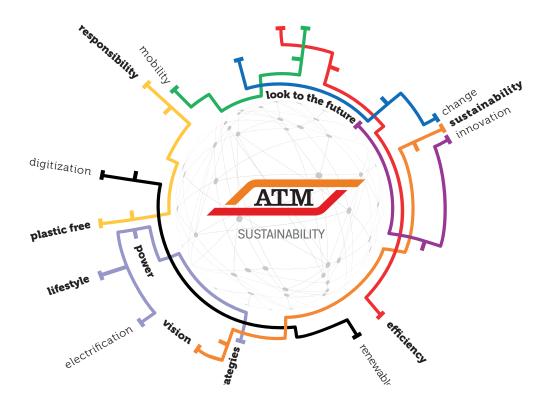
Consolidated Financial Statements ATM Group and Separate Financial Statements ATM S.p.A.

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ATM plays a key role in the region's integrated mobility, serving millions of passengers every day and the progressive development of the metropolitan city and its attractivity. The ATM Group's consolidated experience and investment and innovation capacity set a benchmark for economic, social and environmental responsibility. A commitment to the Customer, Quality, Safety and Competitiveness of services are the values, which drive the Group's growth.



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Indipendent Auditors' Report



Letter to the Shareholders

Dear Shareholders,

we present the 2019 financial statements at a dramatic moment not only for the city of Milan but for Italy and the whole world. In this new emergency, which forced each one of us to review our certainties and habits, ATM was once again called upon to play a central role in guaranteeing the public transport service for people who necessarily have to travel for sanitary and working reasons. The repeated adaptations and remodulations of the service, as requested in the recent weeks by the relevant institutions, have involved exceptionally complex operational processes and the organization of thousands of our employees. The functionality of our operations is due to the solidity of the company processes, consolidated over the years, and to the commitment and sense of responsibility of all our employees who work tirelessly every day with seriousness and a spirit of adaptation, sharing the responsibility to continue to guarantee the essential mobility service. On the other hand, the company has put in place a series of extraordinary measures to support its employees, with the aim of redesigning the operating methods while maintaining employment stability, knowing that its workforce is the main asset of ATM.

Presenting the results of the year 2019 in this extraordinary context could seem anachronistic and out of reality. For the future, an exceptional effort of innovation will be required to tackle not a "simple" re-construction, referring to the paradigms of the past, although successful, but the construction of something new: new models for a different world. However, it is precisely from the value of our professionalism and from what has been acquired in recent years, that we will have to start to understand, from the awareness that together we will be able to overcome even the most difficult moments. The good economic results achieved also in 2019 and

the solid financial structure allow us to look at this construction effort with confidence, adapting and leveraging what has been acquired in the last three years. So let's read some short notes, not with a celebratory spirit but with the intent to draw inspiration for the next future.

MOBILITY PROVIDER

Every day, through the work of 10,000 employees, the ATM Group makes tangible its commitment to improve the quality of life of citizens and city users who rely on the collective transport service, preferring it to an individual one. In this three-year period, ATM has shown that it has acknowledged, and sometimes even anticipated, strategic choices and specific requests that came from the institutions and above all from the Municipal Administration, to which the Company has also responded with efficiency and resource optimization policies.

In the last three years, with a constant trend, passengers have increased by 5% per year, reaching the figure of two and a half million passengers per day. In 2019, we reached a record high of over 820 million passengers carried by ATM. In particular, there were over 92 million more passengers on the entire ATM network in comparison to 2016 with an overall growth of +13%. Having intercepted this new demand for mobility in these years increases further our responsibility, which takes the form of a constant search for excellence, openness to change and technological innovation and the continuous creation of better solutions capable of responding to new needs. Among the new projects designed for customers and their needs, there are also solutions aimed at specific categories, such as passengers with reduced mobility, who require additional energies from ATM and personalized attention. Also for this reason, ATM, as a mobility provider of complex and integrated systems, is increasingly one of the key players in Milan's economic and social growth process.

2019, YEAR OF ACHIEVEMENTS

The first stage was the implementation of the new Integrated Tariff System of the Mobility Basin (ITSMB) which, in addition to the planned revision of tariffs and borders, led to the introduction of various benefits for local passengers. A real revolution that has fully involved us also in operational terms. Like any major change, this also has required an extraordinary effort for many business areas that was managed with energy and dedication. But it was certainly not the only occasion on which our people have demonstrated that they face the challenges with preparation and concreteness. In 2019, on the anniversary of the 50 years of the green line of the metro, the Company undertook a massive renewal plan of over 450 million euros: accessibility, new trains, increased frequencies and interventions on the track. Operations in August were subjected to severe testing, with the interruption of a section of line 2, in order to manage a construction site necessary for the waterproofing of the tunnels. To limit the inconvenience to its customers, ATM has organized an unprecedented plan of replacement connections and assistance to passengers, with the involvement of all company areas in a timely and widespread monitoring program along the entire section involved, a fully visible program appreciated by many customers. With the same spirit, in May 2019 Milan had hosted the 92nd National Alpine Troops Meeting: the Company managed to do its utmost for visitors, with customer assistance and enhanced services, receiving signs of esteem and sincere gratitude from the Organizing Committee. All these particular events, as well as those that the Company experiences daily, have also been characterized by new methods of communication, with more timely information and more direct and inclusive approaches. We are confident that even in the months to come, the Company will be able to welcome all the people who will visit Milan and once again animate it with sporting, cultural and institutional events in a timely and inclusive way.

SUSTAINABLE WITH EVERY MEANS

2019 was also the year in which we put into effect the Full Electric plan launched by the Board of Directors in 2017. ATM has in fact chosen Environmental Protection and Sustainability as the main pillars of its strategic plan, the guideline for its most important journey: the one towards tomorrow. This means and will increasingly mean to guarantee the quality and efficiency of our transport system through the responsible management of people, vehicles and infrastructures, the increase in safety as well as of course the elimination of CO_2 emissions and local pollutants. And precisely the topic of Sustainability was at the heart of the 2019 edition of the *open days* at the San Donato depot, in which the Company opened its doors to citizens to present the fleet renewal plan, with the stages that will lead to the ambitious goal of having fully electric vehicles by 2030.

IN THE FUTURE OF THE CITY

Milan and its citizens are asking us for more and more proposals capable of responding to the new mobility needs. We are asked for increasingly *smart* initiatives, able to reduce the environmental impact of services, increase their efficiency, guarantee greater accessibility in terms of costs, widespread services in all neighborhoods and also

new infrastructures. Even in this moment of emergency we have felt the importance of technology, an instrument increasingly capable not only of reducing physical distances, but also of ensuring that the essential production processes of companies do not stop.

In this scenario, ATM stands as an innovative company, able to guide quality and experienced partners to propose solutions that engage in the radical transformation process of Milan, with the realization of infrastructure interventions. The goal is to create a virtuous system made up of mobility, the environment and safety and security, capable of attracting investments and business opportunities. The Company has acknowledged the indications of the 17 Goals of the UN 2030 Agenda, the objectives of the European Union but also those contained in the National Strategic Plan for Sustainable Mobility. The city of Milan has taken charge of this challenge by formalizing it in the Urban Plan for Sustainable Mobility and ATM is on the front line alongside the Municipal Administration. The Company has given concrete answers to the new challenges raised by the present and is ready to face any scenario the institutions will pose to the Company in order to continue to manage public transport throughout the metropolitan area with an increasingly intermodal and integrated perspective.

CONSTANT INCREASE IN INVESTMENTS

Just to serve the smart city model that Milan is outlining, ATM has approved a huge investment plan that has a long-term vision, with a self-financing share of 85.8%. All the interventions adopted and already planned aim to improve the comfort and travel experience of customers for the next few years. If even in this complicated moment we can look to the future with full conviction in our resources, it is because the successful course that has been taken in this three-year period is also reflected in the figures and economic data that we present. The solid financial structure that we have inherited and consolidated over this three-year period allows us to continue with conviction with the impressive investment plan. The renewal of the fleet therefore continues with the aim of the total conversion of all buses from diesel to electric by 2030, the modernization and upgrading of installations and structures and the development of new technological solutions for providing information and the payment of tickets and travel cards. With reference to 2019 we wish to mention the two important tenders obtained for the supply of 250 electric buses and 80 trams. We furthermore remind the new trolley buses, the completion of the order for 100 hybrid buses and the new trains for line 2.

THE DIGITAL TURNING POINT

The *digital transformation* is one of the pillars of the Company's strategic plan. The road taken in this three-year period has been accelerated and today the Company is the leader in the public transport sector thanks to the policy of ticket dematerialisation, with the introduction of the *contactless* payment system on the metro – now a daily habit for our customers - but also to the development of the platform MaaS - Mobility as a Service.

Among other things, technological innovation is now configured as the preferred tool within the broad communication strategy towards all stakeholders. As an example, just to mention one among the many, the new experimental platform "Information without barriers", to inform passengers with motor disabilities in real time on the functioning of the accessibility systems of the vehicles in service and at stations. The project was born in the context of *focus groups* on the topic of accessibility that directly involved both passengers and Company. A constructive path of listening and participation was developed, in which technology has also contributed to improving travel planning.

Once more as regards innovation, in 2019 ATM launched important experiments that are not isolated cases but are carried out within an articulated plan. Consider, for example, the project to extend the contactless payment system to surface lines, and the study of the autonomous bus system with partners with proven experience led by the Politecnico Milano University.

Our structured approach towards an ever closer service has in fact reduced the effects of the *digital divide*, making the service and its various functions easily accessible even to traditionally less digitized population groups. In the current moments of compulsory social distancing the possibility for our customers to be able to access information and services digitally is proving to be an important added value for all our customers and a support for the institutions' policies.

CORPORATE GOVERNANCE

Sustainability does not only mean economic and financial balance and environmental protection, but also social and institutional responsibility. Sustainability for ATM equates to continuous comparison and synergy with the Shareholder's vision and strategic objectives, and an effective response to the needs of the territory. Being a responsible and sustainable company also meant rethinking and systematically reinforcing the ICRMS internal control and risk

management system, in line with the best practices indicated by the Corporate Governance Code: a reference that was not mandatory but ATM adopted voluntarily. The year 2019 was characterized by the creation of a new Enterprise Risk Management (ERM) architecture and the consequent approval by the Board of Directors of the new Guidelines. The ERM system represents an enhanced monitoring tool available to the organization for operational management, for the purpose of safeguarding the corporate assets. The synergic work between ERM and the Audit and Internal Control Department has enabled the Board of Directors, for the first time in the history of the Company, to express a risk-based three-year audit plan, in line with the evolution of leading practices and an increasingly higher protection of the integrity of the company's assets. In this year, we have also given shape to a path previously traced as regards the three-year training on Anticorruption and Transparency which has allowed us to illustrate the important transition to the new model of Anticorruption and Transparency (ACT) adopted on a voluntary basis. In recent years we have given impetus to D&I management (Diversity and Inclusion), an increasing opportunity for growth, success and a response to the competitiveness of a market that has to manage continuous social transformations and increasingly complex markets. A company that aspires to be a leader in its sector must conceive and enhance the diversity, whether it is from the customer, the employee and all the stakeholders, actively and leveraging on it. Last September we were able to share our best practices on inclusion and gender equality in Brussels, where ATM was represented at the workshop organized by the European Commissioner for Transport Violeta Bulc, entitled "Inclusive and gender balanced leadership for 21st century transport".

THE INTERNATIONAL FACE

In 2019 the Company consolidated its international calling by acquiring also the third contract for the management of the Copenhagen metro, thus establishing itself among the first public transport operators in Denmark. The presence in the Scandinavian country, through the Metro Service A/S company, dates back to 2008 and will see ATM engaged in the management of the entire Copenhagen metro network until at least 2040. In fact, the ATM Group has also won the tender for the future light rail which will enter service in 2025 and whose contract will last for 15 years.

In October 2019, the President of the Italian Republic Sergio Mattarella visited the control room of the new line 3 of the Copenhagen metro - operated by ATM - inaugurated a few days earlier by Queen Margrethe of Denmark. This visit by the Head of State represented a moment of great appreciation of the path of our Italian company abroad, which has gained a deep experience in the management of automated systems, with a know-how that it has been able to apply in Milan to the new driverless metros, such as the recent line 5 and the next line 4.

Dear Shareholders, 2019 was an intense year, full of new challenges to be faced but also of objectives achieved, and 2020 started with complicated and global challenges that once again called ATM to play a leading role in the Milan System.

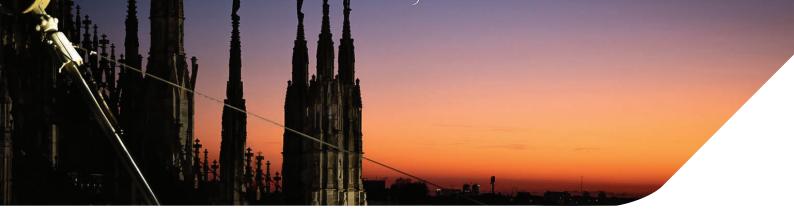
In the three-year period 2017-2019 there were important milestones such as the two renewals of the service contract with the Municipality, the issue of the 70 million bond on the Dublin Stock Exchange and the merger between ATM and ATM Servizi.

In the three-year period 2017-2019, the Board of Directors adopted 226 resolutions, approved investments for almost 500 million euros and defined an investment plan up to 2030 of 1,500 million euros. Much has been done by this Board of Directors which closes its three-year term and much remains yet to be done. We want to look forward trying to accompany not only our passengers in a conscious and sustainable choice of public transport. We want to accompany more and more the growth of a virtuous territory that will also face international appointments in the coming years and that will have to start again with even more strength after having overcome this complicated moment. It is the same challenge that our company will also face. We are confident that the professionalism and spirit of ATM people will always be the real driver of service and development, even in the most difficult and delicate situations. Every single person has been once more demonstrating this since the beginning of this year by continuing to make an essential contribution to the community. ATM through its employees is once again confirming that it truly believes in its values and mission.

Milan, March 30, 2020

For the Board of Directors The Chairman Luca Bianchi

Fabria .



Our profile

ATM manages public transport and integrated mobility services thanks to the work of over 9,900 employees who, every day, guarantee the functioning of an articulated and complex system. The company operates in an area that affects over 3.3 million inhabitants and which includes the city of Milan and 95 municipalities in Lombardy for a total of 820.4 million passengers transported in 2019.

The Milanese transport network consists of four subway lines for a total extension of about 100 km, to which are added 19 tram lines on 180 km of network, 160 bus lines and four trolleybuses covering over 1,600 km.

To complete the national framework are added the management of the light rail linking the Milan network to the San Raffaele Hospital, the Como-Brunate funicular, 24 correspondent car parks in the city of Milan, the control of the parking areas and payment systems and the Area C payment and control system, as well as the management of the cameras at the entrances to Area B.

Since 2008, through the subsidiary Metro Service A/S, the ATM Group has been the operator of the Copenhagen M1 and M2 metro lines, among the first fully automated in Europe. In the Danish capital, Metro Service A/S has also gained the management of the two new M3 and M4 lines of the metro (Cityringen), whose inauguration took place respectively on 29 September 2019 and

28 March 2020. In addition, Metro Service A/S, has gained the management of the new line called Greater Copenhagen Light Rail (light rail) which will carry out the transport service for the suburban area west of the city of Copenhagen.

ATM is increasingly characterized as a company of technological innovation and a commitment to sustainable and integrated transportation. In terms of fleet renewal, it launched the Full Electric plan which aims the complete conversion of the 1,200 bus fleet to electric by 2030, with a reduction of 75,000 tons of CO_2 every year. Public transport in Milan will be with 100% electric powered and therefore zero-impact vehicles, thanks to the company's choice to purchase only certified green energy.

On the technology front, ATM has been working for many years on the development of a true MaaS platform which, through the integration of IT systems and the adoption of cutting-edge technologies, places the company as the leader in innovation in the sector of public transport in Italy, a small revolution that began in 2015 with the policy of dematerializing tickets via text messages and apps.

ATM was also among the first operators on an international level to offer, since 2018, the contactless payment system in the metro. A new, fundamental step in the digital transformation that ATM is leading to further raise the level of service offered and to improve the travel experience of passengers, while making their operating processes more efficient.

Thanks to the skills and professionalism of the people who work in ATM with daily commitment, it is possible to meet the challenges of the future and the evolutions of the transport system, which must be increasingly efficient, integrated and inclusive but also sustainable and customer-oriented, with a constant improvement of the user experience of all our passengers.

Significant events in 2019

Banuary 1

The obligation of electronic invoicing enters into force. ATM made an important investment aimed at complying with the regulatory deadline and was immediately able to correctly manage the billing flows towards the interchange system managed by the Revenue Agency, crediting with the latter, its own communication channel and managing the electronic invoicing process from its ERP management system. At the end of 2019, the process led to a strong investment in technology aimed at dematerialising the passive billing process and saw the implementation on the company ERP of an automation system in the registration of passive invoices aimed at achieving "Paper free".

