para.23 of IFRS 1, which provides that a new user can choose to apply the provisions of IAS 23 from the transition date. By virtue of this exemption, the financial charges directly attributable to the acquisition, construction or production of an asset presenting the capitalisation requirements have been included in the cost of the asset only after the date of transition to the IFRS.

1.2 Compulsory exceptions required by IFRS 1

IFRS 1 provides some mandatory exceptions to the retrospective application of IFRS in the transition process.

The only mandatory exception applied by Tper is that relating to estimates. This exception provides that at the transition date the IFRS estimates must be consistent with the estimates made for the same date in accordance with Ita Gaap (after adjustments to reflect any differences in accounting policies), unless there is objective evidence that these estimates were incorrect.

The transition to IFRS, therefore, led to the maintenance of the estimates previously formulated according to the Ita Gaap, unless the adoption of the IFRS accounting standards required the formulation of estimates according to different methods.

2. Reconciliation of consolidated shareholders' equity from 1 January 2016, to 31 December 2016 and of the total consolidated result for 2016

The following table shows the reconciliation of the consolidated net equity of the Group from 1 January 2016 to 31 December 2016 and the total consolidated result for 2016, which highlights:

- The values determined according to Ita Gaap;
- adjustments to comply with IFRS principles;
- the values determined according to the IFRS with indication of the sums attributable to the Group and minority interests.

Furthermore, the notes to the main adjustments made to shareholders' equity and to the result for the year are provided.

As a result of the transition to the IFRS standards, all assets and liabilities have been restated in the values that would have arisen if the IFRS standards were applied retrospectively from the time of origin of the transactions, taking into account the exemptions and exceptions provided by IFRS 1 and described in the previous paragraph.

The effects of the transition to IFRS derive from changes in accounting policies and, as a consequence, were reflected in the initial consolidated shareholders' equity at the transition date (1 January 2016) and updated at 31 December 2016 on the basis of the effects produced in the consolidated income statement or in the consolidated comprehensive income statement for 2016.

		Capital net 01/01/2016	Result for 2016	Other changes in equity	Capital net 31/12/2016
Share of the Group		112,779	7,609	(294)	120,094
Share of relevance of third parties		3,404	74	(963)	2,515
Values ItaGaap		**116.183**	**7,683**	**(1,257)**	**122,609**
IFRS djustments:	NOTE:				
IFRS 1 - Use of the fairvalue as a substitute for the cost	(a)	24,693	(1,641)		23,052
IAS 37 - Elimination of provisions for risks and charges	(b)	5,801	77		5,878
IAS 39 - Elimination of deferred income from the transfer	(c)	2,315	(831)		1,484
IAS 28 - Equity method	(d)	570	433		137
IAS 2 - Inventory measurement at the Weighted Average Cost	(e)	546	(579)		(33)
IAS 17 - Financial leases	(f)	296	205		501
IAS 19 - Defined benefit plans - T.F.R.	(g)	(2,224)	(8)	(1,207)	(3,439)
IAS 38 - Elimination of intangible assets	(h)	(762)	350		(412)
IAS 12 - Tax effect on IFRS		(4,338)	1,121	290	(2,927)
		143,080	**5,944**	**(2,174)**	**146,850**
Share of the Group		139,484	5,819	(1,183)	144,119
Share of relevance of third parties		3,596	125	(991)	2,731
Absolute change		26,897	(1,739)	(917)	24,241
Percent variation		23.2%	-22,6%	73,0%	19,8%

2.1 Comments on the main adjustments

Use of the *fair value* as a substitute for the cost

Adopting the optional exemption granted by IFRS 1, Par. D5, the Group has chosen to assess the rolling stock used for urban public transport at fair value as a substitute for the cost at the date of transition to IFRS, referring to an independent external evaluation. As a result, from 1 January 2016, these assets were revalued for an amount of 24,693 thousand euro. Against this revaluation, the deferred tax liabilities were recognised for 6,899 thousand euro. The revaluation, based on the different depreciation it generated, was reflected in the consolidated income statement with a negative pre-tax effect of 1,641 thousand euros. Overall, this adjustment led to a gross increase in consolidated equity at 31 December 2016 of 23,052 thousand euros, against which deferred tax liabilities were recognised for 6,381 thousand euros.

b) Elimination of provisions for risks and charges

IAS 37 provides for more restrictive conditions compared to the previous accounting standards for the recording of provisions for risks and charges, since a provision must be recognised only when the entity: (i) has an obligation in progress (legal or implicit) as a result of a past event; (ii) it is probable that the use of resources will be necessary to produce economic benefits to fulfill the obligation; and (iii) a reliable estimate of the amount of the obligation can be made. Furthermore, the financial component linked to the passage of time must be taken into consideration, if it is significant.

The Company at the time of transition proceeded to reverse the funds without the requisites envisaged by IAS 37 and to update the amounts that it is presumed to pay later than twelve months.

The elimination of the provisions that did not meet the requirements of IAS 37 for their recognition and discounting of the funds that are expected to be used over a time period of more than twelve months resulted in a positive effect on the consolidated shareholders' equity at 1st January 2016, equal to 5,801 thousand euros; a positive effect on the consolidated income statement for 2016 of 77 thousand euros and a consequent positive effect on the consolidated shareholders' equity at 31 December 2016 of 5,878 thousand euros.

c) Elimination of deferred income from conferment

According to IAS 32, the financial liability is a financial instrument that contains a contractual obligation for which the entity is or may be required to deliver cash or another financial asset to the instrument holder. Consequently, during the transition, the financial liabilities that did not have the characteristics to qualify as such pursuant to IAS 32 were eliminated.

The elimination of these liabilities led to an increase of 2,315 thousand euro in shareholders' equity at 1 January 2016 and 1,484 thousand euro at 31 December 2016, gross of the related deferred tax effect of 646 thousand euro and 414 thousand of euros. The impact on the income statement for 2016 was negative for 831 thousand euros, gross of the related deferred tax effect of 232 thousand euros.

d) **Equity method**

According to the methodology of the equity method, at the time of initial recognition, the investment in an associated company is recognised at cost, and subsequently the carrying amount is increased or decreased to recognise the investor's share in the profitability or loss of the investee after the date of acquisition. In the consolidated financial statements at 31 December 2015 prepared in accordance with the previous accounting standards, some investments in associated companies were valued at cost incurred, adjusted for impairment losses. Due to the different accounting method, the consolidated shareholders' equity increased by 570 thousand euros at 1 January 2016 and by € 137 thousand as of 31 December 2016. The impact on the consolidated income statement for 2016 was negative for 433 thousand euros.

e) **Detection of inventories at the weighted average cost**

IAS 2 - *Inventories* establishes that inventories may be valued using the first-in, first-out (FIFO) or weighted average cost (WAC) method, while, in accordance with the previous accounting standards, the TPER Group has assessed its inventories according to the method *last-in, first-out*(LIFO). With the transition to IFRS, the Group has chosen to evaluate its inventories with the weighted average cost method; this involved:

- an increase in consolidated shareholders' equity of 546 thousand euros at 1 January 2016, gross of the related deferred tax effect of 152 thousand euros;
- a negative impact on the consolidated income statement for 2016 of 579 thousand euros, gross of the related deferred tax effect of 162 thousand euros, and
- a decrease of 33 thousand euros as of 31 December 2016, gross of the related tax effect of 9 thousand euros.

f) **Financial leasing**

IAS 17 - *Leasing* provides that for the assets for which a financial leasing contract has been stipulated by the company (as a lessee), essentially a purchase of the assets connected to a financing transaction is set up and, therefore, such assets must be recorded in the balance sheet as elements of property, plant and equipment, while the financing received must be exposed among financial liabilities; as a consequence, the income statement shows the depreciation charge of these assets as well as the financial charges related to the loan. On the other hand, The Ita Gaap allow such assets not to be recorded in the financial statements of the lessee and that only the amount of the leasing installments for the year is recognised in the income statement.