-☆- January 20

Important milestone for the digital parking revolution. The "Scratch and Stop" are withdrawn from the trade and other payment methods are expanded such as: the parking meter, the Easypark, Mycicero and Telepass Pay apps, the text messages already entered into force on 20 December 2018. These solutions allow you to stop displaying the test coupon on the dashboard of cars.

😨 February 1

Completion of the delivery of the first 25 fully electric 12-meter buses, relating to the framework agreement signed in 2017 for an investment of 15.3 million euros, including full maintenance service for five years.

⁾ January 28

The Board of Directors approves the ICRMS Guidelines (Internal Control and Risk Management System) and the ERM Guidelines (Enterprise Risk Management). In January 2019, the three-year training program on Anticorruption and Transparency is completed, in accordance with the previous TPPCT (Three-year Plan for the Prevention of Corruption and Transparency), with specific sessions, in the classroom, for officials and managers, with the aim also to illustrate the transition to the new ACT (Anti-corruption and Transparency) Model adopted on a voluntary basis on 15 September 2018.

February 6

An operational collaboration agreement was signed with the Local Police between the Municipality of Milan and ATM to prevent degradation situations, crime and monitor the safety of users of local public transports. A document that reinforces the intense collaboration aimed at improving the safety of citizens traveling on public transports which has already seen numerous activities: metro controls, train control, patrolling on board surface vehicles of sensitive lines and parking correspondence.

- ý- February 25

The Municipality of Milan activates in its territory the largest Limited Traffic Zone in Italy called Area B, which outlines, within the urban perimeter, about 72% of the entire municipal territory, an area with low polluting emissions with ban on entry to the most polluting vehicles. The Municipality of Milan entrusts ATM with the management of the control system and the adaptation of the transit management IT system.

-☆- March 3

The new Neighborhood Radiobus is born, an ATM on-call service. More and more personalized service that try to meet the needs of individual passengers. This service, in addition to being conveniently booked by the official ATM app (ATM Milan), has activated two new lines and changed the routes of some already existing, thus increasing the number of stops and runs.











CONSOLIDATED FINANCIAL STATEMENTS ATM GROUP, SEPARAT PAG VIII

🏳 🛛 March 21

The Company initiates the project to revisit, enrich and develop the Enterprise Risk Management system which is based on the mapping and enhancement of existing risk management processes and controls, in the definition of integration logics from an ERM perspective and in carrying out a Gap Analysis in detail with respect to the pillars of the COSO Framework¹. This activity leads to the definition and implementation of an ERM model in line with national and international best practices to support strategic and operational decisions.

🗧 🔾 April 1

The Ordinary Shareholders' Meeting of ATM S.p.A. is held for the presentation of the strategic industrial plan and the approval of the strategic guidelines. In the Board of Directors held after the Shareholders' Meeting, the development project for the industrial strategic plan was approved.

🛞 March 28

Completion of the delivery of the last 4 Leonardo trains destined for the M1 metro line purchased with the third application contract relating to the supply of 15 trains. These vehicles are added to the 11 trains already delivered in 2018, of which 9 destined for the M2 line and 2 for the M1 line. MILANO EDUCAT

☐ 10-12 of May

The city of Milan hosted the 92nd Alpine National Assembly. ATM made a celebratory ticket and welcomed the Alpine troops with messages to the poles and on the veils of public transport; in addition, it has arranged an extraordinary service, with the strengthening and extension of the service of the underground lines until 2 am, strengthening of the surface lines to facilitate the connection with the areas used as camp and detours during the parade on Sunday 12 May.

-ஜ́- May 21

ATM's 2019 hiring campaign starts. There are 35 different types of open positions to employ around 900 people by the end of the year. A wide range of professional figures: from more technical profiles for the operational functions

- such as bus drivers, trams and train drivers, workers, safety officers and control staff
- to experienced engineers, but also recent graduates. The new staff will also be dedicated to the management of the new operational and maintenance processes required by the new sustainable mobility strategy that ATM launched at the end of 2017 through the Full Electric plan. At the end of 2019, the number of hires amounted to 593.

¹COSO Framework: 1Enterprise Risk Management: Integrating with Strategy and Performance, Committee of Sponsoring Organizations of the Treadway Commission (COSO), 2017



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🏳 May 23

The temporary grouping of companies, consisting of ATM, A2A Smart City S.p.A., Busltalia - Sita Nord S.r.l., Commscon Italia S.r.I., Hitachi Rail STS S.p.A. and IGPDecaux S.p.A., presented to the competent bodies, the Basin Agency and the Municipality of Milan, the proposed project financing called "Milano Next". The proposal has as its object the realization of interventions and infrastructural investments in the field of mobility, environment and safety and the operational management, for a period of 15 years, of integrated mobility services within the Basin of the Metropolitan City of Milan, Monza and Brianza, Lodi and Pavia. The Basin Agency and the Municipality of Milan will have to evaluate the public interest of the proposal which, in the event of a favorable evaluation, will be the subject of the tender procedure pursuant to art.183, paragraph 15, of Legislative Decree no. 50/2016 for the assignment of local public transport services. If the submitted proposal is declared of "public interest" and the temporary joint venture of companies, specifically created, is the winner of the relative tender, the project envisages the establishment of a SPV. In the event that potential competitors present better offers (both in economic and qualitative terms), "Milano Next", as a "promoter", may exercise pursuant to the aforementioned art.183, paragraph 15, of Legislative Decree no. 50/2016 - the right of first refusal.

June 26

The subsidiaries Nord Est Trasporti S.r.l. and Gesam S.r.l., equipped with collegiate Supervisory Bodies appointed on 22 March 2019, have approved their updated 231 Model. The subsidiary ATM Servizi Diversicati S.r.l. has adopted its own Model 231 while simultaneously appointing its Supervisory Body in collegial form.

🖧 June 10

The courtesy week is again promoted with the "cedilposto" campaign, an initiative conceived and created by ATM to raise awareness of good manners which became a regular appointment in June. Last year, 4,500 blue pins were the protagonists of the week of awareness and respect for good manners, a success that led ATM to take the lead again by inviting the people to give their seat to the elderly, pregnant women and all passengers who are in need.

🏳 June 25

The subsidiary company Rail Diagnostics S.p.A., endowed with a collegial Supervisory Body appointed on March 22, 2019, approved its updated Model 231.

🗭 June 12

Start of delivery of the first 30 new 18-meter trolley buses purchased by ATM as part of the investment plan dedicated to the renewal of the fleet. The new vehicles were purchased under the framework contract of 80 vehicles for a total investment value of over 61 million euros, implemented in a total green perspective. The new trolley buses will replace the older vehicles on lines 90, 91 and 92, with the aim of further improving the service of these strategic lines that every day draw the city like a compass for almost 40 kilometers. As of December 31, 2019, a total of 19 trolley buses were delivered.

-☆- June 28

The contactless payment system is one year old. Its introduction has had an absolutely positive response: from the launch of the new service to December 31, 2019, over 1 million users have used the new mode of travel on the metro, for a total of over 13 million journeys.

🖉 July 2

The works for the renewal of the electricity network on the metropolitan section of the M2 line between Cimiano-Gorgonzola are completed, with the aim of making the line more modern for the benefit of a better service for the passengers.

🏳 July 4

The rating agency Fitch Ratings confirmed the long-term issuer rating for ATM at "BBB" with a negative outlook, in line with the Sovereign rating level. The assessment reflects, in identical measure, the level of the Sovereign rating and therefore, the credit link of ATM with the national public sector and in particular with the Municipality of Milan.

🛞 July 12

Two important tenders have been obtained which will help to further renew the fleet with a total green perspective. The first concerns the supply of 250 electric buses to SolarisBus and the supply of 80 trams to Stadler, for an overall investment by the ATM Group of 365 million euros. In the coming months, the first application contracts will be implemented which will bring 170 new electric vehicles on the Milanese roads, including 140 buses and 30 state-of-the-art trams, for an initial total investment of over 183 million euros. The goal is to make the fleet 100% electric in 2030 as envisaged by the investments of the Company's Full Electric plan.

🏳 🛛 July 15

The new Integrated Tariff System of the Mobility Basin (ITSMB) came into force to replace the Integrated Tariff System of the Milanese Area (SITAM) and the NET tariff system of the urban area of Monza. The introduction of the new Tariff System has led to a complete reform of the rules and tariff levels also in the Milan area where ATM operates. Not only has the new system led to the adaptation of company information systems, administrative, IT and operational procedures, and more generally in the sales network and customer relations, but once fully operational, it will also be at the basis of future assignments of local public transport services.

-ஜ்- July 15

The "ATM - BikeMi" integrated card is making its debut: with a single card, users are able to use transport services by public transport or by using shared bicycles.

🛞 July 25

Completion of the delivery of 84 articulated 18-meter urbanway hybrid buses which, together with the 36 vehicles already delivered in previous years, close the overall supply of 120 buses by lveco.

- ý- September 1

The first phase of the waterproofing of the tunnel between Piola and Lambrate has finished according to the schedule. This was one of the most significant interventions for the "lifting" works scheduled on the M2, which led to the interruption of the line between Loreto and Udine for the entire month of August. The ATM technicians involved in the construction site worked tirelessly to restore circulation by Sunday 1 September. To cope with the necessary closure, ATM has deployed 60 connection buses. Over 200 were the people on the field, including customer assistants, managers and employees to support and provide information to passengers in the stations concerned throughout the month of August.

September 9

Delivery of the first of the 12 Leonardo trains destined for the M2 metro line purchased with the fourth application contract. As of December 31, 2019, a total of 4 trains were delivered. The investment of these additional trains, as for the previous ones referring to the same framework agreement signed with Hitachi Rail Italy, is selffinancing.

September 27

The M2 metro line turns 50, with its 40 km of tracks and 35 stations it is the longest metro line in the Milanese network and with 123.4 million passengers in 2019 (+ 3.3% compared to 2018) is preparing to reach the traffic flows of the M1 underground line. ATM is committed to an over 450 million euro renewal plan: accessibility, new trains, increased frequencies and state-of-the-art infrastructure.

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ATM

September 29

The Copenhagen metro line called "Cityring" was inaugurated in the presence of Queen Margaret of Denmark. At the same time as the event, the commercial activity of the new ring light railway with an extension of over 15 kilometers and two interchange stations with the existing M1 and M2 lines starts. With the entry into operation of the Cityringen, 85% of the citizens of Copenhagen will have a metro or railway network station less than a kilometer from home. Starting from the current 17 stations already open to the public, it will gradually reach a total of 24 stations, all underground and at an average depth of 30 meters. The fleet consists of 39 new trains that cover a length of 24 kilometers, completing the tour in 24 minutes, with an interval between three 80 and 100 seconds between one train and another. When fully operational, the line will be able to transport 72 million passengers every year. Fully automated and driverless, Cityringen operates 24 hours a day, 365 days a year. Built in record time of just eight years, it will be managed and maintained, together with the M1 and M2 lines, by Metroservice A/S until 2027

October 8

ATM President Luca Bianchi welcomed and thanked the President of the Italian Republic Sergio Mattarella on a visit to the control room of the new Cityringen metro in Copenhagen.

\supset October 10

The Shareholders' Meeting of Brianza Trasporti S.c.a.r.l., a company owned by Nord Est Trasporti S.r.l., approved the company's liquidation balance sheet and the related allotment plan.

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The subsidiary International Metro Service S.r.l. has adopted its own 231 Model, simultaneously appointing its Supervisory Body in collegial form.

🛞 October 19

For two days the San Donato depot hosted the 2019 edition of the Open Doors. The event led citizens of all ages to discover the new world of "zero impact ATM", a concept that accompanied the advertising campaign spread throughout the city in the name of sustainability. The new ATM e-buses with a focus on maintenance and recharging methods were presented and the technological innovations of the future of public transport were discussed.

December 24

As part of the contract for the supply of 29 12-meter urbanway hybrid buses, 28 vehicles were delivered, the last of which was delivered in January 2020.

December

The transport service in the Municipality of Milan is renewed with the inclusion of the bikeMi fleet of new pedal-assisted bicycles, followed after two weeks by the muscle bikes with a view to renewing the fleet in use.

The year 2019

definitively marked the transition to online procurement processes, as required by Directive 2014/24/EU on public procurement and implemented by art. 40, of Legislative Decree no. 50/2016. In 2019, all the purchase procedures were carried out and managed entirely in the "Electronic tenders" mode, making maximum use of the SRM platform and guaranteeing technological and process coverage on all types of assignment envisaged by the procurement code and the internal purchasing regulation.

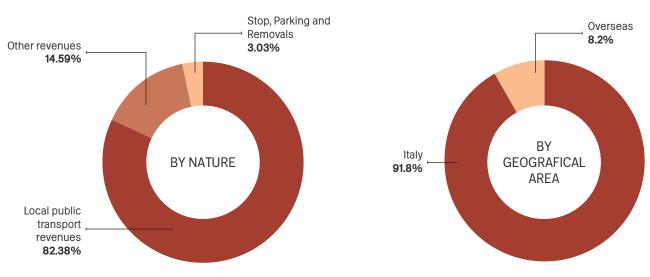


Financial Highlights of ATM Group

Main economic indicators (millions of euros)

2019	2018	2017
980.7	962.7	924.4
867.2	838.6	802.5
113.6	124.1	121.9
11.6%	12.9%	13.2%
6.3	36.9	30.5
0.6%	3.8%	3.3%
9.2	18.5	38.7
0.9%	1.9%	4.2%
	980.7 867.2 113.6 11.6% 6.3 0.6% 9.2	980.7 962.7 867.2 838.6 113.6 124.1 11.6% 12.9% 6.3 36.9 0.6% 3.8% 9.2 18.5

2019 Revenues



Key equity indicators (millions of euros)

	2019	2018	2017
Fixed assets (tangible and intangible)	1,287.1	1,255.0	1,205.2
Equity	1,226.7	1,219.7	1,205.6
Net Financial Position	(133.1)	(184.3)	(215.9)
Investments	155.4	173.15	139.9

Key financial indicators (millions of euros)

	2019	2018	2017
ROI	0.5%	2.8%	2.4%
Net Invested Capital	1,336.3	1,301.0	1,273.5
EBIT	6.3	36.9	30.5
ROE	0.7%	1.5%	3.2%
Equity	1,226.7	1,219.7	1,205.6
Net profit	9.2	18.5	38.7

CONSOLIDATED FINANCIAL STATEMENTS ATM GROUP, SEPARATE FINANCIAL STATEMENTS ATM S.P.A. **PAG XVI**

Operational Highlights

ITALY

TOTAL NETWORK¹

1,083	96	820.4	165.5	
Area served (km²)	Municipalities served	Passengers transported (mln)	Km travelled (mln)	
METROPOLITAN NET	WORK			
4	96.8	215.9	947	
Number of metro lines	Network length (km) ²	Plant length (km) ³	Vehicle fleet (Engines and carriages) ⁴	
VEHICLE NETWORK				
160	1,568	1,488	9.1	
Number of lines	Network length (km) ²	Vehicle fleet ⁴	Average age of the fleet in use (years)	
TRAM NETWORK ⁵				
19	180.3	285.1	493	
Number of lines	Network length (km) ²	Plant length (km) ³	Vehicle fleet ⁴	
TROLLEY BUS NETWORK				
4	38.8	85.8	134	
Number of lines	Network length (km) ²	Plant length (km) ³	Vehicle fleet ⁴	

1. Figures concern the service carried out by ATM in the Metropolitan City of Milan, with the Como cable car and by NET in the Metropolitan City of Milan, and in the Provinces of Monza and Brianza, Bergamo and Lecco

 $\ \ \, \text{By network length is meant the sum of the lengths of the individual lines on the operating axis. }$

3. Plant lines in operation and air network are considered

4. Owned vehicles

5. The Milan - Desio Interurban tramway is also temporarily suspended (replacement bus service from 1 October 2011)

SERVICES CARRIED OUT IN THE METROPOLITAN CITY OF MILAN, PROVINCES OF MONZA AND BRIANZA, BERGAMO AND LECCO ⁶

Area served (km ²)	662.7	Number of lines	27
Municipalities served	59	Network length (km) ²	391.6
Passengers transported (mln)	11.7	Vehicle fleet	122
Km travelled (mln)	8.0		

CAR PARKS ⁷ & ON-STREET PARKING

Number	24	Entries	6,368,187
Car spaces	18,908	Car spaces	98,270

COMO - BRUNATE CABLE CAR

Network length (km) ²	1.1	Km travelled	50,245
Passengers transported (mln)	1.3		

CASCINA GOBBA - H. SAN RAFFAELE MINIMETRO

Network length (km)²

0.7 Km travelled

83,713

Operational Highlights OVERSEAS

METRO COPENHAGEN

Area served (km ²)	162	Number of lines	3
Municipalities served	3	Network length (km) ²	36.5
Passengers transported (mln)	78.8	Vehicle fleet	64
Km travelled (mln)	18.6		

6. Service executed by NET. Figures already stated in the "Total Network" table.

7. The Novara-Trenno car park is also considered with 1,613 places.



Audit Committee and Directors Boards

Board of Directors ¹		
Chairman	Luca Bianchi	
Directors in office	Oliviero Baccelli Clara de Braud Stefano Pareglio Elisabetta Pistis	
General Manager	Arrigo Giana	

Audit Committee Board²

Chairman	Salvatore Rino Messina
Audit Committee Board	Antonella Andreina Conti Margherita Molinari
Alternate Auditors	Monica Rossana Bellini Maurizio Bocca

Indipendent Audit Firm³

Deloitte & Touche S.p.A.

^{1.} The five-member Board of Directors was appointed by the Shareholders' Meeting on March 30, 2017 and will remain in office until the approval of the 2019 financial statements. The Director Mr Pareglio was appointed by the Shareholders' Meeting of November 9, 2017 and will remain in office until the approval of the 2019 financial statements.

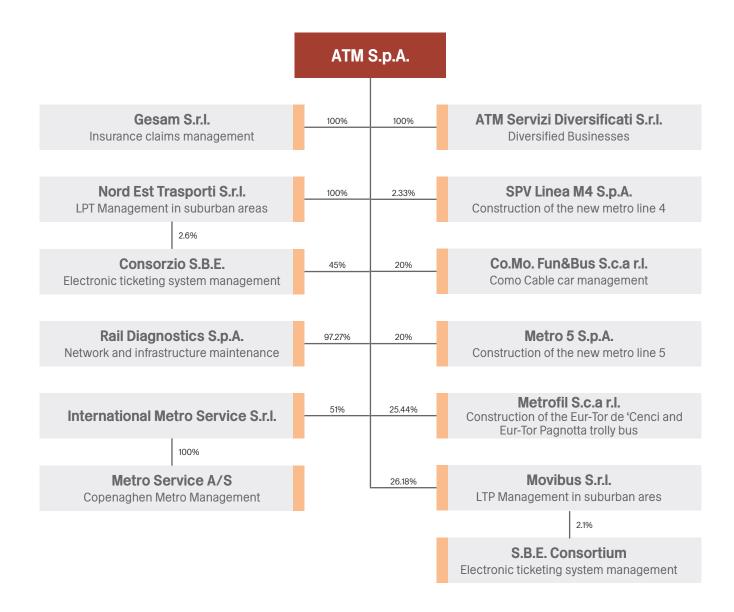
^{2.} The Audit Committee Board was appointed by the Shareholders' Meeting of April 19, 2019 and will remain in office until the approval of the 2021 financial statements.

^{3.} In view of acquisition of the status of "public interest entity" pursuant to Legislative Decree No. 39/2010, on November 9, 2017 the Shareholders' Meeting resolved to grant a nine-year mandate to Deloitte & Touche S.p.A., set to expire upon the approval of the 2025 financial statements.

Group structure as at December 31, 2019

ATM S.p.A. (*"ATM"*, the *"Company"* or the *"Parent Company"*) carries out the management of transport services in any form and by any means, including rail services, as well as related services connected to the activity of transporting people, things and information and mobility, including parking lots and on-street parking. The Company manages the light rail service from Cascina Gobba to San Raffaele Hospital. Fully owned by the Municipality of Milan, it is the Parent Company of the Azienda Trasporti Milanesi Group (the "Group" or "ATM Group") and is responsible for the management and coordination of its subsidiaries pursuant to art. 2497 and subsequent of the Italian Civil Code. The Company's registered office is in Foro Buonaparte 61, Milan.

In this document, "**ATM Group**," "**Group**" and "**ATM**" refer to the set of companies within the consolidation scope.



Subsidiaries and their activities:

- ATM Servizi Diversificati S.r.l.: incorporated on September 9, 2010, it is a fully-owned subsidiary of ATM S.p.A. managing road and rail passenger and freight transport leasing and diversified services such as the trancar restaurant.
- Gesam S.r.I.: incorporated on December 22, 2005, it is a fullyowned subsidiary of ATM S.p.A. and provides consultancy in the insurance sector, including all related specialized claims investigation and adjustment services, to the exclusion of insurance brokerage.
- International Metro Service S.r.I.: incorporated on April 12, 2007, it is 51% owned by ATM S.p.A. and is responsible for managing passenger and freight transport services, along with the related operating planning and organization, in view of performance of contracts to operate and maintain metro systems. The Company owns 100% of Metro Service A/S, a Danish company that manages the Copenhagen metro.
- Nord Est Trasporti S.r.I.: incorporated on December 5, 2007, it is a wholly-owned subsidiary of ATM S.p.A. and is responsible for managing passenger, freight and information transport services, along with the related operational planning and organization, in addition to services complementary to transport and mobility, in the Milan Metropolitan Area, the Province of Monza and Brianza, Bergamo, Lecco and the Municipality of Monza.
- Rail Diagnostics S.p.A.: incorporated on October 31, 2006, it is 97.27% owned by ATM S.p.A. and is responsible for the design, manufacture, maintenance and integrated diagnostics of metro and tram installations and systems.

Associates:

- Movibus S.r.I.: incorporated on May 15, 2008. ATM S.p.A. holds 26.18% of the share capital. The company carries out its activity in the Local Public Transport sector where it operates as manager of lot 6 of the provincial sub-network of Milan West.
- Metrofil S.c.a r.l.: incorporated on April 2, 2009. ATM S.p.A. holds 25.44% of the share capital. The company was established for the purpose of fulfilling the obligations deriving from the assignment of the contract concerning the executive design and construction of the public transport system on its own trolleybus-type seat serving the EUR-Tor

de Cenci and EUR Laurentina-Tor Pagnotta entered into with Roma Metropolitane S.r.l.

- Metro 5 S.p.A.: incorporated on June 5, 2006. ATM S.p.A. holds 20% of the share capital. The company is responsible for final and executive designs, expropriation, project management, execution of civil works and technological installations, supply of rolling stock and subsequent management of the new metro line 5 and any extensions.
- Co.Mo. Fun&Bus S.c.a r.l.: incorporated on June 9, 2006. ATM S.p.A. holds 20% of the share capital. The company supports local public transport service in the Municipality of Como and management of the Como-Brunate cable car system.
- S.B.E. Consortium.: incorporated on January 28, 2015. ATM S.p.A. directly holds 45% and, indirectly, through its subsidiary Nord Est Trasporti S.r.l., 2.6% of the share capital. The Consortium is the owner of the asset represented by the central platform of the electronic ticketing system and of the asset management activities in addition to the management of clearing activities, and accounting streams for Sitam tickets and regional tickets.

Other companies:

SPV Linea M4 S.p.A.: incorporated on December 16, 2014. ATM S.p.A. holds 2.33% of the share capital. The corporate purpose, granted by the Municipality of Milan, is the construction, maintenance of the Milan metro line 4 and the provision of the related public transport service.

Share capital structure

ATM S.p.A.'s share capital amounts to Euro 700,000 thousand, comprising 70,000,000 shares with a par value of Euro 10 each, fully owned by the Municipality of Milan.

Changes in the corporate structure

On January 18, 2019 ATM sold its equity investment, equal to 1% of the share capital, in the company Guidami S.r.I. to ACI GLOBAL SERVIZI S.p.A.

On 10 October 2019, the Shareholders' Meeting of Brianza Trasporti S.c.a.r.l. in liquidation, a company indirectly owned by ATM S.p.A. for 30% of the share capital through the subsidiary Nord Est Trasporti S.r.l., approved the definitive liquidation of the company as well as the allotment plan and the simultaneous repayment of the paid-up share capital.

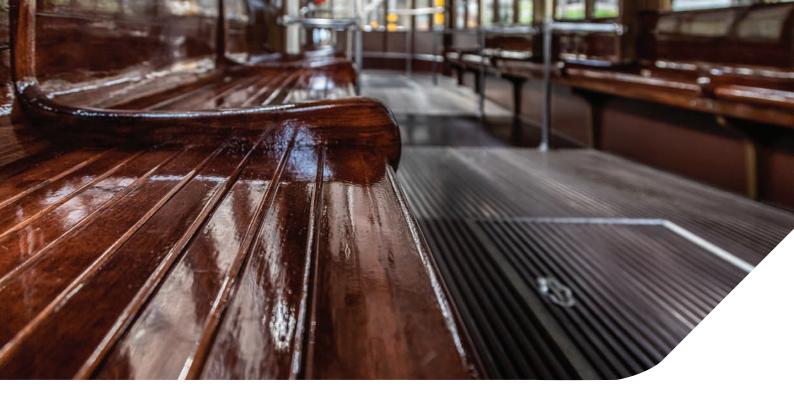
Our business

Segment	Management of the Local Public Transport	LPT accessory and complementary operations	Other
ITALY	LPT in the Milan and urban area	On-street parking in the Milan territory and in the 24 interchange parking lots inside and outside the Milan area	S5 link management
	Metro line 5	Removal and custody of vehicles on the municipal territory	Tram restaurant in the city of Milan, tram rental
	LPT automotive Municipality of Monza, Province of Monza-Brianza, Bergamo, Lecco and Metropolitan City of Milan	Area B and C	Maintenance and integrated diagnostics of metro and tram installations and systems
	On-demand urban and urban area services in the municipalities of Peschiera Borromeo and Basiglio	Traffic Control and Territory System	Insurance claims management
	Como-Brunate cable car	Bike sharing	Retail and Advertising Management
		Creation and management of ticketing systems	
OVERSEAS	Copenhagen Metro		



Management Report

That



Corporate Governance Report

Introduction

This section describes the main aspects of ATM's Corporate Governance, in consideration of its nature as a company with total public control and the role it plays for the range of stakeholders, also fulfilling the specific disclosure obligations related to the acquisition in 2017 of the status of Public Interest Entity, set out as per art. 123 bis of Legislative Decree 58/1998 (CFA) concerning only the information required by paragraph 2 letter b), availing of the faculty set out by paragraph 5 of the same article.

As previosly indicated in last years' report, following the issue of the bond loan and the admission to listing of the related securities on the regulated market organized and managed by the Irish Stock Exchange, which took place in August 2017, ATM qualified as a Public Interest Entity (PIE) pursuant to Article 16, paragraph 1, letter a) of Legislative Decree n.39/2010.

ATM's Corporate Governance system consists of the set of tools, provisions, reports, processes and business systems used for the correct and efficient management and control of the entire organization. ATM's Corporate Governance structure therefore concretely expresses the rules and methods by which the corporate strategy is defined, as well as the decision-making processes and the means for achieving and measuring results in comparison to the set objectives. ATM's Corporate Governance system refers both to the laws and regulations in force and applicable and to the internal rules which the Company has adopted itself.

The company has therefore developed a Corporate Governance system which seeks to be operational and effective, while adequately balancing responsibilities and power, focusing particularly upon the balance between management and control.

The Corporate Governance Report of ATM is divided into three sections: a first section dedicated to the guiding principles defined in the ATM Ethics Code and the initiatives in the area of social responsibility; a second section dedicated to the Corporate Governance model; a third to the internal control and risk management system.

It should be noted, with reference to the entry into force of Legislative Decree 14 of 12 January 2019 called the *"Code of corporate crisis and insolvency"*, that ATM and the companies controlled by it fall within the cases of exclusion provided for by the decree, but in accordance with the obligations set out in the 2nd paragraph of article 2086 of the Italian Civil Code, introduced by the aforementioned decree, it has activated a monitoring process that will lead to the prior identification of any income, equity and financial imbalances related to the specific characteristics of the company and its activities.

Ethics Code: principles, values and social responsibility

Transparency, correctness, loyalty, equality and impartiality are just some of the guiding principles adopted by ATM to ensure a Corporate Governance structure which is appropriate in terms of its nature, size and operating structure. These guiding principles are expressed in value areas aiming to encourage the actions of ATM people.

These values that ATM recognizes as fundamental to its business operations, and which are shared at all levels of the organization, are outlined in the Ethics Code, introduced in 2007 and last updated on September 24, 2018, in accordance with the Anticorruption and Transparency Model voluntarily adopted by ATM and entered into force on 15 September 2018.

The Ethics Code, which contains in a nutshell the set of values and lines of behavior that make up the identity of ATM, sets out the related ethical and social responsibilities and engages the corporate bodies, management, personnel, external collaborators, suppliers and all those who have relationships with the Group companies. In fact, the same applies to the Parent Company ATM S.p.A., to the Group companies subject to the management and coordination of the Parent Company and, together with the code of conduct and the organization, management and control model, is an integral part of the 231 organizational model, management and control pursuant to Legislative Decree 231/01, an integral part of the general Internal Control and Risk Management System.

Social responsibility is one of the central aspects considered by the organizational structure and the company and social policies of ATM, which make reference to - with a view to ongoing improvement - the model and the specific recommendations of the European Union.

ATM has held since 2012 the **SA8000 Certification**, the international standard improving working conditions and *standards* of company procurement, unifying the standards set out under international documents: the United Nations Declaration on

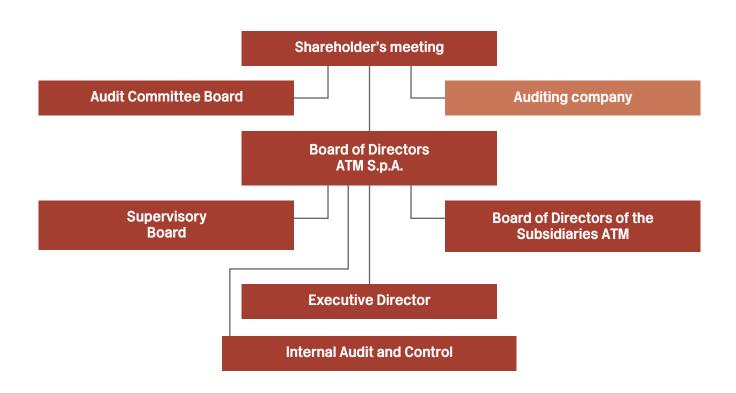
Universal Human Rights, the United Nations Convention on the Rights of Children, the ILO (*International Labour Organization*) Conventions and Recommendations and the United Nations Conventions to eliminate all forms of discrimination. Under the internal control system, the maintenance of the certification and the periodic assessment of the company performance in this regard is based on continuous monitoring, internal audits by the various company departments and audits carried out by the Social Performance Team on the basis of reports from the worker's representatives. For this purpose, in 2019 the stuff continued to be trained according to the SA8000 and the Internal Social Responsibility Management System.

As part of the policies concerning the development of employees and as a cornerstone of company Social Responsibility, ATM took part in the "Family Audit" certification process promoted by the President of the Council of Ministers, ranking among the leading Italian businesses on the conclusion of a process launched in 2013, with the basic certification referring to the company's social policies, which seek to continue to improve work-life balance services. These policies are part of a wider **welfare system**, developed in close collaboration with the ATM Foundation, which focuses on improving the individual and organisational well-being of individuals operating within the Group.

In compliance with the requirements introduced by the Legislative Decree no. 254 of December 30, 2016 enacting Directive 2014/95/ EU, and in compliance with the «GRI Sustainability Reporting Standards» - published by the Global Reporting Initiative (GRI) - ATM has prepared the Consolidated Non-Financial Statement (hereinafter also "NFD") to ensure the dissemination of the Group's activities, its performance, its results and the impact produced, covering 5 significant areas: environment, social aspects, personnel management, human rights and the fight against corruption. For further information, reference should be made to the "Consolidated Non-Financial Statement" also available on the website <u>www.atm.it</u>.

The Corporate Governance Model

With regards to new Group scenarios and as part of the Corporate Governance system, ATM commits to follow best corporate practices, comparing its model with the principles issued by the leading associations and relative best practices, adopting organizational and functional structures, as well as risk control and management measures for the correct execution of operations and promoting an adequate, effective and efficient internal control and risk management system.



Through a traditional Corporate Governance model, the **Board of Directors**, which is responsible for strategic management and for carrying out all the appropriate acts for the implementation and achievement of the corporate purpose, excluding only those that by law are entitled to at the **Shareholders' Meeting**, has delegated part of his management responsibilities to the **General Manager**.

Appointed to monitor the compliance with the law and the articles of association and compliance with the principles of correct administration and adequacy of the organizational structure, the **Audit Committee Board** is ATM's Control Board. The accounting control functions, in terms of the legally-required audit of the accounts, were assigned to the **Independent Audit Firm** Deloitte & Touche S.p.A., by Shareholders' Meeting of November 9, 2017, for the duration of nine financial years from 2017 to 2025, given the classification of the company as a Public Interest Entity (PIE).

The Corporate Governance System of ATM oversees in addition the operational practices and instructions governing the activities conducted by the various company functions, subject to ongoing verification and monitoring, in consideration of regulatory and process amendments. ATM's Corporate Governance system also consists of operating practices and instructions governing the



activities conducted by the various corporate functions, subject to continuous verification and monitoring, in consideration of regulatory and process changes that have occurred. In this Corporate Governance system, the **Audit and Internal Control Department**, which is not responsible for any operating area and hierarchically depends on the Board of Directors, verifies, both on a continuous basis and in relation to specific needs and in compliance with international standards, operations and the suitability of the ICRMS (Internal Control and Risk Management System), through an integrated audit plan, approved by the Board of Directors, based on a structured process of analysis and prioritization of the main risks.