This adjustment led to an increase in consolidated shareholders' equity of 296 thousand euros at 1 January 2016 and 501 thousand euros at 31 December 2016, gross of the related deferred tax effect of 71 thousand euros and 120 thousand euros respectively . The impact on the consolidated income statement for 2016 was positive for 205 thousand euros, gross of the related deferred tax effect of 49 thousand euros.

g) Employee Benefits

The adjustment in the accounting value of employee benefits is related to the adoption of actuarial assumptions in accordance with the requirements of IAS 19. According to the previous accounting standards, the provisions for employee severance indemnities have been made based on the nominal value of the liabilities at the balance sheet date, assuming that all employees can leave the company on that date. Pursuant to IAS 19, the TFR of the TPER Group's personnel qualifies as a "defined benefit plan" and the present value of the obligation for the benefit at the balance sheet date is measured by actuarial valuations, based on specific demographic assumptions, economic and financial. Following the assessment carried out by an independent actuary appointed by the Group, the value of the defined benefit obligation at 1 January 2016, revalued in accordance with IAS 19, was 2,224 thousand euros higher than the value determined in accordance with the previous accounting standards. . At 31 December 2016, this difference amounted to 3,439 thousand euros. This led to a reduction in the consolidated shareholders' equity of 1,690 thousand euros at 1 January 2016 and 2,613 thousand euro at 31 December 2016, net of the related tax effect of 534 thousand euros and 825 thousand euros respectively. The impact on the consolidated income statement for 2016 is negligible, since the impact of actuarial losses, equal to 1,207 thousand euros, was recognised in the other components of the comprehensive income statement for the year 2016 on which the related deferred tax effect which is 290 thousand euros was determined.

h) Elimination of intangible assets

IAS 38 provides for some restrictions on the recognition of intangible assets. According to the aforementioned principle, in fact, an intangible asset, to be recognised in the balance sheet, must be identifiable, controlled by the entity and capable of producing future economic benefits. An asset is identifiable if: (i) it is separable, that is, it can be separated or divided by the entity and sold, transferred, licensed, leased or exchanged, individually or together with the related contract, assets or liabilities; or (ii) derives from contractual rights or other legal rights, regardless of whether these rights are transferable or separable from the entity or other rights and obligations. Consequently, some intangible assets that can be capitalised according to the Ita Gaap, are no longer recognisable as intangible assets under IFRS. The elimination of assets that do not meet the capitalisation requirements pursuant to IAS 38, has led to a reduction in the consolidated shareholders' equity of

762 thousand euros at 1 January 2016 and 412 thousand euros at 31 December 2016, gross of the related deferred tax effect of 212 thousand euros and euro 115 thousand euros respectively. This elimination led to a positive impact on the consolidated income statement for 2016 of 252 thousand euros, net of the related deferred tax effect of 98 thousand euros.

3. Reconciliation of the consolidated statement of financial position at 1 January 2016, 31 December 2016 and the consolidated income statement for 2016

The table below shows the reconciliation statements of the financial position of the TPER Group at 1 January 2016 and 31 December 2016 and the consolidated income statement for the year ended 31 December 2016, which show:

- the values according to the previous accounting standards, reclassified to take into account the adopted IFRS schemes;
- the adjustments and reclassifications for the adaptation to the IFRS principles.

Furthermore, the notes to the main adjustments and reclassifications made to the balance sheet and income items are provided.

As required by IFRS 1, at the date of transition to IFRS standards:

- all the assets and liabilities that were registered under IFRS were recognised;
- the assets and liabilities were valued at the values that would have been determined if the IFRS standards were applied retrospectively, taking into account the exemptions and the exceptions provided for by IFRS 1 and described above;
- were reclassified items previously reported using methods other than those required by IFRSs;

The effect of the adjustment to the new IFRS standards of the initial balances of assets and liabilities has been recognised in a specific reserve of retained earnings/(losses) of shareholders' equity, net of the tax effect, where applicable.

CONSOLIDATED BALANCE SHEET AND FINANCIAL POSITION AT 1 JANUARY 2016

	Note	01/01/2016 Ita Gaap	*Reclassifications*	IFRS Adjustments	01.01.2016 IFRS Gaap
Non-current assets					
Tangible assets	**(a) (g)**	215,225,390	626,342	(83,668,478)	132,183,254
Intangible assets	**(b)**	8,911,136	17,793,624	(761,589)	25,943,171
Concessions		19,031,115	(19,029,966)	0	1,149
Participations	**(c)**	13,701,450	(4,296,629)	570,017	9,974,838
Deferred tax assets	**(d)**	14,571	0	(14,571)	0
Non-current financial assets		3,852,413	0	0	3,852,413
Other non-current assets		4,650,300	0	0	4,650,300
Total non-current assets		**265,386,374**	**(4,906,629)**	**(80,428,787)**	**180,050,958**
Current assets					
Inventory		25,212,144	0	546,462	25,758,606
Trade credits and other receivables	**(f)**	78,159,226	(859,204)	0	77,300,022
Current tax assets		4,240,112	(3,186,329)	0	1,053,783
Current tax assets		5,646,905	0	0	5,646,905
Other current assets		15,092,992	4,546,329	(313,965)	19,325,356
Cash and cash equivalents	**(g)**	47,247,228	0	0	47,247,228
Total current assets		**175,598,607**	**500,796**	**232,497**	**176,331,900**
Total Assets		**440,984,981**	**(4,405,833)**	**(80,196,290)**	**356,382,858**
Net assets					
Share Capital		68,492,702	0	0	68,492,702
Reserves		44,285,805	0	26,705,173	70,990,978
Group's net assets		**112,778,507**	**0**	**26,705,173**	**139,483,680**
Share capital and Reserves of Third parties		3,404,209	0	192,448	3,596,657
Third party assets		**3,404,209**	**0**	**192,448**	**3,596,657**
Total Net Equity		**116,182,716**	**0**	**26,897,621**	**143,080,337**
Non-current liabilities					
Non-current financial liabilities	**(g)**	2,403,919	0	1,149,652	3,553,571
Funds for employee benefits	**(h)**	31,350,405	0	2,223,510	33,573,915
Provisions for risks and charges	**(i)**	35,990,372	(6,440,540)	(5,800,935)	23,748,897
Liabilities for deferred taxes	**(d)**	146,464	0	4,323,904	4,470,368
Other non-current liabilities	**(e)**	1,753,803	616,041	0	2,369,844
Total non-current liabilities		**71,644,962**	**(5,824,499)**	**5,341,965**	**71,162,428**
Current liabilities					
Current financial liabilities		7,946,880	668,666	134,136	8,749,682
Trade debts and other payables		67,023,153	0	0	67,023,153
Liabilities for current taxes		4,263,974	750,000	0	5,013,974
Other current liabilities	**(a) (l)**	173,923,295	0	(112,570,012)	61,353,283
Other current financial liabilities		0	0	0	0
Total current liabilities		**253,157,303**	**1,418,666**	**(112,435,876)**	**142,140,093**
Total liabilities		**324,802,265**	**(4,405,833)**	**(107,093,911)**	**213,302,521**

Total Liabilities and Shareholders' Equity 440,984,981 (4,405,833) (80,196,290) 356,382,858

CONSOLIDATED BALANCE SHEET AND FINANCIAL POSITION AT 31 JANUARY 2016

	Note	31/12/2016 Ita Gaap	*Reclassifications*	IFRS Adjustments	12/31/2016 IFRS Gaap
Non-current assets					
Tangible assets	(a) (f)	271,893,495	652,200	(94,250,193)	178,295,503
Start-up		0	0	0	0
Intangible assets	(b)	7,305,484	17,984,184	(411,760)	24,877,908
Concessions		18,636,384	(18,636,384)	0	0
Participations	(c)	14,537,933	0	136,703	14,674,636
Deferred tax assets	(d)	16,391	(3,896,646)	3,880,255	(0)
Non-current financial assets		3,477,504	0	0	3,477,504
Other non-current assets		0	0	0	0
Total non-current assets		315,867,191	(3,896,646)	(90,485,860)	221,484,685
Current assets					
Inventory	(e)	26,940,527	(5,352,272)	(32,578)	21,555,677
Trade credits and other receivables		88,807,820	(1,042,050)	0	87,765,770
Current tax assets		9,005,911	(7,085,560)	0	1,920,351
Current tax assets		0	0	0	0
Other current assets	(f)	17,486,896	7,085,560	(245,498)	24,326,958
Cash and cash equivalents		30,243,444	0	0	30,243,444
Total current assets		172,484,599	(6,394,322)	(278,076)	165,812,201
Total Assets		488,351,790	(10,290,968)	(90,763,936)	387,296,886
Shareholders' equity					
Share Capital		68,492,702	0	0	68,492,702
Reserves		43,992,671	0	25,815,332	69,808,002
Operating result		7,608,941	0	(1,790,329)	5,818,611
Group's net assets		120094313	0	24025002	144119315
Share capital and Reserves of Third		2440718	0	164790	2605508
Third party operating result		74268	0	51144	125412
Third party shareholders' equity		2514985	0	215935	2730920
Total Shareholders' Equity		122609299	0	24240937	146850235
Non-current liabilities					
Non-current financial liabilities	(f)	27116876	0	859042	27975918
Funds for employee benefits	(g)	29370907	0	3438782	32809689
Provisions for risks and charges	(h)	43193694	(7517718)	(5877509)	29798467
Liabilities for deferred taxes	(d)	105056	(3896646)	6807906	3016316
Other non-current liabilities		24848633	616041	0	25464674
Total non-current liabilities		124635166	(10798323)	5387356	119224198
Current liabilities					
Current financial liabilities		5470045	507355	129057	6106457
Trade and other payables		71004198	0	0	71004198
Liabilities for current taxes		498132	0	0	498132
Other current liabilities	(a) (i)	164134951	0	(120521286)	43613666
Other current financial liabilities		0	0	0	0
Total current liabilities		241107325	507355	(120392229)	121222453
Total liabilities		365742491	(10,290,968)	(115004873)	240446651
Total Liabilities and Shareholders' Equity		488351790	(10290968)	(90763937)	387296886