The Internal Control and Risk Management System

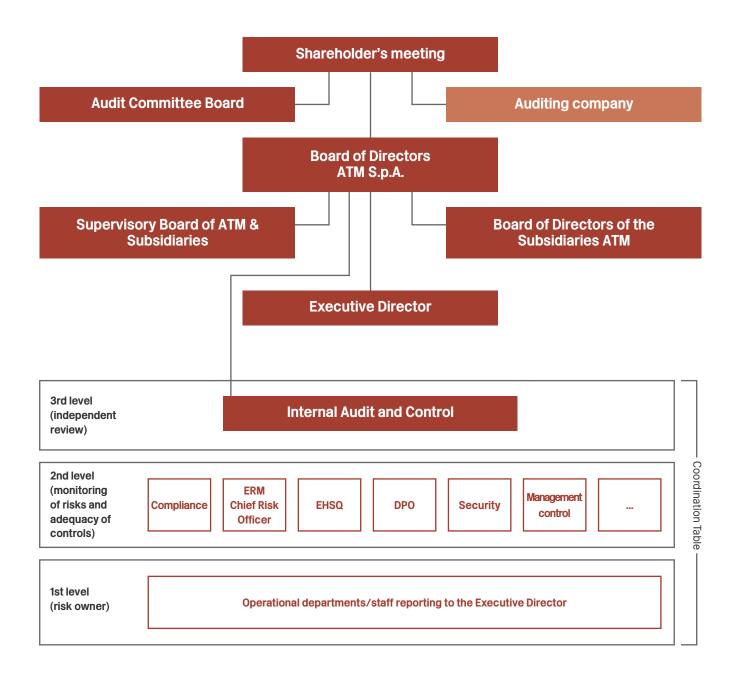
The Internal Control and Risk Management System ("ICRMS") of ATM represents a fundamental element of Corporate Governance. The ICRMS consists of the set of rules, procedures and organizational structures aiming to enable the identification, measurement, management and monitoring of the main risks, in relation to their ability to influence the achievement of the strategic corporate objectives defined by the Board of Directors.

An effective ICRMS contributes to ensuring the safeguarding of corporate assets, the efficiency and effectiveness of company processes, the reliability of the information provided to corporate bodies and the market, compliance with laws and regulations, as well as with the bylaws and internal procedures.

ATM has adopted an **ICRMS able to guarantee a reliable and** accurate financial and non-financial information, to protect the business value and achieve the objectives defined by the Board of Directors, which is responsible for the system itself.

The ICRMS is an integrated system that involves the entire organizational structure: both corporate bodies and company structures are called upon to contribute in a coordinated manner, so as to ensure that the main risks pertaining to the company and its Subsidiaries are correctly identified, as well as adequately measured, managed and monitored also in accordance with the strategic objectives identified.

Each actor in the corporate governance structure has specific duties and responsibilities relevant to the ICRMS. The System, in accordance with the relevant regulations and *best practices*, gives all company departments a clear position within three lines of defense, thus being, in practice, it is based on coordination between different subjects involved in the ICRMS, in order to maximize the efficiency of the system itself.

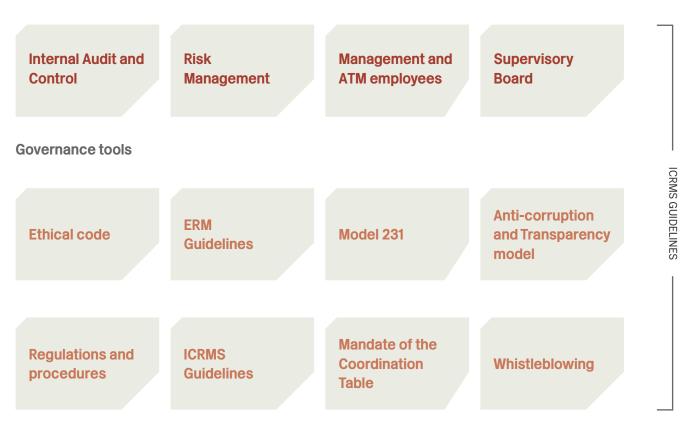


The Internal Audit and Control Department, Risk Management, all the functions that perform a specific control activity (also called "assurance suppliers"), the Auditing Company and the Supervisory Bodies, collaborate with each other for the performance of the respective tasks. These bodies and functions ensure adequate collaboration, including information, with the Board of Directors and the Audit Committee Board, for the performance of their respective duties and responsibilities.

The components of the ATM's ICRMS are coordinated and interdependent and the system, as a whole, involves, with different

roles and according to collaboration and coordination logic, the administrative bodies, the control bodies, the supervisory bodies and the corporate management: the assignment of roles and responsibilities, consistent with a functional segregation, the procedural body, the information systems and flows, the monitoring activities underlying the ATM Internal Control and Risk Management System are aimed at ensuring compliance with laws, regulations, by-laws and internal disciplines, in compliance with the criteria of efficiency and effectiveness and also the reliability, accuracy, and timeliness of financial and non-financial information.





Participants and tasks

After having established the guidelines, based on the information received periodically by the functions and structures responsible for the internal control and risk management system, the Board of Directors assesses the adequacy of the Internal Control and Risk Management System regarding the characteristics of the company and the risk profile assumed, as well as its effectiveness.

The Internal Audit and Control Department, in performing its internal audit activities, operates with independence and objectivity thanks to adequate organizational positioning and the absence of restrictions and interference in the execution of the work and in the communication of the results. The function manager reports to the Board of Directors and to the Supervisory Board.

Audit and Internal Control

The process of checking the suitability and operation of the ICRMS

is the responsibility of the Internal Audit and Control Department, which proposes an annual risk based audit plan that integrates the operational, safety and reliability needs of the information systems and is in compliance with the Legislative Decree 231/2001 and the Anti-corruption and Transparency Model. The Audit Plan, also shared with the management bodies of the directly controlled companies, is approved by the Parent Company's Board of Directors and applies to the entire Group. DACI's mission is to "Protect and increase the value of the organization, providing objective and risk-based assurance, advice and expertise" both in favor of ATM S.p.A. and in favor of the Group's subsidiaries, in a context of direct and continuous communication, and constructive and collaborative interaction with the Executive Director and Senior Management.

The main objectives of AICD consist of:

- assess the adequacy of the ICRMS with reference to specific assurance interventions;
- provide support to the President and General Manager of ATM S.p.A., through "on call" consultancy activities and/or with

reference to specific projects;

- take care of the management of compliance activities in the context of Legislative Decree 231/2001 and Anti-corruption, and also as defined in the ICRMS Guidelines;
- manage the activities of the Coordination Table;
- manage the reception, analysis and treatment of reports concerning suspicious conduct (*whistleblowing*).

Risk Management

As part of the wider Internal Control and Risk Management System, in order to oversee the integrated risk management process for all Group companies, ATM - in line with national and international best practices, and in particular with the reference models COSO Framework and ISO31000, and related updates, it has introduced and will maintain a dynamic *Enterprise Risk Management ("ERM"*) process.

The Chief Risk Officer, appointed in June 2018 and supported by the Risk Management Team, guarantees the definition and updating of the ERM model, provides methodological and specialist support in identifying and assessing risks, ensures coordination of the process as a whole by taking care of the consolidation and prioritization of risks and providing periodic evidence to the top management.

The primary objective of the ERM process is to identify the broad portfolio of potential external and internal risk scenarios to which the Company may be exposed, which could influence the ability to pursue strategies, achieve objectives and effectively manage production processes, supporting Management and company functions in the risk analysis and in the definition and implementation of any improvement actions of the control systems, also from a transversal point of view.

Management and all the ATM employees

All ATM employees, in the context of the tasks entrusted to them in the company organization, are engaged in defining and actively participating in the correct functioning of the internal control system, as part of their responsibility in achieving the objectives. The responsibility for implementing an effective internal control system is common to every level of the organization. All ATM people, therefore, must have the necessary knowledge, preparation and ability to act and operate within the ICRMS.

Supervisory Board as per Legislative Decree 231/2001

The Supervisory Board, currently composed of 3 members (2 of which are external to the Company) alternated in February 2019 with the previous structure, which remained in force for two terms. In accordance with the past, the external members of the Supervisory Board have been identified among academics and professionals of proven competence in relation to topics concerning the D.Lgs. 231/2001 and experience in economics, business organization and corporate criminal law. The internal component of the Supervisory Board, in line with the leading practices, which are the most up-to-date Association Guidelines of Confindustria and the 231 Models of ATM S.p.A. and its direct subsidiaries, has been identified as the Audit and Internal Control Director.

It should also be noted that the Supervisory Boards of the companies directly controlled by ATM S.p.A are set up jointly. In order to coordinate the information flows of all the parties of the ICRMS, taking into account the specific features of the ATM Group, the Supervisory Boards periodically meet the control boards and the auditing firm.

All the Supervisory Boards monitor the effectiveness and adequacy of the respective 231 Models and monitor the methods for implementing them and the related updating activities. The Supervisory Bodies of ATM S.p.A. and each directly controlled company approve a coordinated annual program of supervisory activity. This activity is organized indicatively on the basis of a three-year plan with an annual rolling update, which provides for interventions spread over the three-year period and the carrying out of at least one check per year for each Group company, in order to cover risk based on specific sensitive activities of each company.

For sensitive activities relating to the management of financial flows, hiring personnel, career progression, remuneration, supplies, environment, health and safety at work, checks are scheduled at least annually. Where necessary, inspections are also carried out at deposits and/or corporate sites.

The Supervisory Board of ATM S.p.A. and directly controlled companies are required to provide a periodic report on their work to the respective Administrative Bodies.

The Supervisory Boards of ATM S.p.A. and of the directly controlled companies, in accordance with the activity carried out in the previous three years, continued the exercise of the functions of verification and supervision on the effective operation and compliance with the respective 231 Models, making continuous use of the Internal Audit and Control Department and the specific Secretariat of the Supervisory Board, operating within DACI, equipped with resources possessing skills in the ICRMS area, Internal Auditing and legal fields.

The ongoing supervisory activity was also carried out with the help of external consultants, to whom specific and analytical activities were delegated to verify sensitive processes, to identify any discrepancies referring to the 231 Model and to prepare corrective plans agreed with the company departments. These activities are subject to periodic monitoring during the meetings of the Supervisory Boards.

In 2019 the training of the employees in relation to 231 continued: the training was carried out through e-learning courses, classroom courses to senior managers and corporate bodies, carried out with the contribution of external experts, focusing on the analysis of specific areas of relevance to 231 as well as on the most recent case law.

Governance Tools

Guidelines for the Internal Control and Risk Management System

The ICRMS represents a fundamental element of ATM's Corporate Governance.

ATM's Board of Directors defined the SCIGR Guidelines, updated and approved on January 27, 2020.

These represent the guidelines of the Internal Control and Risk Management System so that the main risks are correctly identified, adequately measured, managed and monitored, by determining the degree of compatibility of these risks with the company management, consistent with the corporate objectives, which favors the taking of informed decisions.

The Guideline of the Internal Control and Risk Management System aims to represent the actors and components of the ATM's ICRMS in an organic manner, to which all the subsidiaries subject to the management and coordination of the Parent Company must refer consistently, although in their autonomous responsibility for integrating and calibrating their ICRMS, so that it is proportionate to the nature, scope and complexity of the current and future risks inherent in the activity carried out, making appropriately formalized and motivated application choices for these purposes.

Enterprise Risk Management Guideline

ATM has adopted the *Enterprise Risk Management Guideline*, as a fundamental tool to support risk management, approved by the Board of Directors.

The Guidelines apply to the ATM parent company and, suitably adapted to the context of each company controlled by it and subject to management and coordination.

The Board of Directors on January 27, 2020 approved the revision of the ERM Guidelines updated in line with the evolution of the corporate risk governance process.

Through this tool, the Company aims to clearly and exhaustively represent the general principles of *Risk Governance* that underlie the *Integrated Risk Management* process, the articulation of *Roles and Responsibilities* of the actors involved in the process or phases in which it articulates the process of identification, evaluation, prioritization, reporting and monitoring risks.

Regulations and operating procedures

ATM has defined an organic system of operating regulations and procedures, including:

- the Group's regulation, which governs the Group's operating methods and intercompany relations and which is updated in 2018 as a result of the evolution of the organizational structure and of the regulatory changes regarding transparency and anti-corruption;
- the regulation for the assignment of contracts, issued in the updated version in July 2019, which governs the procedures for the award of contracts relating to works contracts, the purchase of goods and service contracts for all Group companies;

- the sales regulation, which governs the procedures for the sale of goods, materials and services and the awarding of contracts for the commercial exploitation of areas and spaces to guarantee the maximum economic return, in a perspective of rationalizing and efficient management of resources and company assets;
- the procedures and operational instructions, which describe and govern business processes that ensure, inter alia, compliance with the Quality Management Systems ISO 14001, ISO 9001, OHSAS 18001 (to be: ISO 45001), the certification system SA8000 and the Transport Safety Management System.

Terms of the Coordination Body

The proper functioning of the ICRMS is based on the profitable interaction in the exercise of the duties between the control functions and, therefore, on integrated and coherent information flows both between structures and control functions, and between these and the Management and the Board of Directors. To this end, ATM has established the "Coordination table: information flows, control structures and functions", coordinated by the Audit and Internal Control Director. The table aims to achieve the following objectives:

- elimination of overlaps or duplications, where necessary and where possible, including methodological ones, between the various control functions and / or assurance suppliers and, therefore, sharing, where possible, (i) the methodologies with which the various control functions and / or assurance suppliers carry out the assessments, (ii) their work/verification plans, (iii) the results deriving from the respective activities;
- improvement of communication between the control functions and/or assurance suppliers among themselves and the governance structures;
- mitigation and risk management of insufficient, partial or misaligned information;
- effective follow-up activities and decision-making based on correct information.

The main moments of coordination and collaboration between the control functions and/or *assurance* suppliers are:

- the annual activity planning phase;
- the periodic meetings of the Coordination Table;
- participation in meetings with the 231 Supervisory Boards and/

or with the Audit Committee Board and/or any other committees and/or working groups established from time to time.

Organisation, Management and Control Model pursuant to Legislative Decree 231/2001

One of the main internal control tools implemented by ATM is the **Organisational and Management Model** pursuant to Legislative Decree 231/2001. This model was adopted by the Parent Company ATM S.p.A. in 2008 and later that year, also by the subsidiaries ATM Servizi S.p.A. and Rail Diagnostics S.p.A. NET S.r.l. and Gesam S.r.l. adopted the model in 2011.

In particular, in 2019 the subsidiaries have provided or update, in case they were already equipped with the Model or the first issue of its Model 231, as it is described below:

In particolare, nel 2019 le società controllate hanno provveduto o all'aggiornamento, qualora già dotate di Modello, o alla prima emissione del proprio Modello 231, nella specie:

- Rail Diagnostics S.p.A.: equipped with the Model since 2008, updated the Model 231 on 25 June 2019;
- NET S.r.l.: equipped with the Model since 2011, updated Model 231 on 26 June 2019;
- Gesam S.r.I.: equipped with the Model since 2011, updated the Model 231 on 25 June 2019;
- ATM Diversified Services S.r.l.: first issue of Model 231 on June 26, 2019;
- International Metro Service S.r.l.: first issue of Model 231 on 14 October 2019.

The adoption of the Model aims to ensure compliance with the requirements of Legislative Decree No. 231/2001, to reinforce the internal control system to improve effectiveness and transparency in the management of corporate activities and to raise awareness on the principles of transparency and fairness for all parties collaborating with ATM in various aspects.

The Models of the Parent Company and of the subsidiaries are therefore systematically updated on the basis of regulatory changes and/or significant changes in the organizational structure that may impact these Models. The 231 models of ATM S.p.A. and of the directly controlled companies, as approved by the respective administrative bodies, include the following constituent elements:

- the identification process of corporate activities wherein the offences referred to in Legislative Decree No. 231/2001 may be committed;
- the provision of control standards for the sensitive activities identified;
- the identification process of suitable methods for managing financial resources to prevent offences;
- the management of information flows from and to the Supervisory Board and specific disclosure requirements in relation to the Supervisory Board;
- system for managing reports of suspected/alleged violations and/or offenses (whistleblowing - see below);
- a disciplinary system to penalise the violation of provisions contained in the Model;
- a training and communications plan for employees and other parties interacting with the company;
- criteria for updating and upgrading the Model;
- Ethics Code;
- 231 Code of Conduct.

All employees are obliged to inform the Supervisory Board of conduct for events that may lead to a violation of the 231 Model or which are more generally relevant to the purposes of Legislative Decree 231/2001.

For the purpose of promoting the knowledge of Legislative Decree 231/2001 and effectively communicating the Models, starting from April 1, 2019, following the updating of Model 231

of the Parent Company and at the same time the final stages of updating the 231 Models of the subsidiaries, an informative and user-friendly file relating to the principles of the 231 Models of the ATM Group companies was distributed internally: "231: what you need to know". After this first initiative of launching this disclosure document, it has been gradually distributed to the entire population of executives and new employees.

Always regarding the coordination and efficiency, the updates of the 231 Models took into consideration the ACT Model adopted on a voluntary basis (and vice versa).

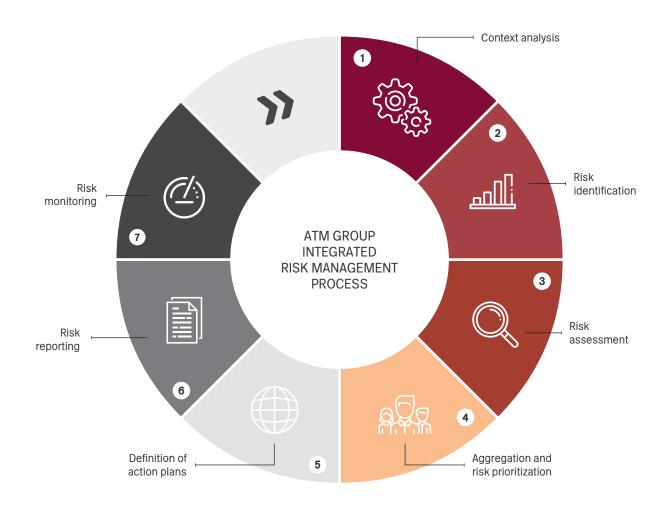
Enterprise Risk Management Process (ERM)

In 2019, ATM completed the implementation of the new ERM process which involved revisiting the identification and assessment logics of risk scenarios or updating the assessment metrics, probability, impacts and controls underlying the model.

The structured ERM process that ATM has adopted takes into account the characteristics of the Group and guarantees the use of a homogeneous language within the company organization. The developed model lays its foundations on an integrated, transversal and dynamic approach to risk management and on the adoption of metrics that are as objective as possible in order to be measured.

The identification of the main risks and safeguards put in place for the management, or the identification of further action plans, takes place on a periodic basis. The risk assessment process is initiated and coordinated by the Group Risk Management function and relates to the involvement of all corporate structures through the figures of the Risk Owners as responsible for identifying, assessing and updating risk scenarios.





The Integrated Risk Management process of the ATM Group

The most valuable features of the model adopted are:

- the inherent and residual risk dimension the Management involved in the ERM process, using a common methodology, evaluates the specific risk scenarios in terms of "Probability of occurrence" and "Impact" in an inherent dimension and the residual downstream of the controls and mitigation actions and the evaluation of their effectiveness.
- the transversality of the impact measurement, i.e. the assessment of multiple effects relating to the economic-financial, health and safety, reputation, service interruption, operational efficiency, legal and compliance, where applicable;
- the integration with the Stakeholder engagement process and the definition of the materiality matrix

During the second half of the year, the first application of the new model was completed.

The identification of risk scenarios and control measures was carried out using a unique risk taxonomy, which frames the individual risks in the main categories as detailed below.

Risk classification

STRATEGIC	EXTERNAL ENVIRONMENT	FINANCIAL	LEGAL AND COMPLIANCE
Stakeholder expectations	 Macroeconomic context/ competitive/demand 	 Market 	 Compliance of legislation and rgulations
 Definition of strategies 	 Natural events 	 Liquidity 	 Compliance of ethical code, Policies, procedures and other internal regulati
 Implementing strategies/ CAPEX plan 	 Regulatory changes 	Credit	Legal
 Reactivity to changes 	 Strategic clients e business partner 	 Financial planning and reporting 	
Governance	 Suppliers 	Insurance strategies	
	 Acts of terrorism 		
	 External illegal acts 		

OPERATING	
 Planning and Scheduling 	Environment
 Warehouse/Logistics 	 Health & Safety
Maintenance	 Passenger Safety
 Production of the service 	 Human resources
Commercial/Customer Service	 Organizational framework
 Procurement/Execution of contracts 	 Planning/Management and accounting reporting
ICT	Tax Framework
Security	

Legend

I level risk category

Il level risk category

Within this classification are the main risks to which the Group is exposed and for which greater detail is provided in the section "Risk factors and uncertainty".



Responsible management and stakeholder relations

ATM is committed to establishing relations marked by fairness, good administration and transparency with its stakeholders, to pursue concrete and shared sustainable development objectives and contribute to the wellbeing, quality of life and growth of the community in which the company operates.

It is also active in the internal dissemination of the principles and culture of sustainable development, constantly transmits and shares its principles and values with institutions, partners, suppliers and customers. All company departments are involved and direct their internal and external activities towards these purposes.

ATM collaborates with institutions and structures in charge of governing the territory by participating in discussion tables on the themes of mobility, innovation and sustainability at 360 degrees: institutional, social, economic and environmental.

The company has supported and actively participated in numerous initiatives promoted by the Municipality of Milan and other territorial institutions. A total of 20 collaborations were made; these include Milan Digital Week, Milan Bike City, Book City Milan, Piano City.

Furthermore, over the course of 2019, ATM made its contribution to the main events on sustainable mobility and technological innovation, including the *National Electric Mobility Conference* - *E-MOB 2019, Citytech* and, internationally, the Global Public Transport Summit.

The Company has implemented initiatives to enhance the company's reputation with its customers, to promote knowledge of the services that it offers and the main projects in the field of sustainable mobility and technological innovation.

Among these, the great event open to citizens, "Porte Aperte ATM", at the San Donato depot, dedicated to the presentation of the ambitious Full Electric Plan, the new ATM electric fleet and the innovative projects that the Company puts in place in support of an even greener mobility. Over two days, the initiative has drawn more than 15,000 people.

Furthermore, again on the electrification project of the surface fleet, it was carried out in collaboration with MIA – Metropolitan Interests Association an editorial product entitled Milano Full Electric – The evolution of public transport, presented to an audience of institutional interlocutors, as part of the series "Report Milan".

Our customers

"Customer relationships must be continuously reinforced through the quality, reliability and efficiency of the service and through timely, precise, clear, easily accessible and truthful information on the services offered." (Ethics Code)

ATM is convinced that monitoring the perceived quality, i.e. customer satisfaction, is an important listening lever for its customers for constant improvement of the service. The annual survey, carried out in April 2019 on a sample of 3,444 units with face-to-face interviews on board the vehicles, at surface bus stops and in subway stations, confirms the positive result of the 2018 survey: overall satisfaction with the ATM service maintains an average score of 7.2 (on a rating scale from 1 to 10), and regarding the area of satisfaction, those who claim to be very or fairly satisfied (the percentage of those who express a rating between 6 and 10) is consolidated at 97%.

The informative offer of ATM to the customer is wide and diversified thanks to the multiplicity of dedicated tools. The website <u>www.atm.it</u> publishes all the information on the service, including those relating to travel tickets, fares, timetables and a calendar of services, the state of circulation of the underground lines and ATM initiatives. It is also equipped with a reserved area that allows purchase and recharging of the subscriptions, consultation of charges relating to travel made with contactless bank card, updating and verification of the user profile for the purpose of obtaining documents useful for the tax recovery of transport costs. The travel planning functionality through GiroMilano is also available for all, optimized with the indication of the metro stops and the presence of lifts or stair lifts.

Another information tool is the ATM Milano App which during the year was updated with the booking features of the neighborhood Radiobus, the display of stops and areas covered by the on-call transport service and, in the section ATM POINT, there is a display in real time of the last number called by the counters; on the home page there are quick accesses to the most used functions such as geolocation, routes, lines, the search for an address, a stop or a place, the purchase of electronic tickets, real-time information relating to the status of circulation of the underground lines, the remaining travel time of the validated tickets, the tweets of the @atm_informa account, the traffic information, the layout of the underground network, the favorites and useful information for traveling with ATM.

On the occasion of significant changes for the customer such as interventions on the transport network, establishment of new lines, changes in timetables and routes and on the occasion of news relating to the tariffs and services offered, ATM informs its customers through communication plans that in 2019 concerned, in particular, the introduction of the new Integrated Tariff System of the Mobility Basin (STIBM), the works for the renewal of the M2 metro line and the establishment of two new neighborhood Radiobus lines.

From 15 July 2019 the new Integrated Tariff System of the Mobility Basin (STIBM) has replaced the Milan Area Integrated Tariff System known as SITAM, which has remained in force for thirty years; for its lunch, the Company has created a dedicated website that provides all the information on the functioning of the System and travel tickets, has updated all the information materials on the rates present at the bus stations, at the stops and on board of the vehicles and has produced a series of very articulated material to adequately inform its customers, even during the trip, about the news. The brochures of 200,000 copies of The New Integrated Tariff System for Public Transport and Urban Passes were distributed to passengers at ATM POINTS, at stations, at surface bus stops, at ticket sales, and the ATM network map was distributed in 60,000 copies at ATM POINT and on the subway at the Station Operator booths; it has updated the information materials provided to the ticket sales that were present in the stations and on board of the trains (including the scheme of the underground network, the rules for passengers, travel documents and the relative fees displayed on the wall and inserted in the menus of the ticket vending machines present in the mezzanines of the underground), on board of the surface vehicles and at stops; it also produced information signs positioned in the underground stations, on ticket vending machines and at the surface stops, the layout of the new travel tickets, the forms supplied to the ATM POINTS. To complete the communication plan, the Company has published the new edition of the ATM series brochures aimed at families, young people, seniors and companies, municipalities and schools, downloadable from the website and distributed at ATM POINTS, updated with all the news of the new system.

To inform customers about the substitute connections organized in the subway section between the Loreto and Udine stations, interrupted for the entire month of August 2019 for the waterproofing works of the tunnel between Piola and Lambrate

foreseen as part of the M2 metro line renewal program, ATM has created a communication plan that provides for updating the information on the company website, the route map of the replacement lines distributed to passengers in 80,000 copies, flyers and information signs on alternative routes recommended to customers, ad hoc signposting in the stations involved to direct travelers to the shuttles, a 30-second illustrative video projected on the subway platforms and broadcast on all the company's social channels to show all the substitute connections.

On the occasion of the establishment of two new neighborhood radiobus lines, the Q55 and Q76, the changes to seven other lines and the introduction of the new service booking function via APP, the communication plan included updating the information on the company website, the creation of flyers to illustrate the path of the lines distributed at the stops involved in the change, the design of the maps of the new lines, the updating of the existing maps and materials at the stop, on board of the vehicles, the creation of an information campaign on air, on posters at stops and on board of vehicles, digital channels and newspapers.

Also regarding the fixed communication, the signs at the station and at the bus stops, has been carried out constant work of renewal and adaptation which in 2019 concerned the Lima and Palestro stations of the M1 line and Villa Fiorita, Cassina de' Pecchi and Abbiategrasso Square of line M2.

In order to promote the use of the public transport service, during 2019 the promotion action was increased at companies with special tariffs defined by the Municipality of Milan for the respective employees; this promotion is also conveyed through participation in forums and specialist conferences with particular reference to those that involved Mobility Managers.

The introduction of the new STIBM tariff system and the facilities of the Municipality of Milan has seen Atm striving to allow an effective and efficient transition for users and for its sales channels and contact points.

Among the most significant initiatives is the activation of the alternative sales channels for subsidized subscriptions based on ISEE income (among which the CAFs that have been equipped with an online platform interfaced in real time with the ATM systems for the verification and production of cards and for the management of files) and the marketing of the MI1-MI3 annual subscription which can be purchased in installments through the commercial support of an external partner (Telepass).

To facilitate access to the subscription of TPL cards and subscriptions, also thanks to a specific communication campaign, it has been refined the process of requesting and issuing cards online through the Atm.it site which has brought significant results such as doubling the number of subscriptions through the digital channel.

Even the graphic processing and distribution of cards for access to the transport network managed by ATM for the target of children under 11 years and children under 14 years involved important work. In full compliance with the relevant regulations, two different specific documents have been prepared aimed at the free movement and development of the aptitude for the use of a pass/subscription to the TPL.

In the absolute belief that information, an integral part of the travel experience, constitutes a strategic component in building corporate reputation among its Stakeholders, in 2019 ATM continued its objective of guaranteeing passengers with a timely and objective information. Infomobility has become more pervasive thanks to the introduction of a new channel for the dissemination of information in real time: the announcements on board the trains of traditional metro lines. (M1, M2 and M3). The digital communication ecosystem has evolved and enriched itself, by going to constitute a set of controls with a diversified and integrated planning that is coherent with the communication strategy: Twitter is the real-time service, which spreads updates and answers on the state of circulation. Instagram is the travel diary of the company and its passengers, an inspired community that shares places, people, experiences. Linkedin is a window on the future, which presents the projects that make the company attractive as a leading player in the Industry and enhance its professionalism through employer branding. Finally, Lineadiretta is the online magazine with in-depth content, recognized as a best practice of brand journalism in Italy that has given rise to editorial projects such as the guide "Crossing Milan" ("Attraversare Tutta Milano") presented on Bookcity.

To shorten the distances between ATM and passengers, new, more inclusive methods of customer relations have also been introduced, through less bureaucratic language, greater customization of responses to comments received from customers, involvement in corporate public events and sending of information dedicated to customers. In particular, three focus groups were organized with passengers on some sensitive issues, in order to satisfy the needs in real time and respond with concrete actions. Furthermore, in-depth and follow-up initiatives were developed on specific situations reported by customers. ATM provides an Infoline telephone

service, active every day from 7.30 to 19.30 and until 24 for assistance to passengers with disabilities.

Our suppliers

As stated in the Ethics Code, each Group company "guarantees a relationship of true and fair competition between suppliers".

The Quality, Environment and Social Responsibility Policy states that the Group's sustainable development strategies presuppose, among other things, the commitment to continuous improvement of the environmental, health and safety aspects related to the workplace activities, focusing the attention on all interested parties, including the performance of its suppliers, as a matter of fact these principles are incorporated in the purchasing process of each Group company.

During 2019, 1,561 procurement procedures were banned, substantially in accordance with 2018, highlighting a continuous attention by ATM in proceeding to rationalize the entire purchase process; this purpose is also pursued with the continuous review process of the Purchasing and Training Regulations addressed at

all those involved in the purchasing process.

ATM gives particular attention to the communication to its suppliers, current and potential, of the guidelines, standards and reference models adopted by ATM.

In compliance with the provisions of the legislation, the entire purchasing process is now developed on IT platforms. In 2019, all the purchase procedures were carried out and managed exclusively in the "Electronic tenders" mode, making maximum use of the SRM platform and guaranteeing technological and process coverage on all types of assignment envisaged by the procurement code and internal purchasing regulation. The process adopted allows the full traceability of the authorization process and ensures full compliance with the principles of transparency and equal treatment of all the interested parties.



Our people

Workforce

The headcount at December 31, 2019 was 10,275 (9,884 at December 31, 2018).

Break down by contract	31.12.2018	Hires	Terminations	Transfers inside the Group	Other Changes	31.12.2019
Executives	35	3	(3)		2	37
Transport personnel	9,389	611	(349)	(2)	(2)	9,647
Other	460	202	(80)	2	7	591
Total	9,884	816	(432)	-	7	10,275

The year was characterized by a substantial recruitment and selection program, aimed at neutralizing turnover and ensuring a strengthening of internal structures.

As a result of these phenomena, the overall strength recorded an increase of 391 people in this period.

The selections were mainly aimed at resources to be included in the operating structures of the financial year; among these were drivers of buses, trams and trolleybuses, station agents, security staff and other support personnel for operational management. These hires were both with full-time contracts and - in specific areas of the organization - with part-time contracts, due to the need for organizational flexibility and optimal coverage for the scheduled services.

In same time, new resources were added to the maintenance departments and the structures of the Information Technology area were strengthened, as well as targeted interventions were made in the staff functions.

Personnel employed on a fixed-term contract was largely confirmed with the conversion to a permanent contract; the percentage of employees with permanent contracts is, at December 31, 2019, about 96% of the workforce.

Human capital, resource and leverage for development

ATM operates with the constant objective of promoting an organizational context made up of **valuable** people, **aware** and of their role, **motivated** to provide their contribution to the quality of the service and the satisfaction of the internal and external customer.

For this purpose, an integrated system of human resource development processes was designed and implemented, articulated around the key processes for assessing performance and skills, weighing positions, benchmarks and remuneration management, development and sometimes replacement.

In order to better target the company's development programs and to enhance the self-development capacity of individuals, an important program was launched to analyze professional and personality profiles for a wide range of Group personnel, based on the use of advanced assessment tools and one-to-one meetings.

In order to encourage the participation of all staff in the life of the Company, the Group's intranet is active and makes reference documents available for the correct performance of the working duties, constantly updates on the evolution of management and on the main Group events and explores many issues of particular relevance. This internal communication tool is integrated by publications such as the NoiATM house organ which has the aim to reach and involve staff with limited access to the IT network.