CONSOLIDATED INCOME STATEMENT FOR 2016

	Explanatory Notes	ITA GAAP	*Reclassifications*	IFRS Adjustments	IFRS Restated
Revenue		277760842	0	0	277760842
Increases in fixed assets through internal work		254343	0	0	254343
Other revenues	(a) (i)	31711780	3486983	(5530213)	29668550
Total revenues		**309726965**	**3486983**	**(5530213)**	**307683735**
Costs for materials	(e)	(36684349)	609375	(579040)	(36654015)
Costs for services and utilisation of third-party assets	(f)	(107424744)	(170068)	(761946)	(108356759)
Staff costs	(g)	(124034128)	(2168044)	(453671)	(126655843)
Other administrative expenses		(2757370)	(1236978)	0	(3994348)
Total operating costs		**(270,900,591)**	**(2965716)**	**(1794657)**	**(275 660 964)**
Gross operating margin		**38826374**	**521266**	**(7324870)**	**32022771**
Depreciation, provisions and devaluation	(b) (f) (h)	(22714783)	(398625)	4829213	(18284195)
Operating income		**16111592**	**122641**	**(2495657)**	**13738575**
Financial income	(c)	139525	(24672)	24672	139525
Financial charges	(c) (f) (h)	(508898)	40552	(389287)	(857633)
Net financial result	(f)	**(369372)**	**15880**	**(364615)**	**(718107)**
Gross profit		**15742219**	**138521**	**(2860272)**	**13020468**
Taxes for the year	(d)	(8059011)	(138521)	1121087	(7076445)
Year result		**7683208**	**(0)**	**(1739185)**	**5944023**
Of which:					
Year result for which third parties are responsible		74268	0	51144	125412
Year result for which the Group is responsible		7,608,941	0	(1,790,329)	5,818,611

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT FOR 2016

	ITA GAAP	Reclassifications	IFRS Adjustments	IFRS Restated
Year result	**7683208**	**(0)**	**(1739185)**	**5944023**
Actuarial gains and losses for employee benefits	0	0	(1207237)	(1207237)
Tax effect of actuarial gains and losses	0	0	289737	289737
Profits and losses without reversal to the income statement	**0**	**0**	**(917500)**	**(917500)**
Profits and losses with reversal to the income statement		**0**	**0**	**0**
Comprehensive Income Statement	**7683208**	**(0)**	**(2656685)**	**5026524**
Of which:	0	0	0	0
Comprehensive income statement pertaining to Third Parties	0	0	0	125412
Comprehensive income statement pertaining to the Group	0	0	0	4901112

3.1 Notes to the main reclassifications and adjustments to the consolidated financial position at 01.01.2016, at 31 December 2016 and in the consolidated income statement for 2016

The following notes contain a description of the main adjustments and reclassifications deriving from the transition to IFRS, relating to the financial statements as at 1 January 2016 and 31 December 2016, including the consolidated income statement for the year ended 31 December 2016.

a) Tangible assets

The reclassifications and adjustments mainly concern:

- <u>public grantss</u>: based on the previous accounting standards, public grants paid for the purchase of a tangible asset were presented as a deferred income under liabilities. At the transition date, public grants relating to rolling stock are presented in the IFRS balance sheet, deducting the total amount of the same from the book value of the related buildings, plant and machinery. Therefore, government grants are recognised in the income statement over the life of the depreciable assets as a reduction in depreciation costs. This led to the reclassification as at 1 January 2016 of EUR 110,255 thousand and at 31 December 2016 of EUR 119,037 thousand from the item "Other current liabilities" to reduce the value of tangible assets.

- <u>*fair value* as a substitute for the cost</u>: the TPER Group applied the optional exemption established by IFRS 1.D5 for detecting shortcomings of property, plant and equipment at the date of transition to its own *fair value* in place of the cost. In particular, the exemption was applied to the rolling stock attributable to the bus and trolleybus categories used for urban public transport in Bologna and Ferrara. As at 1 January 2016, based on the valuation carried out by an independent expert, the value of these tangible assets was increased by an amount equal to EUR 24,693 thousand.

As a result of using the *fair value* as a substitute for the cost and the different methodologies for the representation of government grants, the consolidated income statement for the year ended 31 December 2016 was adjusted to: (i) eliminate the depreciation determined on the basis of the previous accounting standards (equal to EUR 7,564 thousand); (ii) eliminate the share of government grants recorded in the income statement under other revenues (for EUR 3,754 thousand); (iii) recognize the portion of depreciation determined in accordance with IAS 16, for EUR 5,612 thousand.

b) <u>Elimination of intangible assets</u>

In accordance with the Previous Accounting Standards, some intangible assets have been recorded that do not meet the registration requirements established by IAS 38. Therefore, during the transition to IFRS accounting principles, these intangible assets were eliminated from the opening balance sheet and financial position. These adjustments led to a reduction of EUR 762 thousand in other intangible assets at 1 January 2016 and a positive adjustment of the 2016 consolidated income statement, due to the reversal of depreciation, equal to EUR 350 thousand. As a consequence, intangible assets are reduced to EUR 412 thousand at 31 December 2016.

c) <u>Equity method</u>

These adjustments refer to the conversion to the accounting net equity method and to the IFRS conversion applied to the financial statements of the associated companies. Consequently, the item "Investments" has been increased by EUR 570 thousand as at 1 January 2016 and by EUR 137 thousand as at 31 December 2016. In the 2016 consolidated income statement, this adjustment led to the recognition of a charge related to the share of the loss in equity investments accounted for using the equity method, equal to EUR 433 thousand.

d) **<u>Assets and Liabilities for deferred taxes and current taxes</u>**

The related deferred taxes have been determined on the adjustments made to the assets and liabilities of the opening IFRS consolidated balance sheet and income statement and to the consolidated income statement for 2016. In addition, in accordance with paragraph 34 of IAS 12, deferred tax assets have been recognised to the extent that the Group has deemed it possible that future taxable income will be available and on which forwarded tax losses may be used. Deferred taxes have been calculated using the tax rate applicable to Group companies. This involved the recognition of:

- deferred tax assets for EUR 3,446 thousand at 1 January 2016 and EUR 4,055 thousand at 31 December 2016;
- deferred tax liabilities for EUR 7,916 thousand at 1 January 2016 and EUR 7,073 thousand at 31 December 2016;

- in the 2016 consolidated income statement this led to a net deferred tax asset of EUR 311 thousand.

It should be noted that at the exposure level, as allowed by IAS 12, the assets and liabilities for deferred taxes were presented as offset.

e) **Inventories at weighted average cost**

As already described above, the TPER Group evaluated inventories based on the so-called LIFO criterion on the basis of the previous accounting standards. This criterion is not included among those usable on the basis of IAS 2. Consequently, at the time of the first application of the IFRS, the TPER Group opted to evaluate its inventories on the basis of the weighted average cost method. This adjustment entailed a higher value of inventories as at 1 January 2016, for EUR 546 thousand, and a lower value of the same as at 31 December 2016, for EUR 33 thousand. The impact on the consolidated income statement for 2016 was negative by EUR 579 thousand.

f) **Finance leases**

Based on IAS 17, the assets acquired under finance leases were recognised (EUR 1,894 thousand, net of accumulated amortisation as at 1 January 2016 and EUR 1,735 thousand, net of accumulated amortisation as at 31 December 2016), as well as the related financial liability (EUR 1,284 thousand at 1 January 2016 and EUR 988 thousand at December 31, 2016). The impact on the consolidated income statement for 2016 was positive, with EUR 205 thousand, following:

- the elimination of costs related to leasing fees (EUR 419 thousand),
- the recognition of the depreciation of plant and equipment purchased under finance leases, equal to EUR 159 thousand;
- the recognition of financial charges relating to liabilities recorded in accordance with IAS 17 of EUR 55 thousand.

g) **Recalculation of employee benefits**

According to the previous accounting standards, provisions for employee severance indemnities have been made based on the nominal value of the liabilities at the balance sheet date. According to IAS 19, the severance indemnity provision ("TFR") of the TPER Group staff qualifies as a "defined benefit plan", and the present value of the obligation for benefits at the balance sheet date is measured by actuarial valuations, based on specific demographic, economic and financial factors. Following the valuation carried out by an independent actuary appointed by the Group, the value of the defined benefit obligation at 1 January 2016, revalued in accordance with IAS 19, was higher by EUR 2,224 thousand compared to what was recorded on the basis of the previous accounting standards. At 31 December 2016, this difference amounted to EUR 3,439 thousand.

h) **Elimination of provisions for risks and charges**

According to IAS 37, a provision should be recognised only where all the above conditions are met and also taking into account, where significant, the time value of money. Consequently, as at 1 January 2016, the provisions recognised on the basis of the GAAP Ita were reduced by EUR 5,801 thousand and by EUR 5,878 thousand as at 31 December 2016. The impact on the consolidated income statement for 2016 was positive, at EUR 77 thousand.

J) **Elimination of Financial Liabilities**

According to IAS 32, a financial liability is a contractual obligation to deliver cash or another financial asset to another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity. Therefore, the financial liabilities that do not meet the requirements of IAS 32 have been eliminated upon the first application of the IFRS. The elimination of these liabilities led to a decrease in other current liabilities for EUR 2,315 thousand at 1 January 2016 and EUR 1,484 thousand at 31 December 2016. Following this adjustment, income from the 2016 consolidated income statement of EUR 831 thousand was eliminated.

4. Effects of the transition to IFRS on the cash flow statement

The adoption of the IFRS did not have a significant impact on the consolidated cash flow statement.

TPER S.p.A.

Registered Office in Bologna - via di Saliceto, 3

Share capital EUR 68.492.702.00 fully paid up

Business Register no. and Tax Code 031821612202

Report of the Board of Statutory Auditors on the Financial Statements as at 31 December 2017 drafted pursuant to Art. 2429, paragraph 2, of the Italian Civil Code

Dear Shareholders,
the Board of Statutory Auditors, pursuant to Art. 2429, paragraph 2 *of the Italian Civil Code, is* called upon to report to the Shareholders' Meeting convened to approve the financial statements on the results of the financial year and on the activities carried out during the year in the performance of their duties, as well as on the omissions and any reprehensible facts found. The Board of Statutory Auditors also has the right to make observations and proposals regarding the financial statements and their approval, as well as the matters within its competence.

During the year ended 31 December 2017, the Board of Statutory Auditors oversaw the observance of the law and the Articles of Association, and compliance with the principles of correct administration. Its activities for the purposes of drafting this Report on the business operations and the financial statements were guided by the provisions of the law and the Rules of Conduct for the boards of statutory auditors of listed companies, if and to the extent compatible - as issued by the Italian National Council of Chartered Accountants and Accounting Experts and updated in April 2018 - referring, in particular, to the following.

This Report was approved by the Board jointly and in good time for its filing at the company's registered office, within 15 days prior to the date of the Shareholders' Meeting called to approve the financial statements, together with the other obligatory annexes that accompany it, and the Management Report, in addition to non-financial information pursuant to Legislative Decree 254/2016. The administrative body provided the relative documents approved on 20 April 2018 and relating to the financial statements (and the consolidated financial statements) as at 31 December 2017, in compliance with the terms set out in Art. 2429 of the Civil Code.

This Report does not concern the activity of auditing the accounts, since the related functions are performed by the Auditing Company RIA GRANT THORNTON SpA, appointed for this purpose.
The functions of the Supervisory Body are assigned to another separate corporate body within TPER, pursuant to Legislative Decree 231/2001.

General Introduction

The financial statements have been drawn up in compliance with the provisions of current law and the IAS/IFRS international accounting standards issued by the IASB and adopted by the EU, as well as the related interpretations of IFRIC, integrated with the amendments approved and currently in force, in addition to the verified compliance with the requirements of the Legislative Decree 38/2005, as a result of the obligation imposed by the regulations in force and consequent to the issue of the Bond Loan on the regulated market of the Dublin Stock Exchange - also subscribed to by institutional investors - with effect from the financial years ended 31 December 2017. Following this issue, the Company also assumed the status of a Public Interest Entity, as defined by Art. 16 of Italy's Legislative Decree 39/2010.

Meetings of the Board of Statutory Auditors

In the period between the beginning of 2017 and 31/12/2017, the Board of Statutory Auditors participated in the Shareholders' Meetings convened and at the meetings of the Board of Directors held 14 times. The Board itself met 11 times, for the performance of its individual activities, the presence and relevance of which is attested by the related and duly signed reports.

In this context, the present Board acknowledges that during the period of their office, there were no violations of the law and the company Articles of Association, nor transactions that were manifestly imprudent, risky, in potential conflict of interest, or such as to compromise the integrity of the company equity.
The present Board also held periodic meetings with the person in charge of the statutory audit provided by Ria Grant Thornton spa. These meetings discovered no data or information that should be highlighted in this Report or communicated to the Supervisory body and/or the Internal Audit.

In temporal terms, the board's activities covered the whole financial year and regular meetings were held during the financial year itself pursuant to Art. 2404 of the Italian Civil Code and minutes of said meetings were prepared and unanimously approved.

Knowledge of the company, risk assessment and reports on the activities assigned

Given the consolidated knowledge that the Board of Statutory Auditors now claims to have of the Company and with regard to:

i) the type of activities undertaken;

ii) its financial and organisational structure;

also taking account of the company's size and problems, it is reaffirmed that the phase for "planning" supervisory activity - which is necessary to assess the inherent risks and critical elements regarding the two parameters mentioned above - was implemented via positive feedback compared to what was already known based on the information acquired over time.

It was therefore possible to confirm that:

- the typical activities carried out by the company have not changed during the year under review and are in line with the company objectives;
- the organisational structure, almost unchanged, even though the IT structures and the related procedures have been updated during the financial year, is suitable for the transition to the new IAS/IFRS international accounting standards, including through the adoption of the new management system (SAP), all in order to better respond to the changing needs, including business development needs, *for an appropriate and effective functional* reorganisation. These, therefore, apply not only from an accounting and administrative points of view;
- the human resources dedicated to company activities also remained almost unchanged (considering the average figure), going from 2,433 as of 31.12.2016 to 2,436 persons as at 31.12.2017, most of them employed with indefinite contracts;
- the above is indirectly confirmed by the comparison of the values expressed in the income statement for the last two financial years, namely the one in question (2017) and the previous one (2016), with the relative adjustment to the new IAS/IFRS international accounting standards, including for 2016. This demonstrates the effects of the required transition to these new standards (the so-called "FTA", *First Time Adoption)* , as clearly expressed in a specific Annex I to the financial statements, at the end, with

the necessary reconciliations of the Shareholders' Equity as of 1 January 2016, as of 31 December 2016 and of the overall 2016 balance, and the related comments to the main FTA adjustments;

- we can also note that in 2017 the Company operated substantially similarly to the previous year and, consequently, our controls have been carried out on these assumptions, having verified the substantial comparability of the values, duly re-expressed on the basis to the IFRS standards, and having compared the results with those of the previous year.

This report therefore summarises the activity concerning the disclosure required by Article 2429, paragraph 2, of the Civil Code, and more specifically:

- on activities undertaken in performance of duties pursuant to law;
- on financial year balances;
- on comments and proposals regarding the financial statements, with particular reference to the board of directors' possible use of the exemption outlined in Art. 2423, clause 5, of the Italian Civil Code and pursuant to Art. 5 of Legislative Decree 38/2005;
- the possible receipt of complaints from shareholders under Art. 2408 CC.

We remain, in any case, always at your disposal to investigate any further aspects in discussions at shareholders' meetings.

Relevance of significant events during the year

With regard to significant events that took place in the financial year ended 31 December 2017, please refer to the Board of Directors' Management Report accompanying the Financial Statements which, to the knowledge of the Board of Statutory Auditors, summarises the most significant events concerning the company TPER and its Group as a whole.

Intragroup transactions or transactions with related parties

Pursuant to Art. 2427, first paragraph, item 22 bis) of the Civil Code, the Company has fully indicated in the Explanatory Notes the transactions carried out with related parties, specifying the amount, the nature of the relationship, and any other information necessary for the purposes of understanding the financial statements. These transactions were carried out on terms equivalent to those prevailing in the free market.

Atypical or unusual operations

No atypical or unusual transactions emerged as part of the control activities performed by this Board of Statutory Auditors.

With regard to the non-recurring transactions occurred in the 2017 financial year on the purchase of 11,480 shares of treasury stock, following the withdrawal of the Provincial Shareholders of Mantua, Province of Modena, Province of Reggio Emilia and Province of Rimini, and in relation to the issue of the bond on the regulated market of Dublin, the Board of Statutory Auditors certifies, on the basis of information acquired from the administrative body and from the company in charge of the legal audit, to have duly examined compliance with the law (information, requirements and procedures), with the principles of correct administration, and with the adequacy of the organisational, administrative and accounting structure in relation to said specific operations.