Furthermore, ATM, aware of the close correlation between individual well-being and organizational well-being, also confirmed for 2019 its economic and organizational commitment for the maintenance and improvement of the **corporate welfare system**.

Some figures on services offered in 2019:

- 302 counselling sessions held at different company premises;
- 99 children were welcomed in the company nurseries in 2019 (of which 5 are grandchildren of employees that are grandparents, as since 2015 employees have the possibility to enroll second-degree grandchildren as well);
- Family Audit Certification: ATM has achieved the Family Audit Certification promoted by the Prime Minister since 2013;
- Maternity coaching;
- Disability coaching;
- Training on a healthy diet and emotion management for 166 bus and tram drivers and station agents;
- Time Care agreements for bus and tram drivers in single parenting situations, with children under 15 years of age;
- Financial Support and Development Committee for 477,643 € of severance indemnity paid;
- Scholarships for academic merits recognized for 1069 children of employees for a total of 418,400 euros;
- The organization of the event Children in the office with the involvement of dozens of children of employees, including 30 ATM and in collaboration with the Municipality of Milan and the associated companies. (A2A, AFOL, AMAT, CAP, MM, Milanosport, Milano Ristorazione, SEA, SOGEMI);
- School for parents in the company for the enhancement of the interpersonal skills (soft skills);
- Training on "correct posture, healthy eating and stress management" as part of the safety course according to Ministerial Decree 81, addressed to 218 employees;
- "Empowerment and human capital" course aimed at 242 station agents and Line 5 assistants;
- Achievement of the INAIL Award obtained for activities on psycho-physical well-being and on healthy aging actions;

- Management of reports of discrimination, harassment and stalking in internal relations of the organization;
- Professional retraining of unsuitable staff for health reasons;
- Realization of 59 pink bathrooms of which 4 made in 2019;
- The Lombardy Region Work Health Place Award ("WHP") was achieved again.

With a view to *age management*, the *age team* composed of line management, human resources, safety and accidents and occupational medicine has also been renewed, with a design of a new three-year age plan for 2019 - 2022. The most significant actions include the event "Health yard"; healthy food courses at the company canteens; healthy snack vending machines; Health area on the corporate intranet with tutorials on posture, nutrition, sleep, mindfulness, etc.; online healthy eating courses for employees; balance of skills over 50.

The formation is also considered a strategic lever: the guidelines and management are developed both centrally by the Parent Company ATM S.p.A., through a dedicated structure, but also locally by the subsidiaries. In 2019, given the high number of hires, one of the most significant activities was the training of the staff entering the company, with diversified interventions according to the role covered.

A second activity of particular importance, in accordance with the current regulations and company policies on this issue, was training for safety in the workplace, both through periodic updates and through interventions intended for specific categories of workers (supervisors, users of specific equipment, emergency teams). The goal is for every ATM worker to become more and more aware of the fact that the level of safety of vehicles, activities and services offered to the city depends above all on his actions. In addition, front line personnel were able to take advantage of specific training relating to the correct relationship with customers, while managers were involved in training activities for supporting employees in managing complexity.

In total, 243,482 hours of training were provided in Italy, of which 28,438 on health and safety at work issues, 16,574 hours dedicated to specialist technical training and 39,017 hours of behavioral and managerial training. Were also provided 159,453 hours of training to underground and surface traveling staff. The Danish subsidiary Metro Service A/S provided 53,640 hours of training.

The classroom activities supporting the groups were accompanied by targeted coaching and counseling interventions.

The use of the "Fonservizi" and "Fondirigenti" Interprofessional Funds, through rigorous internal administrative regulations, also ensured the full coverage of training costs in 2019.

Industrial relations

Respecting the mutual autonomy of the roles, the Industrial Relations model is based on the method of consultation able to realize the involvement, the comparison and the participation of the workers in the objectives of the Group through their union representatives, in pursuit of the strategic objectives and for the prevention and resolution of possible conflicts.

The relations with the trade unions and the RSU, which is a direct expression of the workers' representation as it is directly elected by them, have been developed in compliance with the roles and competences, as defined by the CCNL and by the Protocols signed at a company level.

In 2019, through constant dialogue with the RSU Coordination, agreements were reached regulating certain sectors, including

the Area B/C Employees (also allowing the full operation of the Infopoint in relation to the deadlines set by the Municipality of Milan), the assessors of the parkings and the maintenance workers of the subway trains of the M2 line. In relation to the exceptional event of the National Alpine Meeting, special economic treatment has been provided for all ATM personnel involved for the complex nature of their services.

During the year, it should be noted that constant discussion has been taken place with the trade unions regarding their performance bonus with the introduction of specific welfare elements.

At a national level, there has been no evolution in the situation linked to the non-renewal of the CCNL (expired on December 31, 2017) and therefore the relative negotiation between the National Parties is confirmed, as the previous ones in complex and unpredictable times. At the same time the expectations of the trade unions remain high in terms of adjustment of wages, considering that the previous renewal, which regulated a period of 7 years (from 2009 to 2015), did not meet the economic expectations of the workers.



Protection of assets and people safety

The protection of company assets, the protection of the safety of employees and passengers is guaranteed by the Security sector in collaboration with the law enforcement agencies present in the area (Local Police, State Police, Carabinieri, Guardia di Finanza), with particular attention to highly frequented transport lines, to car parks managed by ATM and to interchange areas with the railway network.

There was a significant reduction in the number of attacks on frontline ATM staff (-15% compared to 2018), while the number of underground train smudges has increased and returned to the values recorded in 2017.

In the course of 2019 there have been recruited and trained 23 new security guards who have obtained the certification of subsidiary security workers issued by the Milan Police Headquarters, compensating for the turnover and keeping the number of employees in the department unchanged.

The ATM Security Committee which also riunited in 2019 and met on a monthly basis has convened all the institutional components involved in the area: Local Police, State Police, and Carabinieri. The Committee analyzed the problems deriving from the various experiences and reports coming from the various company sectors, planning activities, including joint activities, aimed at solving repeated critical situations or at monitoring potentially critical phenomena. From the experience and the constant comparison with the representatives of the Police Forces a project of sharing operating procedures was born which laid the foundations for joint supervision, training and practice activities started in 2018, continue in 2019 and will continue in order to become more intense in 2020.

During 2019, the enhancement of the technologies enslaved to the Security Operations Center was also completed (Central Security) which has been moved to the Operations headquarters where it works in synergy with the Operations Centers for metropolitan and surface operations, keeping the disaster recovery in the previous location. The SOC is active 24 hours a day, 7 days a week and three specialized Security agents operate in it, responsible for monitoring and managing over 6,000 cameras and 4,000 alarms which guarantee ATM Security workers the necessary remote support they need.

Also in 2019, the benchmarking activity of Security has continued among the main world organizations of public transport, through participation in working groups of specific projects and meetings between company managers of the sector. In November 2019, ATM organized and hosted the 28th Security Committee, which was attended by over 30 Security Managers from many European organisations and among which were also the representatives of the provincial command of the Carabinieri.

Health, safety and environment

The protection of safety, health and attention to environmental sustainability have been a constant at the basis of the actions set and implemented during the year, in line with the existing Quality, Environment and Safety Policy Document with which the President, with the full support of the Board of Directors, the General Manager and the Management is committed to making ATM a point of reference for integrated mobility, guaranteeing Quality, Safety and Competitiveness of services, in full respect of the Environment and the Sustainability.

In line with these principles, in 2019 ATM continued its environmental protection activities, for the health and safety of its employees, also with reference to the responsibility of the company for workplace and environmental safety offenses covered by Legislative Decree 231/2001, having as objectives, through the implementation of processes and strategies, the improvement of its environmental quality and safety management systems and that of maintaining a high level of environmental and social responsibility, committing to ensure all interested parties. In order to pursue the aforementioned objectives, also in 2019 activities continued to:

- identify and evaluate any risks to health and safety at work, adopting adequate prevention and protection measures;
- enhance safety training programs, in order to involve all staff at the various organizational levels, ensuring that responsibilities and operational procedures are precisely defined, appropriately communicated and correctly applied;
- communicate information regarding health, safety at work and the environment to internal and external Stakeholders;
- optimize the consumption of resources in order to prevent pollution by monitoring and minimizing the environmental impact of the processes.

During the year, in accordance with the existing functional organization charts, the necessary delegations were assigned regarding the protection of health and safety in the workplace, pursuant to art.2, Legislative Decree no. 81. Similarly, the new positions of the Environmental Manager have also been defined in compliance with the provisions of current legislation on environmental protection, including the obligations set by Legislative Decree 152/2006.

The new assignments have been commensurate to the personnel, the offices and the activities of the business complex related to the structure and management of strict competence.

With regard to the positions of the Prevention and Protection Service (Service Manager and Coordinator), there were no changes compared to 2018.

During 2019, activities were carried out to confirm the state of compliance with the voluntary international standards ISO 9001: 2015, ISO 14001: 2015 and BS OHSAS 18001; audits by the certification body found that ATM S.p.A. has been able to respond to the requests of the context and the interested parties, as well as on the occasion of all the extraordinary events in corollary, implementing strategic planning, timely monitoring and guaranteeing the quality parameters planned. The thirdparty certification body has verified the substantial alignment of the organization, processes and work environments with the requirements of the standards. With regard to environmental protection activities, during 2019 more than 2,000 linear meters of insulation in material containing asbestos were removed from the company offices. During the year, the environmental risk fund set up in previous years was used to cover the costs incurred for the above activities. The effort to minimize the vibro-acoustic impact during the operation of trams and metropolitan cars is constant. Some friction moderation devices have been installed/improved on the tramway network as well as there has been full attention to the maintenance of the equipment already present.

In continuity with previous years, to ensure that there are no impacts on the soil and subsoil component, work continued on the renewal of underground diesel tanks of vehicle haulage and refurbishment of parts of the yards of some deposits.

The actions envisaged by the improvement plan for health and safety continued with regard to the reduction of the fall risk and improvement/adaptation of systems with an attention to the air conditioning and comfort at some company offices.

Also in 2019, the commitment to pursuing the continuous improvement of health and safety conditions in the workplace was a primary objective for the whole company. The involvement of staff, at all levels, has taken on a fundamental role to ensure the effectiveness of the action of promoting culture on the issues of prevention and protection from risks, based on increasing awareness among individuals for their own behaviors.

The result of this action determined the confirmation of a decrease in the accident phenomenon, positively favored also by the recent adoption of the management system, certified in accordance with the OHSAS 18001 standard. This was possible thanks also to the articulated monitoring path constituted by internal audits, operational control activities, health surveillance, updating of the risk assessment and coordination of third parties operating in the corporate environments.

Regarding the recognition of occupational illnesses, during the year all requests for information from the relevant bodies were processed within the required time. Health surveillance was carried out according to the established programs without particular problems.



The Anti-corruption Transparency model

ATM in practice operates by applying a rigorous ethics of legality and transparency. To this end, it has adopted an **Anti-corruption and Transparency Model** ("ACT Model") **on a voluntary basis.**

The ATM ACT Model operates in an entire Group level and aims to base the work of the Company with the rationale and the guiding principles of the rules of transparency and anti-corruption (including Legislative Decree No. 33/2013 and Law No. 190/2012) and to ensure, a compatible, substantial implementation. The Company has also identified the Anti-corruption Coordinator, in the person of the Audit and Internal Control Director who works for the Company and for all the subsidiaries of the Group.

Through the Group's Anti-Corruption Officer, the Company is effectively connected with the Anti-corruption and Transparency Plan Manager of the sole shareholder, Municipality of Milan.

The ACT Model contains first of all a map with the activities of ATM most exposed to the risk of corruption and also the provision of the instruments that ATM intends to adopt for the management of this risk. This Model is suitably coordinated with the updates of the 231 Models.

The communication and training activity is diversified according to the recipients to whom it is addressed, but in any case, is based on principles of completeness, clarity, accessibility and continuity, in order to allow the various recipients to be full aware of those corporate policies to which they are required to comply and ethical standards that must inspire their behavior.

Furthermore, ATM uses the disciplinary system already adopted within the 231 Model in the ACT Model.

The Anti-Corruption Officer works in close synergy with the Supervisory Bodies, promoting, as far as applicable and possible an approach of efficiency and coordination for all the verification activities.

The reporting systems (whistleblowing)

ATM has adopted **an integrated and systematic approach to the management reports** of suspected / alleged violations and / or offenses.

Specifically, ATM has defined a process for tracing and managing all reports, aimed like a report concerning alleged findings, irregularities, violations, behavior and reprehensible facts. More generally, the system is capable of detecting any practice that does not comply with the provisions of the ACT Model, the Code of Ethics and Model 231 or otherwise which could cause damage, even to the image of ATM and which can be referred to employees or components of the corporate boards, Supervisory Board, Independent audit firm and third parties (partners, customers, suppliers, consultants, collaborators).

ATM, adopts suitable and effective measures so that confidentiality is always guaranteed regarding the identity of the reporting person or the person that transmits useful information for a behavior that breaks the provisions of the legislation and the Group's ICRMS, without prejudice to legal obligations and the protection of the rights of the Company or the persons that have been accused wrongly and/or in bad faith.

In this regard, in 2019 the ATM Group has provided for the selection and implementation of a specific IT tool for managing reports in accordance with the current legislation (art.2 L 179/2017 and art.6 co 2-bis letter b of Legislative Decree 231/01) which provides for the obligation to manage reports by using at least one alternative channel to the main one which is of an IT type and suitable for guaranteeing the confidentiality and identity of the reporting person in accordance to the law.

The guiding principles that inspire ATM's actions, the governance model and the ICRMS, structured in the various components, represent the fundamental elements of ATM's Corporate Governance that is the set of values, assets and tools through which the company is managed and controlled.

Operating overview

The network managed by ATM provides comprehensive coverage of the city of Milan and the municipalities in the urban area.

Milan's metro network consists of four lines with a total extension of approximately 97 km and 113 stations.

Line	Route	Year	Lenght	Stations
M1	Sesto 1º Maggio FS ↔ Rho Fieramilano / Bisceglie	1964	26.70 km	38
M2	P.za Abbiategrasso Chiesa Rossa / Assago Milanofiori Forum ↔ Cologno Nord / Gessate	1969	39.88 Km	35
M 3	San Donato ↔ Comasina	1990	17.31 Km	21
M5	Bignami Parco Nord ↔ San Siro Stadio	2013	12.88 Km	19
		TOTAL	96.77 Km	113

The current configuration of the surface network is structured as follows:

In 2019, changes and improvements were undertaken on the surface lines, with restructuring in coordination with the Municipal Administration, to improve the frequencies of the means of transport and create new connections as well.

Туре	Number Lines	Note
Vehicle network	81 city 52 suburbans 27 provincial	Included local radiobus services (operating in 13 local areas) and 3 lines for night service as replacement for the metro
Tram network	17 city 2 inter-city	One metro line is currently suspended and replaced by buses
Trolley bus network	4 city	

During 2019, were made changes and improvements to the surface lines, remodeling in coordination with the Municipal Administration in order to improve the frequencies of the means and routes of the city as well as creating new connections.

The ongoing action of adapting the service also continued in relation to the necessary road access changes linked to the construction sites of the new M4 line. Where guaranteed the connections to the areas affected by the works, trying to minimize the inconvenience for the citizens.



Going concern and contractual framework

The services performed by ATM S.p.A. for the Municipality of Milan are governed by the "*Contract for the local public transport service and connected and complementary services*".

The Contract, currently in force, lasts until 31 October 2020 following the signing on 24 and 26 April 2018 of the deeds for the continuation of the extensions relating to the assignment of the LPT Service Contract and complementary services.

With Resolution No. 647 of April 13, 2018, "Instructions for the continuation of activities during calls for tender to award Local Public Transport services and connected and ancillary services, as well as paid parking services in the Municipality of Milan and the towing and impounding of vehicles" the Municipal Council has deliberated "to provide the competent Offices with the addresses regarding the continuation, pending completion of the procedure with public evidence by the Basin Agency, of Local Public Transport services and related and complementary services, as well as paid parking services in the territory of the Municipality of Milan and for the removal and custody of vehicles, in compliance with the tender documents and the signed contracts, until October 31, 2020".

In the Council Resolution are explained the main reasons for a

choice that goes in the direction of ensuring continuity to a service, that of Local Public Transport, a priority for Milan and its territorial basin. The European Community Regulation was applied to the LPT Service Contract, according to which the Service Contract can be extended up to 50% of its duration for important investments.

Furthermore, the new regulatory framework establishes that the procedures for the award of the Local Public Transport service are assigned to the Local Public Transport Agency of the area of the Metropolitan City of Milan, Monza and Brianza, Lodi and Pavia ("Basin Agency"), which started its activities in 2017.

In this context, during 2018 the Basin Agency continued the preparatory activities for the call for tenders by convening, in accordance with Regional Law n.6 of 2012, the Local Public Transport Conference on 7 May 2018. During the conference were explained the steps and the timeframes leading to the tender's award. These deadlines envisaged for 2018 the preparation by the Basin Agency of the "Basin Services Program" and the "Integrated Tariff System of the Mobility Basin (STIBM)" while the start of carrying out the procurement procedures was planned in 2019 and their assignment in 2020.