Supervisory Activities

During the financial year ended 31 December 2017, this Board of Statutory Auditors - as far as it was possible to find - has found that:

- the decisions taken by the shareholders and governing body complied with the law and the Articles of Association and are not manifestly imprudent or such as to compromise the integrity of corporate assets;
- we have acquired sufficient information relating to the general performance of operations and their foreseeable evolution, as well as the most significant transactions, in terms of size or characteristics, carried out by the company and its subsidiaries. Given the directional organisation chart, the information required by Art. 2381, paragraph 5, of the Italian Civil Code were provided and acquired by the Administrative Body both during scheduled meetings and via individual access by members of the Board of Statutory Auditors at the company's offices and also through telephone and IT contacts/information flows with the members of the Board of Directors. From all of the above it follows that the directors, including the Management, have, in substance and form, respected the provisions of the aforementioned law;
- the operations carried out were also compliant with the law and the company Articles of Association and were in no potential conflict with the resolutions adopted by the shareholders' meeting or such as to compromise the integrity of the corporate assets and were appropriately assessed - if applicable - including by soliciting qualified external opinions;
- no specific observations are made regarding the adequacy of the company's organisational structure during the year, nor about the adequacy of the administrative, accounting and control system, as well as the reliability of the latter in correctly representing management facts, also for the purposes and for the effects of the information due pursuant to Legislative Decree no. 254/2016, of which *more below,* for what concerns the non-financial matters;
- we have acquired information on and supervised, within our competence, the adequacy and functioning of the administrative-accounting system, as well as the reliability of the latter to correctly represent the management facts. This was achieved by obtaining specific information from the heads of corporate divisions, from the company in charge of statutory audit of the accounts (Ria Grant Thorton spa), and by examining the corporate documents. In this regard there are no particular observations to report;
- during periodic checks pursuant to Art. 2403, first paragraph of the Civil Code, the Board has taken note of the evolution of the activities carried out by the company, paying particular attention to the problems of a contingent and/or extraordinary nature in order to identify the economic and financial impact on the year's balances and on the equity structure, as well as any risks, including those deriving from losses on receivables or outstanding disputes, monitored on a regular basis. We also relied upon the assistance, including at times on an extraordinary basis, if the circumstances so required, and appropriate data comparisons with the appointed auditing firm, with the Internal Audit division, and with the Supervisory Body, as well as with the accounting professionals, corporate and legal consultants engaged by the company, to gain their insight on certain specific and technical issues. This collaboration provided positive results, with a fruitful exchange of information. The relationships with the people operating in the aforementioned structure were inspired by the mutual collaboration in respect of the roles assigned to each one, having clarified those of the Board of Statutory Auditors. Furthermore, the level of technical preparation remains adequate with respect to the type of ordinary company facts to be recorded and can boast sufficient knowledge of company problems;
- external consultants and professionals in charge of accounting, tax, corporate and labour law assistance have not substantially changed - except for those engaged on a one-off basis for extraordinary or non-recurring transactions - and therefore have a historical knowledge of the activities performed and of any extraordinary management problems that may have impacted the year's balance.
- no interventions were needed due to omissions from the supervisory body under Article 2406 of the Italian Civil Code;
- There were no complaints from shareholders pursuant to Art.2408 of the Italian Civil Code
- no reports were filed pursuant to Article 2409, sub-article 7, of the Italian Civil Code;

- during the year the Board issued opinions if and as required, based on applicable law.

The Board of Statutory Auditors, in the role of "Control and Risk Committee and for the Statutory Audit" pursuant to Art. 19 of Legislative Decree no. 39/2010, due to the Company's status of an Entity of Public Interest, is also called to:
i) inform the Administrative Body of the Company of the results of the legal audit, transmitting to it the additional Report addressed to this Board as a committee for internal control and auditing, pursuant to Art. 11 of the EU Regulation 537/2014, prepared by the auditing company, accompanied by any comments;
ii) monitor the financial reporting process and present recommendations or proposals to ensure its integrity;
iii) monitor the effectiveness of the internal quality control and risk management systems of the company and, if applicable, of the internal audit, as regards the financial information of the audited entity, without violating its independence;
iv) monitor the statutory audit of the financial statements and the consolidated financial statements, also taking into account any results and conclusions of the quality controls carried out pursuant to Art. 26, paragraph 6, of the European Regulation, where available;
v) verify and monitor the independence of statutory auditors or independent auditors pursuant to articles 10, 10-bis, 10-ter, 10-quater and 17 of Legislative Decree no. 39/2010 and of the Art. 6 of the European Regulation, in particular with regard to the adequacy of the provision of services other than auditing to the audited entity, in accordance with article 5 of the said Regulation;
vi) be responsible for the procedure for the selection of statutory auditors or independent audit firms and recommend the statutory auditors or legal auditing firms to be designated pursuant to Art. 16 of the European Regulation.

The following findings emerge from the supervisory activity carried out for this purpose by the Board of Statutory Auditors:
(i) Remarks to the Additional Report pursuant to Art. 11 of the European Regulation
The Board of Statutory Auditors has read the report, issued pursuant to Art. 11 of the Regulation (EU) 537/2014, by the auditing firm Ria Grant Thornton spa on this date.
The document adequately illustrates the results of the activity of auditing the accounts as well as the obligatory information referred to in the second paragraph of the aforementioned Art. 11 of Regulation (EU) 537/2014.
ii) Monitoring of the financial information process
The Board of Statutory Auditors, as part of the checks prepared during the year, obtained feedback on the existence of adequate rules and processes to oversee the process of formation and dissemination of financial information, obtaining evidence of the information disclosure process regarding financial, administrative and accounting procedures that are adequate with respect to the current activity of TPER;
iii) Supervision of the effectiveness of the internal control, internal audit and risk management systems
The Board of Statutory Auditors periodically met with the Heads of the control division, and in particular with the Internal Audit division of TPER, for an exchange of information on the activities carried out, obtaining updates regarding the implementation of the verification plan and, in this context, regarding the reviews performed and the relative results, also in a programmatic and perspective line.
In light of the results of the activities carried out, of what has been learned from the control divisions, taking into account the contents of the additional report pursuant to Art. 11 of the EU Regulation 537/16 prepared by the Independent Auditors which contains the reassurance that no internal control system (ICS) deficiencies exist and that the Board of Statutory Auditors has confirmed during interviews with the same, in relation to the Company's operating reality as at 31 December 2017, the Board issues its assessment of the adequacy of the control system.
iv) Supervision of the statutory audit of annual and consolidated accounts

The Board of Statutory Auditors met the representatives of the Independent Auditors (RIA Grant Thornton spa) with whom the planned exchange of information was established.
In the report pursuant to Art. 11 of the Regulation (EU) 537/2014, and in the report pursuant to Art. 14 of the Italian Legislative Decree no. 39/2010, issued by the auditing firm today, the same has confirmed that, based on the controls carried out, as already mentioned above, no significant deficiencies have emerged in the internal control system in relation to the financial information processes. Furthermore, the key aspects of the legal audit were highlighted, with the related description and the procedures in response to the key aspect highlighted (in particular, the criteria for determining the depreciation of buses and trolley buses) and with reference to to the consolidated financial statements.

v) Supervisory activities on the independence of the auditing company, in particular as regards the provision of non-auditing services

The Board of Statutory Auditors supervised the independence of the Independent Auditors and obtained an annual confirmation of independence pursuant to art. 6, comma 2) letter. a) of the EU Regulation 537/2014. In particular, the auditing company Ria Grant Thornton spa confirmed, with specific certification, that it has complied with the ethical principles set forth in articles 9 and 9-bis of the Italian Legislative Decree no. 39/2010 and that no situations have been found that have compromised their independence pursuant to Art. 10 and 17 of Legislative Decree no. 39/2010 and of the articles 4 and 5 of the European Regulation 537/2014, confirming, moreover, the fulfillment of the requirements of Art. 6, comma 2 letter b) of EU Regulation 537/2014.

vi) Selection procedure of the auditing company

It is recalled that with the approval of these financial statements, all the corporate mandates expire, including the role of Independent Auditors currently entrusted to the auditing company Ria Grant Thornton spa. In accordance with the law (Legislative Decree no. 39/2010 - as amended by Legislative Decree no. 135/2016 for the implementation of EU directives - and of 2014 EU Regulation no. 537), as well as on the basis of the appropriate amendments to the current Statute in progress, the Company is called to resolve on the assignment of the nine-year appointment, pursuant to Art. 17 of the Decree no. 39/2010 to an auditing company appointed to certify financial statements and to perform accounting control on the basis of a motivated proposal by TPER, containing the express recommendation of this Board, as the internal control and statutory audit committee pursuant to Art. 19 of the Decree. The undersigned Body has supported the company (especially in the light of its status of an *Entity of Public Interest)* in the aforementioned selection procedure pursuant to Art. 16 of EU Regulation 537/2014, for the conferment of the aforementioned task which, at present, has reached the final stages for the formulation of a specific and separate motivated recommendation, with an indication of the duly justified preference pursuant to the Regulation, to be expressed to your Administrative Body for the purposes of the aforementioned proposal to be made to the Shareholders' Meeting scheduled for 29 May.

Finally, having acquired the status of an Entity of Public Interest pursuant to the law, TPER is obliged by virtue of its dimensional characteristics to communicate the so-called non-financial information (Non-Financial Statement) in compliance with the provisions of Legislative Decree no. 254/2016 at both individual and consolidated levels. In this regard, this Control Body reports that it has verified: a) the fulfillment of the obligations imposed by the legislation at the time of drafting and publication of the Non-Financial Statement; b) the adequacy of the methodologies/systems and the processes used for this purpose; c) the performance of the attestation of conformity issued by the auditing company Ria Grant Thornton spa, today, pursuant to the provisions of Art. 3 paragraph 10 of Legislative Decree no. 254/216.

As a preliminary conclusion, we can therefore state that in the course of the supervisory activity exercised by this Board, no facts and/or significant elements emerged that would require mentioning in this Report.

Separate financial statements and consolidated financial statements

First of all, we would like to point out to the Shareholders that the Board of Statutory Auditors has acknowledged that the Board of Directors has not taken into account the obligation to draft either a financial statements outline or the explanatory notes by using the so-called "XBRL taxonomy", being exempted since the financial statements have been drawn up in compliance with international accounting standards.

With regard to the financial statements and the consolidated financial statements as of 31 December 2017, without prejudice to the fact that the duties relating to the statutory audit and, therefore, the opinion on the respective financial statements are attributed exclusively to the auditing firm Ria Grant Thornton spa, it should be noted that:

- the draft financial statements for the year and the consolidated financial statements as at 31 December 2017 have been approved by the Board of Directors and consist of the balance sheet, the income statement, the comprehensive income statement, the statement of changes in equity, the cash flow statement for the year ended 31 December 2017, and the explanatory notes to the financial statements and consolidated financial statements which cover, in short, the accounting principles adopted for the individual financial statement items.

Moreover:

• the governing body has also prepared the annual report pursuant to Art. 2428 of the Italian Civil Code;

• these documents were delivered to the Board of Statutory Auditors in good time to be filed at the company's registered office accompanied by this report, thus also respecting the deadline pursuant to Art. 2429, paragraph 1, of the Italian Civil Code;

• the statutory audit is entrusted to the Auditing Company Ria Grant Thornton spa, which has prepared its report pursuant to Art. 14 of Legislative Decree no. 39 of 27 January 2010 and Art. 10 of the European Regulation 537/2014 for both the financial statements and the consolidated group financial statements. The report does not present any findings of significant deviations, or negative judgments or the impossibility to express a judgment, nor recalls the information and, therefore, the judgment released for both is positive;

• the auditing company has also prepared, for the exclusive use of this Body and for the purposes of Art. 19 of Legislative Decree 39/2010, the additional report for the internal control and auditing committee referred to in Article 11 of European Regulation 537/2014.

The Board of Statutory Auditors also supervised the observance by the Board of Directors of the procedural rules regarding the formation of the financial statements and of the consolidated financial statements as well as the general approach of the same, on their general compliance with the law as regards the form and structure and has no observations to report in this regard;

— the financial statements and the consolidated financial statements as at 31 December 2017 have been drawn up on the basis of the provisions of current law and the international accounting standards IAS/IFRS issued by the International Accounting Standards Board (IASB) and approved by the European Commission as required by the EU Regulation 1606/2002 currently in force, as well as the dictates pursuant to Italian Legislative Decree 38/2005;

— there is correspondence between the financial statements and the consolidated financial statements, on the one hand, and the facts and information of which the Board of Statutory Auditors became aware of by participating in the meetings of the Board of Directors and in the performance of its control activities, on the other.

The draft financial statements were further examined, in respect of which the following further information is provided:

attention was paid to setting the date of the draft financial statements and to all accompanying documents, their overall compliance with the law regarding formation and structure. In this respect, we have no observations to make in this report;

- we verified compliance with legal regulations governing the preparation of the management report and in this regard we have no observations which should be mentioned in this report;
- in preparing the financial statements, the governing body did not depart from legal regulations pursuant to Art. 2423, paragraph 4 Civil Code and pursuant to Art. 5 of Italian Legislative Decree 38/05;
- we verified the financial statements with the facts and information we became aware of following the discharge of the typical duties of the supervisory board and in this respect no further observations were highlighted;
- pursuant to Art 2426, sub-article 5 of the Italian Civil Code, the Board certifies that, as a mere duty of disclosure, the "other intangible assets" do not refer to "start-up and expansion costs" nor to "development costs" with long-term benefits still to be amortised and therefore in this context there are no obstacles to the resolution to distribute dividends;
- the accuracy of the information in the explanatory note was verified in terms of the absence of asset and libility financial positions arising originally in currencies different from the Euro;
- the information required by Art. 2427-bis of the Italian Civil Code, relating to financial instruments, if registered, at a value higher than their *fair value* have been provided;
- in terms of proposal by the Board of Directors regarding the allocation of the net result for the year, set out at the end of both the Explanatory Notes and the Management Report, the Board has nothing to observe. As will be noted *below,* we note that the decision on the matter is up to the Shareholders' Meeting to decide.

The net result ascertained by the Board of Directors relating to the financial statements for the year ended 31 December 2017, as also evident from the reading of the financial statements, is positive, at EUR 8,226,966.

The Board of Statutory Auditors received today the reports prepared by the Auditing Company on the financial statements and the consolidated financial statements for the year ended 31 December 2017 and took note of:

— opinions on the financial statements and the consolidated financial statements reported in them, from which it emerges that they provide a truthful and correct representation of the equity and financial situation, of the economic result and of the cash flows for the year ended 31/12/ 2017, drawn up in compliance with the IFRS adopted by the EU, both in the separate financial statements and in the consolidated financial statements;
— the absence of references to information;
— key aspects of the audit;
— the judgments on consistency and compliance with the legal provisions of the Board of Directors' Management Report contained in the financial statements dossier;
— and other judgments required by the regulations in force and the other information to be communicated according to the regulations (Legislative Decree 39/2010 and EU Regulation 537/2014), as due.

Management Report

The Board of Statutory Auditors verified the contents of the single Management Report prepared by the Board of Directors in relation to both the separate and consolidated financial statements. The report summarises the main events that occurred or that characterised the management of the 2017 financial year, including the purchase of treasury shares and the issue of the unsecured bond loan *listed* on the Dublin Stock Exchange, information on the economic results and the main elements of the company's assets, significant events occurring after the end of the financial year and the main economic, financial and equity indicators, and all other information required by law, as well as the risks and uncertainties. The predictable evolution of the management of TPER is also taken into account. The Board had the opportunity to verify the correspondence of the financial statements to the facts and information of which it became aware as a result of participation in the meetings of the Board of Directors, which allowed the acquisition of the necessary information on the most important economic, financial and equity operations carried out by the Company.

To the best of our knowledge, in drafting the financial statements in question the directors did not need to avail themselves of the possibility of derogation provided for by Art. 2423, fourth paragraph, of the Civil Code and Art. 5, first paragraph, of the Legislative Decree no. 38/2005.
As a result of the examination of the Management Report, the Board of Statutory Auditors, to the best of its knowledge, ascertained the completeness of the same with respect to the current provisions of the law and the clarity of the information contained therein.

Comments and proposals regarding the approval of the financial statements. Conclusions
On the basis of the foregoing and for what has been brought to the attention of the Board of Statutory Auditors and was found by the periodic checks carried out, it is unanimously held that:

- in light of the information reviewed, including the report prepared by the Company in charge of the legal audit and the related opinion on the financial statements, there are no impediments to your approval of the separate financial statements for the year ended 31 December 2017, as it was drafted and proposed by the Administrative Body;

- there are no impediments pursuant to the law, and in particular for the purposes of Art. 2433 of the Civil Code and Art. 6 of Legislative Decree no. 38/2005, to the proposal to allocate part of the profit for the financial year to the Shareholders by way of dividend, as proposed by your Board of Directors.

Having thus performed our task, we would also point out that with the next Shareholders' Meeting our three-year mandate expires. As our mandate expires, we sincerely thank the Board of Directors, the Employees and all the Staff, as well as the Associate staff, for their helpful participation and the assistance received, wishing the Company and its Staff every success in the future!

Bologna, 11 May 2018

The Board of Statutory

Auditors

Sergio Graziosi - Chairman

Monica Manzini - Statutory Auditor

Fabio Ceroni - Statutory Auditor

Ria
GrantThornton

Independent auditors' report pursuant to Art. 14 of Legislative Decree no. 39 of 27 January 2010, no. 39 and 10 of the Regulation (EU) 537/2014

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To the Shareholders
of TPER SpA

Report on the audit of the financial statements

Opinion

We carried out an audit of the financial statements of the company TPER SpA (the Company), consisting of the statement of financial position as at 31 December 2017, the income statement, the comprehensive income statement, the statement of changes in equity, the statement of cash flows for the year ended on that date, and the explanatory notes to the financial statements, which also include a summary of the most significant accounting principles applied.