On January 10,2019, the Assembly of the Basin Agency approved, at the end of a participatory process, the preparation of the "Basin services program", a document that will form the basis for the tenders in terms of expected volumes and quality of the service. On April 10, 2019, the Assembly of the Basin Agency approved the start of the first implementation phase of the "Integrated Tariff System of the Mobility Basin (STIBM)", which entered into force on July 15, 2019.

On May 23, 2019, the temporary grouping of companies, consisting of ATM S.p.A., A2A Smart City S.p.A., BusItalia - Sita Nord S.r.l., Commscon Italia S.r.I., Hitachi Rail STS S.p.A. and IGPDecaux S.p.A., submitted to the competent bodies, Basin Agency and Municipality of Milan, the proposal of a financing project called "Milano Next". The proposal concerns the implementation of interventions and infrastructural investments in the field of mobility, environment and safety and the operational management, for a period of 15 years, of integrated mobility services within the Basin of the Metropolitan City of Milan, Monza and Brianza, Lodi and Pavia. The TPL services contained in the proposal are based on the requirements and service parameters expressed in the General Report already mentioned in the Basin Plan approved on April 10, 2019 by the Agency's Assembly. If the submitted proposal is declared of "public interest" and the temporary grouping of companies specifically created is the winner of the relative tender, the project provides for the establishment of a SPV.

The Basin Agency and the Municipality of Milan are evaluating the public interest of the proposal which, in the event of a favorable evaluation, will be the subject of the tender procedure pursuant to art.183, paragraph 15, of the Legislative Decree 50/2016. In the event that potential competitors present better offers (both in economic and qualitative terms), "Milano Next", as a "promoter", may nevertheless exercise pursuant to the aforementioned art.183, paragraph 15, of Legislative Decree Legislative Decree 50/2016 - the right of first refusal.

Regardless of the project finance instrument pursuant to art. 183, paragraph 15, of Legislative Decree 50/2016, it is considered presumable and reasonable to think that in any case ATM S.p.A. will play a strategic role in the sustainable mobility of the Basin, both if the tender is launched and has as its basis the "Milano Next" project submitted to the Agency and to the Municipality on May 23, 2019 or it is lost, as a result of the aforementioned exercise of the right of first refusal, or considering the possibility that the Company operates, however, as the company owning the means and capital goods ("Rosco Management") that must be made available to the new manager, if it was decided to not use the right of first refusal. The complexity of the aforementioned procedure suggests that it is highly probable that, at the expiry of the current extension scheduled for October 31, 2020, in order to guarantee the Local Public Transport service, a further extension will be required until the tender procedure is completed.

Given the temporal uncertainty with which the events related to the examination of the "Milano Next" project will occur and consequent decisions to award the Company or not and to exercise the pre-emption or Rosco Management, considering the times necessary for the completion of a tender of such characteristics and such economic value, it is believed that the certain time frame of prolongation of the activity cannot be less than 3 years, so until 2022, and in any case for a time horizon of more than 12 months of reference for the assessment of the going concern.

In the context of the existing contractual relationships, more than those discussed so far, the Service Contracts are of particular importance, in the net cost regimebetween the subsidiary Nord Est Trasporti S.r.l. and the Basin Agency for the management of the suburban car service. In this regard, with Determination of no. 71 of December 31, 2019, the Basin Agency has extended the expiry of the contracts currently in force until December 31, 2020. Considering the complexity of the procedure for awarding the services, which is intended to be awarded through a single procedure divided into several assignment lots, the subsidiary, having no elements that suggest that the service itself will not be reconfirmed even after December 31, 2020 and until the new award is granted, reasonably, cannot take place before the second half of 2021; the expected start of the assignment procedures lies between 2020 and 2021, in fact makes it presumable that, in order to guarantee the continuity of the public service, the Local Public Transport Agency of the Basin will proceed with a further extension of the management in extension to the same current contractual conditions.

The methods with which the local authorities entrust the management of local public transport and connected and ancillary activities are attributable to two contractual forms:

Gross cost: industrial risk is the operator's responsibility while commercial risk is incurred by the Granting Authority, the beneficiary of revenues arising from the sale of tickets.

The operator receives a fee commensurate with the actual production of the service, which is revalued each year on an inflation basis.

The fee is not influenced in any way by the trend in revenues from the sale of travel tickets, the effects of any tariff changes or variations in the demand for mobility.

Hence, the operator is required to continuously pursue operational efficiency goals, based mainly on cost control.

Net cost: both the industrial and commercial risk are the responsibility of the operator, who is the beneficiary of revenues from the sale of travel tickets and receives a fee calculated to cover theoretical production costs from the granting Authority.

The services covered by the Service Agreement between ATM S.p.A. and the Municipality of Milan under the *gross cost* regime are the management of intermodal Local Public Transport (metro, tram, bus and trolleybus), the transport on demand, ancillary activities such as the distribution of tickets, the related information to customers and the control of tariff evasion. With regard to the risk of tariff evasion, ATM, although not directly involved in it as a service provider under a gross cost contract, provides all the measures necessary to combat tariff evasion in order to maximize revenue for the granting entity.

The contract regulates the obligations and responsibilities of ATM S.p.A and the Municipality of Milan:

- ATM is responsible for the management of transport and ancillary services on the basis of the guidelines and directives from the Municipality of Milan, which is responsible for planning;
- the Municipality of Milan, the beneficiary of the revenues deriving from the sale of travel tickets, is responsible for the definition and structuring of the tariff system; in this context, ATM plays a strategic role as the sales network operator on behalf of the Municipality. Investment for the development and maintenance of the public transport network and associated infrastructures are the responsibility of the Municipality of Milan as the owner.

In addition to transport services, ATM manages, by virtue of the same contract, services that are ancillary to Local Public Transport, such as road and indoor parking and the towing and impounding of vehicles pursuant to the Highway Code. The tariff policy for parking is incumbent upon the Municipality, while revenues are the responsibility of ATM which pays a predetermined fee to the Municipality. This forecast was partially modified following the tariff changes of the paid parking introduced by the Municipality of Milan in 2017; with the deeds of prosecution, it was determined the attribution to the Municipality of the part of annual revenues attributable to the tariff increase that have

been conventionally identified as those exceeding the level of 18.49 million euros per year.

The operational management of the Service Contract is entrusted to a Technical Committee of equal composition which according to the contractual provisions performs evaluation functions at all aspects relating to the management and execution of the Service Contract such as the monitoring of contractual services, the determination of premiums and penalties, the evaluation of changes to services and contractual variations, the evaluation of extraordinary maintenance interventions on the assets of the Municipality.

In the context of existing contractual relationships, additional to those treated so far, the following are particular important:

- the single management contract of metro line 5 between ATM S.p.A. and the license holder Metro 5 S.p.A. The contract governs the management activities awarded to ATM S.p.A. and related services for the entire duration of the concession until 2040;
- the service contracts, under the net cost regime, between the subsidiary NET S.r.I. and the local public transport Agency for the Metropolitan City of Milan, Monza Brianza, Lodi and Pavia for the management of the suburban bus service. With Determination n.71 of December 31, 2019, the Basin Agency has extended the deadline of the contracts currently in force until December 31, 2020.
- the Service Contract signed with Metroselskabet I/S, in a gross cost regime for the management, through the Danish subsidiary Metro Service A/S, for the operation and maintenance of the subway lines M1 and M2 of Copenhagen expiring on September 29, 2027;
- the subcontracting agreement with Hitachi Rail STS, expiring on September 29, 2027, for the mobilization, management and maintenance of the M3 and M4 lines of the Copenhagen metro (Cityringen). Metro Service A / S has completed the mobilization of the M3 and M4 metro lines (Cityringen) and on September 29, 2019 it inaugurated the commercial and management activity for the M3 line, while the commercial and management activity of the M4 line was inaugurated on March 28, 2020;
- the Contract with Hovedstadens Letbaneselskabet (The Greater Copenhagen Light Rail), Metro Service A / S carries out the premobilization of the activities of the Greater Copenhagen Light Rail (light rail), a service for the suburban area west of Copenhagen. The management and maintenance contract, with a duration of 15 years, provides that once the construction of the line is complete, the commercial and operational management of the line will begin in 2025.

Economic overview

General economic environment

During 2019, the contraction of the international trade at a global level continued, together with a slowdown in growth. In the forecasts drawn up in October, the International Monetary Fund (IMF) revised its global GDP growth estimates down by 0.3% for the two-year period 2019-2020, to 3.0% for 2019 and 3.4% for 2020. With the trade tensions still present, the relative slowdown of the Chinese economy and the uncertainties derived from the exit of the United Kingdom from the European Union ("Brexit") have together contributed on one hand to mitigate the expansion of the main economic areas and on the other to increase the downside risk of inflation expectations.

To counter this growing uncertainty, global financial conditions have become progressively more expansive. The main central banks, the US FED and the ECB, have taken accommodative orientations, adopting expansive measure packages (in particular the ECB at the September meeting) which have generated a significant drop in the long-term yields of the bond markets.

In the Eurozone, the GDP has moderately expanded in the first quarter (+ 0.4%) then gradually has slowed down. The manufacturing economies most exposed to commercial policies (Germany, Italy) recorded a contraction in industrial activities, only partially balanced by the growth in added value of the services sector. In the projections prepared in autumn by the ECB, GDP growth in the Euro area was revised downwards compared to the mid-year assessments in the three-year period 2019-2021, to

1.1%, 1.2% and 1.4% respectively. The relative cyclical weakness has partially compressed the dynamics of the prices in the area, also following the drop in the energy prices, in the summer period. According to ECB's calculations, the average inflation would be 1.2% for 2019, 1.0% for 2020 and then will rise to 1.5% in 2021.

In Italy, the economic activity continued to be characterized by a prolonged period of low productivity growth. For the entire year, GDP was estimated to increase by 0.2% in real terms. The domestic demand was partly sustained by household spending also as a result of the moderate expansion of disposable income, supported by income from work and social benefits (including, from April, also the disbursements of the citizenship income), but above all from investments in capital goods, thanks to the reintroduction of the tax incentives in force since April (the so-called "super depreciation"). In the same period, exports increased, widening the current account surplus to 2.8% of GDP.

On the capital markets, the decline in sovereign yields has translated into a marked reduction in the cost of bank deposits and in the yields of corporate bonds.

During the year, the labor market showed positive dynamics: the number of employees increased, mainly thanks to the growth in the services sector, in contrast to substantial stability in the secondary sector, attesting the unemployment rate at around 10%, with expectations of further marginal downward correction also in 2020. (*see figure 1*)

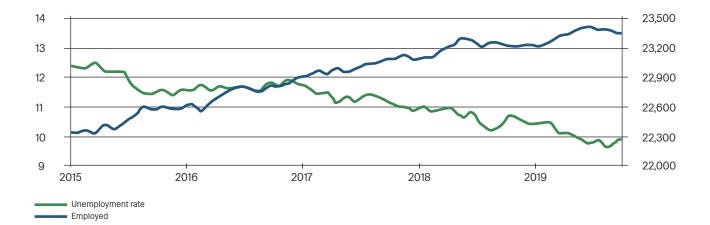


Figure 1: Employment and unemployment rate Source: ISTAT

The Local Public Transport sector and the raw materials market

Local public transport demand has reached around 250 billion trips worldwide on local buses, trams and subways; in Europe, the values are now in line with the pre-crisis ones, with 51.3 billion trips recorded, with an increase compared to the latest figures of 2.2%: urban and suburban public transport services have transported around 165 million passengers on an average working day to the European countries, providing the backbone of urban mobility in many European cities.

The total figures for the demand of public transport, while hiding the heterogeneous nature of national trajectories, strongly influenced by economic circumstances (in particular the employment rate), confirm the constant growth of public transport demand in Europe.

In Europe, in the context of mobility, the value of the modal share of public transport (just over 18%, expressed in % passengers * km), is slightly in a decrease; the concentration of the offer in the main metropolitan areas continues to see France, the United Kingdom and Germany as the leaders in Europe (where the average market share of the total transportations is 50%, with peaks of 70%). Italy, with about 30% of the modal split, is quite far from the European average. The urban area of Milan, with a percentage now above 50%, is significantly closer to the European average (excluding Italy).

In recent years however, the LPG market in Italy has recorded an overall growth in production and economic results. In particular,

the offer of traveling * km increased by 8%, against a satisfied demand (passengers carried) that was increased by 10.5%.

At the same time, the revenues from the tariffs recorded a significant increase (+ 18.7%), three times higher than the increase in fees for the services (+ 5.7%).

ATM, which continues to be considered as "best practice" in Italy in relation to all the operational and financial performance indicators, presents values that are on average similar with the leading European players, significantly closer to the target values of the considered peers (in particular in terms of labor and vehicle productivity, Ebitda and Profit margin, revenue/car-km ratio, coverage of operating costs from tariff revenues).

During 2019, the prices of oil products increased on an annual basis in absolute terms, showing significant fluctuations, but containing volatility peaks, despite the complicated geopolitical framework in countries such as Venezuela and Iran. The price increases in the benchmark were concentrated in the first quarter of the year, (U.S. sanctions against Venezuela) by decreasing then in the summer, in response to escalations of the trade tensions and the general downward revision of demand for crude oil. The oil market has continued to be affected by the weak global demand and the expansion of the supply by the United States has compensated for the various production reductions attributable to the aforementioned geopolitical reasons, helping to control the maximum prices.

The average price trend for Brent in 2019 amounted at US \$ 64.16, vs. US \$ 71.7 for 2018.





The performance of the courses generated limited negative economic impacts in the sector, at least for the road transport component. Also with regard to the electric traction energy, the impact for ATM has been relatively minor thanks to the provisions of the previous year for the consumption of the current year.



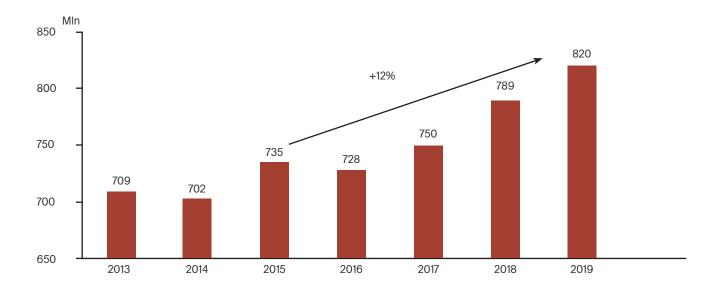


Operating performance

2019 was characterized by further growth in the number of passengers transported, which is added to the one recorded in previous years: the entrances to the subway turnstiles were 386.8 million with an increase of 17.9 million (+ 4.8%) compared to 2018. It was therefore consolidated the trend

that was observed in recent years. In fact, the total reached in 2015 of 346 million, when Milan hosted Expo, is now well exceeded.

Overall, on the entire ATM network, within the Italian territory, there were 820.4 million passengers, +4.0% compared to 789.1 million in 2018; in previous years, 750.2 million had been counted in 2017, 728.3 in 2016 and 735.6 in 2015 with Expo.



The trend of constant growth is therefore confirmed, linked to the development of the city of Milan in terms of population (including residents and city users), tourist attractiveness, economic and cultural activities, pedestrian traffic and in some contexts including road traffic , the latter aggravated by the presence of important construction sites including those for the construction of the M4 underground line.

This strong growth in the demand for transport, combined with increasingly demanding operating conditions both on the underground and on the surface and the obsolescence of some plant components and circulating vehicles, in some periods of the year, led to a slight drop in performance in terms of regularity, which in any case remained very high overall.

On an annual basis, in 2019 the frequency regularity of the metro lines was 98.5% while in 2018 this index was slightly higher (99%); the decrease is partly attributable also to some operating provisions introduced as a precautionary and temporary measure to minimize the probability of events coming from undue braking, pending the structural solution of the problem.

As far as the surface transport modes are concerned, 81.8% of the trips respected the scheduled frequency, in this case too, there is a moderate drop compared to 2018 where the index stood at 82.3%.

Given the growing demand for mobility shown above, in the course of 2019 have been taken further measures to improve and enhance the public transport service offered to the public and the growing number of city users of Milan. The main actions promoted to limit as much as possible the disparities and imbalances between the different parts of the city, in line with the commitments made by the Municipal Administration, mainly concerned the suburb areas through the participation of citizens in planning interventions. In addition, in 2019 the new Limited Traffic Zone called Area B began, which changed the framework within which the modal choices take place, especially of the external population.

The rationalization of some line routes continued in order to improve penetration to the outside on one hand (es. line 63 to Muggiano) and to ensure the linearity and legibility of the routes on the other. (es. line 55 and 76). In addition, timetables and frequencies of numerous lines have been adjusted in order to cope with the various road conditions or to accommodate the new timescales linked to the main urban functions. (es. line 75 for school timetable changes).

With regard to the tramway network, the adjustment coincided with the implementation of some important infrastructural interventions aimed at speeding up the routes of some lines, such as for example the traffic light interlocking, rationalization and upgrading of stops.