In our opinion, the financial statements provide a truthful and correct representation of the Company's financial position as of 31 December 2017, of the economic result and cash flows for the year ended on that date, in accordance with the International Financial Reporting Standards adopted by the European Union, as well as the provisions issued in implementation of the Art. 9 of Legislative Decree no. 38/05.

Elements of the basis of the opinion

The audit was carried out in accordance with the ISA Italia international standards on auditing. Our responsibilities under these standards are further described in the auditing firm's section *Responsibility of the auditing company for the audit of the consolidated financial statements of* this report. We are independent of the Company in compliance with the rules and principles on ethics and independence applicable in the Italian legal system for auditing the financial statements. We believe we have acquired sufficient and appropriate documentary evidence on which to base our opinion.

Key aspects of the audit

The key aspects of the audit are those that, according to our professional judgment, were most significant in the context of the audit of the financial statements for the year in question. These aspects have been dealt with by us in the audit and in the formation of our opinion on the financial statements as a whole. Therefore, we do not express a separate opinion on these aspects.

Criteria for determining the depreciation of buses and trolley buses

Key aspect description	**Revision procedures in response to the key aspect** .
The financial statements for the year ended 31 December 2017 include, among tangible assets, the rolling stock represented by buses and trolley buses used in the context of the Bologna Service Contract and the Ferrara Service Contract.	The audit procedures carried out included: - analysis of the process adopted by the Company to determine the depreciation of buses and trolley buses, examination of the

The determination of depreciation of these assets represents a complex accounting estimate in relation mainly to a series of factors, including:

- estimate of the residual value;
- impacts deriving from any changes in the regulatory framework.

Therefore, the determination of depreciation requires significant assessments by the directors. For these reasons, and for the significance of the financial statement items in question, we considered the process of determining the depreciation of buses and trolley buses as a key aspect of the auditing activity.

The financial statement information relating to the criteria for determining the depreciation of buses and trolley buses is included in the paragraphs "Estimates and valuations", "Accounting principles and valuation criteria applied" of the explanatory notes.

configuration and implementation of controls and procedures for assessing the operational effectiveness of the controls considered relevant;

- analysis of the adequacy of the IT environment related to IT applications relevant to the process of determining the depreciation of buses and trolley buses;
- analysis of the reasonableness of the estimates made by the company divisions involved in determining the residual value;
- analysis of the reports prepared by an independent expert in order to determine the residual value of buses and trolleybuses;
- examination of the appropriateness of the information provided in the explanatory notes to the financial statements in relation to the depreciation of buses and trolley buses.

Responsibilities of the directors and the board of statutory auditors for the financial statements

The directors are responsible for the preparation of the financial statements that provide a truthful and correct representation in accordance with the International Financial Reporting Standards adopted by the European Union as well as with the provisions issued in implementation of the Art. 9 of Italian Legislative Decree no. 38/05 and, within the terms established by law, for that part of the internal control they deem necessary to allow the preparation of a financial statement that does not contain significant errors due to fraud or
0 unintentional events.

The directors are responsible for assessing the Company's ability to continue operating as an operating entity and, in preparing the financial statements, for the appropriateness of the use of the going concern assumption, as well as for adequate disclosure on the matter.
The directors use the assumption of business continuity in the preparation of the financial statements unless they have assessed that the conditions exist for the liquidation of the Company or for the interruption of its activity, or have no realistic alternatives to such choices.

The Board of Statutory Auditors is responsible for supervising, within the terms established by law, the process of preparing the Company's financial information.

The auditing firm's responsibility for auditing the financial statements

1 Our objectives are the acquisition of reasonable assurance that the financial statements as a whole do not contain significant errors, due to fraud or unintentional behaviour or events, and the issuance of an audit report that includes our opinion. Reasonable assurance means a high level of security which, however, does not provide the assurance that an audit carried out in accordance with international auditing standards (ISA Italia) will always identify a significant error, if any. Errors can result from fraud or unintentional behaviour or events and are considered significant if it can reasonably be expected that they, individually or as a whole, are able to influence the economic decisions made by the users on the basis of the financial statements.

As part of the audit conducted in accordance with international auditing standards (ISA Italia), we have exercised professional judgment and maintained professional skepticism throughout the audit. Moreover:

- we have identified and assessed the risks of significant errors in the financial statements, due to fraud or unintentional behaviour or events; we have defined and carried out audit procedures in response to these risks; we have acquired sufficient and appropriate audit evidence on which to base our opinion. The risk of not identifying a significant error due to fraud is higher than the risk of not identifying a significant error deriving from unintentional behaviour or events, since fraud can imply the existence of collusion, falsification, intentional omission, misleading representation or a breakdown in internal control;
- we have acquired an understanding of the internal control relevant for auditing purposes in order to define appropriate audit procedures in the circumstances and not to express an opinion on the effectiveness of the internal control of the Company;
- we have assessed the appropriateness of the accounting standards used and the reasonableness of accounting estimates made by the directors, including the related disclosure;
- we have come to a conclusion on the appropriateness of the use by the Directors of the going concern assumption and, based on the audit evidence, on the existence of significant uncertainty regarding events or circumstances that may give rise to significant doubts about the ability of the Company to continue operating as an operating entity. In the presence of significant uncertainty, we are obliged to call attention to the audit report on the related disclosures in the financial statements, or, if this report is inadequate, to reflect this fact in the formulation of our opinion. Our conclusions are based on the audit evidence obtained up to the date of this report. However, subsequent events or circumstances may result in the company ceasing to operate as a going concern;
- We have evaluated the presentation, the structure and the content of the financial statements as a whole, including the report, and whether the financial statements represent the underlying transactions and events in order to provide a correct representation;

We have communicated to the people in charge of the governance activities, identified at an appropriate level as required by the ISA Italia, among other aspects, the scope and timing planned for the audit and the significant results emerged, including any significant deficiencies in the internal control identified over the audit.

We have also provided the heads of governance with a statement, confirming that we have complied with the rules and principles on ethics and independence applicable in the Italian legal system and that we have communicated to them any situation that may reasonably have an effect on our independence and, where applicable, the relevant safeguard measures adopted.

Among the aspects communicated to the heads of governance, we identified those that were most relevant to the audit of the financial statements for the year in question, which therefore constituted the key aspects of the review. We have described these aspects in the audit report.

Other information disclosed pursuant to Art. 10 of Regulation (EU) 537/2014

On 13 July 2015, the shareholders' meeting of TPER SpA conferred on us the task of auditing the Company's financial statements and consolidated financial statements for the years from 31 December 2015 to 31 December 2017.

We declare that no services other than auditing, according to the restrictions in Art. 5, par. 1 of Regulation (EU) 537/2014, were provided and that we remained independent of the Company in the execution of the statutory audit.

We confirm that the opinion on the financial statements expressed in this Report is in line with that indicated in the Additional Report to the Board of Statutory Auditors, in its function as the Internal Control and Statutory Audit Committee, prepared pursuant to Art. 11 of the aforementioned Regulation.

Report on other legal and regulatory provisions

Opinion pursuant to Art. 14, paragraph 2, letter e), of Legislative Decree no. 39/10

The directors of TPER SpA are responsible for preparing the Management Report of TPER SpA as at 31 December 2017, observing its consistency with the related financial statements and compliance with the law.

We have carried out the procedures indicated in the auditing standard (SA Italia) n0. 720B in order to express an opinion on the consistency of the Management Report with the financial statements of TPER SpA at 31 December 2017 and as regards its compliance with the law, as well as commenting on any significant errors.

In our opinion, the Management Report is consistent with the financial statements of TPER SpA at 31 December 2017 and has been prepared in accordance with the law.

With reference to the declaration pursuant to Art. 14 para. 2, letter e) of Legislative Decree no. 39/10, issued on the basis of the knowledge and understanding of the company and the related context acquired during the audit, we have nothing to report.

Bologna, 11 May 2018

Ria Grant Thornton SpA

Sandro Gherardini

Shareholder

Ria
GrantThornton

Independent auditors' report pursuant to Art. 14 of Legislative Decree no. 39 of 27 January 2010, no. 39 and 10 of the Regulation (EU) 537/2014

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To the Shareholders
of TPER SpA

Report on the audit of the consolidated financial statements

Opinion

We carried out an audit of the consolidated financial statements of the TPER Group (the Group), consisting of the statement of financial position as at 31 December 2017, the income statement, the comprehensive income statement, the statement of changes in equity, the financial statement for the financial year ending on that date, and the explanatory notes to the financial statements which also include a summary of the most significant accounting principles applied.

In our opinion, the consolidated financial statements provide a truthful and correct representation of the Group's financial position as of 31 December 2017, of the economic result and cash flows for the year ended on that date, in accordance with the International Financial Reporting Standards adopted by the European Union, as well as the provisions issued in implementation of the Art. 9 of Legislative Decree n. 38/05.

Elements of the basis of the opinion

The audit was carried out in accordance with the ISA Italia international standards on auditing. Our responsibilities under these standards are further described in this report's section *"Responsibility of the auditing firm for the audit of the consolidated financial statements"*. We are independent of the company TPER SpA (the Company), in compliance with the rules on the principles of ethics and independence applicable in the Italian legal system for the auditing of financial statements. We believe we have acquired sufficient and appropriate documentary evidence on which to base our opinion.

Key aspects of the audit

The key aspects of the audit are those that, according to our professional judgment, were most significant in the context of the audit of the consolidated financial statements for the year in question. These aspects have been dealt with by us in the audit and in the formation of our Opinion on the consolidated financial statements as a whole. Therefore, we do not express a separate opinion on these aspects.

Criteria for determining the depreciation of buses and trolley buses

Key aspect description	**Revision procedures in response to the key aspect**
The financial statements for the year ended 31 December 2017 include, among tangible assets, the rolling stock represented by buses and trolleybuses used as part of the Bologna Service Contract and Ferrara Service Contract.	The audit procedures carried out included: - analysis of the process adopted by the Company for the determination of the depreciation of buses and trolley buses, examination of the

The calculation of the depreciation of these assets represents a complex accounting estimate in relation to a series of specific factors, including:

- estimate of the residual value;
- impacts deriving from any changes in the regulatory framework.

Therefore, the determination of depreciation requires significant assessments by the directors. For these reasons, and seeing the significance of the financial statement items in question, we considered the process of determining the depreciation of buses and trolley buses to be a key aspect of the auditing activity.
The financial statement information relating to the criteria for determining the depreciation of buses and trolley buses is included in the paragraphs "Estimates and valuations", "Accounting principles and valuation criteria applied" of the explanatory notes.

configuration and implementation of controls and procedures for assessing the operational effectiveness of the controls considered relevant;

- analysis of the adequacy of the IT environment related to IT applications relevant to the process of determining the depreciation of buses and trolley buses;
- analysis of the reasonableness of the estimates made by the company divisions involved in determining the residual value;
- analysis of the reports prepared by an independent expert in order to determine the residual value of buses and trolleybuses;
- examination of the appropriateness of the information provided in the explanatory notes to the financial statements in relation to the depreciation of buses and trolley buses.

Responsibilities of the directors and the Board of Statutory Auditors for the consolidated financial statements

The directors are responsible for the preparation of consolidated financial statements that provide a truthful and correct representation in accordance with the International Financial Reporting Standards adopted by the European Union as well as with the provisions issued in implementation of the Art. 9 of Italian Legislative Decree no. 38/05 and, within the terms established by law, for that part of the internal control they deem necessary to allow the preparation of a financial statement that does not contain significant errors due to fraud or unintentional events.

The directors are responsible for assessing the company's ability to continue operating as a going concern and, in the preparation of the consolidated financial statements, for the appropriateness of the use of the going concern assumption, as well as providing adequate information on the matter.
The directors use the assumption of business continuity in the preparation of the consolidated financial statements unless they have assessed that the conditions exist for the liquidation of the parent company TPER SpA or for the interruption of its activity or have no realistic alternatives to such choices.

The Board of Statutory Auditors is responsible for supervising, within the terms established by law, the process of preparing the Group's financial information.

The auditing firm's responsibility for auditing the consolidated financial statements

Our objectives are the acquisition of reasonable assurance that the consolidated financial statements as a whole do not contain significant errors, due to fraud or unintentional behaviour or events, and the issuance of an audit report that includes our opinion. Reasonable assurance means a high level of security which, however, does not provide the assurance that an audit carried out in accordance with international auditing standards (ISA Italia) will always identify a significant error, if any. Errors can result from fraud or unintentional behaviour or events and are considered significant if it can reasonably be expected that they, individually or as a whole, are able to influence the economic decisions made by the users on the basis of the consolidated financial statements.

As part of the audit conducted in accordance with international auditing standards (ISA Italia), we have exercised professional judgment and maintained professional skepticism throughout the audit. Moreover:

- we have identified and assessed the risks of significant errors in the consoldiated financial statements, due to fraud or unintentional behaviour or events; we have defined and carried out audit procedures in response to these risks; we have acquired sufficient and appropriate audit evidence on which to base our opinion.
  The risk of not identifying a significant error due to fraud is higher than the risk of not identifying a significant error deriving from unintentional behaviour or events, since fraud can imply the existence of collusion, falsification, intentional omission, misleading representation or a breakdown in internal control;
- we have acquired an understanding of the internal control relevant for auditing purposes in order to define appropriate audit procedures in the circumstances and not to express an opinion on the effectiveness of the internal control of the Group;
- we have assessed the appropriateness of the accounting standards used and the reasonableness of accounting estimates made by the directors, including the related disclosure;
- we have come to a conclusion on the appropriateness of the use by the Directors of the going concern assumption and, based on the audit evidence, on the existence of significant uncertainty regarding events or circumstances that may give rise to significant doubts about the ability of the Group to continue operating as an operating entity. In the presence of significant uncertainty, we are obliged to call attention to the audit report on the related disclosures in the financial statements, or, if this report is inadequate, to reflect this fact in the formulation of our opinion. Our conclusions are based on the audit evidence obtained up to the date of this report. However, subsequent events or circumstances may result in the Group ceasing to operate as a going concern;
- We have evaluated the presentation, the structure and the content of the consolidated financial statements as a whole, including the report, and whether the consolidated financial statements represent the underlying transactions and events in order to provide a correct representation;
- we have obtained sufficient and appropriate audit evidence on the financial information of the companies or of the various economic activities carried out within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group's audit. We are solely responsible for the audit opinion on the consolidated financial statements.

We have communicated to the people in charge of the governance activities, identified at an appropriate level as required by the ISA Italia, among other aspects, the scope and timing planned for the audit and the significant results emerged, including any significant deficiencies in the internal control identified over the audit.

We have also provided the heads of governance with a statement, confirming that we have complied with the rules and principles on ethics and independence applicable in the Italian legal system and that we have communicated to them any situation that may reasonably have an effect on our independence and, where applicable, the relevant safeguard measures adopted.

Among the aspects communicated to the heads of governance, we identified those that were most relevant to the audit of the consolidated financial statements for the year in question, which therefore constituted the key aspects of the review. We have described these aspects in the review report.

Other information disclosed pursuant to Art. 10 of Regulation (EU) 537/2014

On 13 July 2015, the shareholders' meeting of TPER SpA conferred on us the task of auditing the Company's financial statements and consolidated financial statements for the years from 31 December 2015 to 31 December 2017.

We declare that no services other than auditing, according to the restrictions in Art. 5, par. 1 of Regulation (EU) 537/2014, were provided and that we remained independent of the Company in the execution of the statutory audit.

We confirm that the opinion on the consolidated financial statements expressed in this Report is in line with that indicated in the Additional Report to the Board of Statutory Auditors, in its function as the Internal Control and Statutory Audit Committee, prepared pursuant to Art. 11 of the aforementioned Regulation.

Report on other legal and regulatory provisions

Opinion pursuant to Art. 14, paragraph 2, letter e), of Legislative Decree no. 39/10

The directors of TPER SpA are responsible for preparing the Management Report of the TPER Group at 31 December 2017, observing its consistency with the related consolidated financial statements and compliance with the law.

We have carried out the procedures indicated in the revision principle (SA Italia) no. 720B in order to express an opinion on the consistency of the management report with the consolidated financial statements of the TPER Group at 31 December 2017 and on compliance with the law, as well as to issue a statement on any significant errors.

In our opinion, the Management Report is consistent with the consolidated financial statements of the TPER Group at 31 December 2017 and is prepared in accordance with the law.

With reference to the declaration pursuant to Art. 14 para. 2, letter e) of Legislative Decree no. 39/10, issued on the basis of the knowledge and understanding of the company and the related context acquired during the audit, we have nothing to report.

Statement pursuant to Art. 4 of the Consob Regulation for the implementation of Legislative Decree no. 254 of 30 December 2016

The Directors of TPER SpA are responsible for the preparation of the Non-Financial Statement pursuant to Legislative Decree no. 254 of 30 December 2016 We verified the approval by the Directors of the Non-Financial Statement.

Pursuant to Art. 3, paragraph 10 of the Legislative Decree no 254 of 30 December 2016, this statement is the subject of a separate attestation of conformity on our part.

Bologna, 11 May 2018
Ria Grant Thornton SpA

Sandro Gherardini
Shareholder