In response to the request to increase the extensiveness and elasticity of the service, the neighborhood Radiobus service was reorganized through a more extensive distribution of the stop points within the peripheral neighborhoods. During the year, 13 to 15 areas have been served and together with the network changes, the possibility of booking directly with the ATM app was also introduced.

Work also continued on upgrading the network in external municipalities to make the service more efficient-effective with the aim of draining the private traffic that daily enters the city, especially in consideration of the new flows generated by the Area B. The most significant interventions include the identification of new routes for the lines towards Trezzano sul Naviglio, Segrate, Settimo Milanese and Cornaredo.

As usual, during the whole year, service enhancement plans requested by the municipal administration were implemented to deal with events of particular importance, such as exhibitions, musical concerts held at the San Siro stadium, the Assago Forum and at the site Arexpo and sports events. Among these, the most significant was the "92nd National Alpine Meeting" held in Milan, from 10 to 12 May 2019. ATM, on this occasion, guaranteed an extraordinary commitment by arranging specific services, with upgrading and extension of the subway lines until 2 am and deviations for the surface lines for the parade on Sunday 12, May. On Saturday 11 May, almost 1 million passengers traveled on the 4 metro lines against the approximately 870 thousand of the average for the period and on Sunday 12, May almost 820 thousand passengers traveled against the approximately 630 thousand of the average for the period.

Throughout the month of August, as part of the refurbishment of the tunnel between the Lambrate and Piola stations of the M2 metro line, ATM discontinued the operation of the same metro line between the Udine and Loreto stations preparing a surface replacement service on 2 lines (Gobba-Loreto express and Udine-Lambrate-Piola-Loreto) with 60 buses in service and a widespread presence on the territory of Customer Assistants and Graduates of Operations Control, for serving the customers.

As part of the interventions on the plants and infrastructures, during the financial year 2019, ATM with the intent to overcome the architectural barriers carried on the program to improve the accessibility of the stations of the M1 and M2 metro lines with a plan to replace escalators (91 from 2013 to today) and the construction of new elevators. In particular, the replacement contract for 14 escalators was started and the task was entrusted for the replacement of 68 stair lifts, 22 of which already have started in 2019.

Finally, on behalf of the Municipality of Milan and in the context of overcoming architectural barriers, workings have started on the modernization of the external section of the M2 metro line for a total of 6 stations, 3 of which are planned to have a complete restyling.

In 2019, after the process for the award of the tender was concluded, was awarded the contract for the renovation of the tunnel between the Piola station and the Lambrate station of the M2 metro line; the works started in February 2019 and are still in progress. The most critical phase of the work took place in August, when it became necessary to partially stop the operation of the M2 metro line; the interruption in fact concerned a strategic section between the stations of Udine and Loreto located in the intermediate part of the underground line. As already highlighted, ATM has prepared a very complex surface replacement service, which, thanks to the commitment put in place, has given largely satisfactory results to the customers. The works will continue throughout 2020 both by operating from the road construction site located on Via Pacini, and through tunnel interventions organized during the night during which the business is suspended. A new interruption of the operation is expected in August, to allow the remaining part of the tunnel to be waterproofed.

On the urban tramway network, as part of the works for the Municipality of Milan, the renewal and technological updating of the infrastructure continued, including the application of exchanges and turnouts of a remote monitoring system and a program preventive maintenance, in order to limit noise emissions and reduce wear. The interventions led to significant organizational and service impacts through temporary changes to the substitute routes and services with buses. The most complex construction sites were those in piazza Piemonte and the crossings in via Giambellino.

During 2019, the redevelopment works on some "strength" tramways continued to make the service faster. The interventions concerned the adaptation of stops and the improvement of accessibility for passengers. The redevelopment project will be completed in the next two years.

The expansion works of the Bisceglie interchange parking lot were completed, with its reopening to the public in April 2019. The restoration and adaptation of the pavement at the San Carlo hospital parking lot was also completed, with two reopening phases, in September and December 2019.

Also noteworthy are the significant interventions in the context of the "decoration project" which concerned the renovation of the mess hall of the Messina depot and the progress of three extraordinary maintenance contracts, structural interventions, at the deposits of Leoncavallo, Giambellino and Ticinese. The same number of contracts are underway to upgrade fire prevention systems at the Molise, Leoncavallo and Ticinese depots. The extraordinary maintenance contract of the Palmanova, Giambellino and Sarca depots also started.

Regarding maintenance, a significant change continued in 2019 in the management of maintenance and engineering processes, in line with the progressive renewal of the fleet and the use of technologically more advanced trains compared to traditional trains whose first batches of supply dates back to the 1960s. The internalization of maintenance activities for the 46 trains of the Meneghino fleet is now consolidated and further enhances the know-how that has been developed over the years by ATM workshops in the area of train maintenance. However, activities on patented technologies or structural interventions on the cases remained the responsibility of third party suppliers; activities for which there is no particular return of experience in the company's core business.

The complete renewal program of the "4900" tram cars is coming to an end as 49 of the 51 vehicles involved in the revamping program have been delivered. During 2019, 6 vehicles were put into service.

In relation to the introduction into service of the 25 electric buses, it became necessary to adapt the operating plan in order to make it more consistent with the specific needs of these vehicles whose productivity is tied to the batteries or to the possibility of having recharging points.

Operating activities overseas: the success of Copenhagen

The 2019 results relating to the management of the M1 and M2 Copenhagen metro lines were of absolute importance. In fact, service availability was 99.2% and the customer satisfaction survey found a percentage of satisfied customers equal to 97.1%. The number of passengers that have been transported was 67 million and the waiting time between one train and the next was brought to 104 seconds. Furthermore, improvements have been introduced regarding the customer services thanks to the increase of stewards in service. OnJanuary 1, 2019, Metro Service began managing the new contract for the M1 and M2 metro lines, which involves several important investment programs, including: an investment in eight new trains which will enter service in 2021, the expansion of depots and a modernization program, called Midlife, for the current 34-train park.

The opening of the commercial activities of the Cityring was started on September 29, 2019, among the results of the management we highlight the service availability which was equal to 98.42% and the passengers carried equal to 12.3 million. The opening of the Nordhavn branch extension is scheduled for March 28, 2020. In addition to the Nordhavn branch, a further extension to Sydhavn is planned for 2024. With the opening of these sections, other 24 stations will be added, in addition to the current 22 stations.

Starting from 2021 Metro Service will manage the "Control room" and maintenance of the warehouse for the M3 line.



Investments

In 2019, the ATM group made investments of around Euro 155.4 million, of which Euro 133.5 million are destined for the renewal of the fleet, including General Overhaul and Revamping of the metro and trams.

As part of the framework agreement with Hitachi Rail Italy for the supply of Leonardo trains, it was completed the supply of 6 trains for the M1 metro line in accordance to the application of the third contract. The last 4 trains delivered in 2019 are added to the 2 trains already delivered in 2018.

Within the aforementioned framework agreement, in the year 2019 there were carried out the deliveries of the first 4 trains corresponding to the application of the fourth contract, which involves the supply of a total of 12 trains destined to the line M2. The trains will enter into service consistently with the times set by the complete renewal project of the M2 metro line which, among other things, provides for the adoption of a new signaling system. In fact, during 2019, after the final project was completed, the tender for the award of the contract relating to the new signaling was announced; the awarding of the contract will take place in the first months of 2020 and according to the time schedule the new system will start operating in 2025. The complete remaking of the signaling, fully financed by ministerial contributions and by the Municipality of Milan, will ensure safer and more efficient service management, allowing trains to reach a frequency of up to 90 seconds, instead of the current 120/150 seconds, thus allowing a 30% increase in transportation capacity, from 40,000 to 52,000 passengers transported per hour. In close association with the intervention on the signaling systems, it will be necessary to carry out the timely refurbishment of the equipment system. The interventions will have the objective of arranging sections of line in which the equipment has undergone a deterioration in performance of the mechanical components or was made with technical solutions that do not allow the expected increase from 70 km/h to 85 km/h of running speed.

With reference to surface vehicles, the bus fleet renewal program continued in 2019, as part of the projects aimed at the gradual replacement of all diesel vehicles with hybrid and full electric buses. With this project ATM openly declares its ecological mission, which will lead it to be a carbon free company, whose carbon dioxide emissions will be zero and in case they are incompressible, they will be eliminated thanks to the planting of new trees in the city.

The "Full Electric Bus" project for the city of Milan constitutes the backbone of the financial proposal project called "Milano Next", presented in May 2019 to the grantors of the Basin Agency and the Municipality of Milan, by a consortium of companies, with ATM having the leading role.. The proposal relates to the implementation of infrastructural interventions and investments in the mobility sector, including: the supply of 12 and 18 meter electric vehicles, the construction of four new depots, the conversion of three existing depots, the equipping of the above with charging columns, installation of charging implants at the terminals and new maintenance equipment. The proposal is being examined by the Bodies that will have to assess its public interest which, in the event of a favorable assessment, will be the subject of the tender procedure pursuant to art. 183, paragraph 15, of Legislative Decree 50/2016 (please refer to the paragraph "Going concern and contractual framework" for further information regarding the Milano Next project).

In the transition from diesel to full electric, given the impossibility of electric bus manufacturers to satisfy such a large purchase request, we will continue with the inclusion of hybrid buses which, compared to traditional vehicles, allow significant reductions in both fuel consumption and CO_2 emissions.

Currently in urban areas, the bus fleet that uses the ATM Group is made of approximately 87.1% diesel vehicles, since from 2018 ATM has no longer contracted the purchase of traditional diesel vehicles. In 2020 the target will be a fleet made of 60% diesel, 25% hybrid and about 15% full electric vehicles. In 2028 the target will be a 100% sustainable fleet, 80% made up of full electric vehicles and 20% of hybrids, to proceed in the immediate future towards the 100% full electric transformation. The goal is to have around 1,200 electric vehicles in circulation at full capacity, for the establishment of a Zero Emission Zone extended to the suburbs; in specific, there will be a lower consumption of diesel estimated at about 30 million liters per year and a reduction of polluting emissions of CO_2 of about 75,000 tons per year.

Taking into account that the "Full Electric Bus" project will absorb a significant amount of energy, ATM has signed a contract for the supply of electricity produced from renewable resources, certified Green Energy with a Guarantee of Origin. Consequently, the electric vehicles will be completely supplied with sustainable energy.

In February 2019, the delivery of 12-meter full electric buses was completed, as per the framework agreement signed in 2017 for the supply of 25 vehicles, including the full maintenance service for five years, for a total amount of 15.3 million euros. The 25 electric vehicles are all in service together with the respective charging systems installed at the San Donato depot.

In July 2019, was also awarded the tender for the framework agreement for the supply of 250 full electric buses for a total value of 210.8 million euros, with a first application contract for 40 buses, which also includes full service maintenance for the entire life of the vehicle and the supply of traction batteries, which will replace those installed at the first system, since their performance is expected to deteriorate at about half the life of the vehicle.

The delivery of the first 40 vehicles is expected by July 2020. The stipulation of the second application contract is also being finalized, which foresees the supply of 100 buses with enhanced battery, whose delivery will be between autumn 2020 and the first months of 2021.

With the introduction of the full electric bus transport service, the so-called "dressing" of the service, that is the assignment of vehicles to the exit tables for the year, will also have to be reviewed and perfected. As compared to the what was established for years regarding the diesel vehicles, the operation of the new vehicles will have to be modulated in relation to the new requirements related to the autonomy of the batteries and the possibility of use of online charging stations; in this sense, a first, small, remodeling has already been carried out, to adapt the use of the 25 electric buses of the San Donato depot. In fact, following the installation in 2018, of the charging systems at the San Donato depot for the first 25 electric buses, during 2019 was announced the tender for the installation of the charging stations at the terminus and in the three depots, which, according to the Full Electric plan, will be subject to conversion. The contract was awarded in early 2020 and contracted in February 2020.

In the transition from diesel to full electric, given the impossibility of electric bus manufacturers to satisfy such a large purchase request, the introduction of hybrid buses will continue. As part of the framework agreement with lveco for the supply of 120 hybrid 18-meter buses, in July 2019 was finalized the delivery of the last vehicles.

On October 2018, was also formalized an agreement for the

supply of 25 12-meter hybrid buses, including full maintenance service extended to the entire life of the vehicle, for an amount of 15.14 million euros; This to take advantage of the opportunity of a ministerial financing subject to the acquisition of vehicles through the CONSIP convention, 24 vehicles were delivered in 2019, while the last one in January 2020. At the initial supply of 25 buses, through a negotiated procedure, there were further added 4 other 12-meter hybrid buses, also delivered in 2019, due to the accrual of penalties from previous supply contracts.

At the beginning of 2020, the public tender for the signing of a framework agreement relating the supply of 150 hybrid buses of 12 meters, with a full maintenance service extended to the entire life of the vehicle, was re-launched for a total amount of 72 million euros. The same tender had already been banned at the beginning of 2019 but was canceled due to the limited participation and the high price of the vehicles offered, unjustifiably misaligned with the market forecasts and standards.

Regarding the renewal of the bus fleet of the subsidiary NET, during the year was completed the renewal plan of the related bus fleet with the acquisition of 44 cars for a total investment value of Euro 12 million, of which 7 were acquired from self-financing and 5 million were contributed by the Lombardy Region. In particular, in 2019, 22 buses were delivered and entered into service, of which 21 buses for the suburban Lotto 3 service and 1 bus for the urban service of Monza. In December 2019, the last 7 buses for the Monza urban service were delivered, registered and put into service in January 2020. It should be mentioned that 15 cars had already entered into service in 2018, 9 of which for the suburban service.

In total, 44 buses were purchased and delivered in the two-year period 2018-2019, of which 14 of 18 meters and 16 of 12 meters for the interurban service Lot 3 and 14 of 12 meters for the urban service of Monza. The investment has made it possible to renew 32% of the subsidiary's fleet of vehicles, introducing new generation vehicles, equipped with every comfort, having a lowered or high floor but in any case equipped with a lift for wheelchair access.

Continuing on the subject of electric mobility, on July 2019 a tender was awarded for a framework agreement relating the supply of 80 two-way trams with a length of 25 meters, having a lowered platform only in the area of the access doors, to be used on the urban and long-distance network, with an expected delivery starting from about 24 months since the signing of the

first application contract of 30 vehicles. Against the award, one of the companies participating in the tender filed an appeal with the TAR. This appeal was rejected with a very clear ruling in favor of the work of the tender commission. An appeal by the same company is now pending for the same reasons before the Council of State.

During 2019, the first 19 trolley buses of the 30 belonging to the first application contract were delivered, within the framework agreement for the supply of 80 vehicles, for a value of over 61 million euros. The delivery of the first 30 vehicles will be completed by 2020, while the remaining 50 are expected by 2022. These are 18-meter articulated vehicles, which will replace all the older 12 and 18-meter vehicles, rejuvenating the trolleybus fleet up to an average age of 4 years.

It should be noted that the new trams and new trolley buses arriving will offer customers a better quality of service, in terms of comfort and accessibility; they will be updated to the most modern safety requirements and they will guarantee greater energy savings, compared to the old ones, thanks to the braking energy recovery system, the anti-collision system for trams, to the mitigation of the noise emitted in the environment, to the provision of technological systems that allow customer network connectivity once on board.

Again in the context of the renewal of the vehicle fleet and with a view towards sustainability, was completed the project for the replacement of 83 diesel service cars with electric rental ones, to be used for assistance to the on-line vehicles and to the control of the operation and maintenance of the metropolitan and tramway systems.

Further deliveries of 21 electric rental cars are expected in 2020.

Regarding the works on the plants, should be highlighted the project to upgrade the M2 underground line, co-financed by the State to 60%, which saw ATM take over from the Municipality of Milan to finance the remaining portion: the modernization of the

traction and power implants is planned, especially in the open sections from Gobba farm to Gessate, which will be completed with interventions aimed at breaking down architectural barriers on the underground.

In June 2019, the first phase of the renewal of the electric traction and power supply systems of the M2 line section was completed, mainly referring to the former fast lines of the Adda from C.na Gobba to Gessate.

In November 2019, it was delivered the second phase of the works, (mainly concerning the section of the line from C.na Gobba to the terminus of Cologno Nord), works that will be activated in 2020 and will end in 2021.

In addition, ATM is the leader in the ticketing revolution in Local Public Transport.

The digital transformation of Milan's public transport is today at a turning point in the context of ticketing methods. ATM is the first company in Italy and among the top ten in the world to offer its customers the opportunity to travel by metro by accessing directly with contactless payment cards enabled with EMV technology, without additional commissions, thanks to the collaboration of the Mastercard and Visa partners.

The contactless system in Milan, which started on the metro network in June 2018, represents a fundamental step in the digital transformation that ATM is conducting to further increase the level of service offered and to improve the travel experience of passengers, making at the same time, its operating processes more efficient. The next step will be to extend the project to the surface vehicles and to the correspondent car parks.

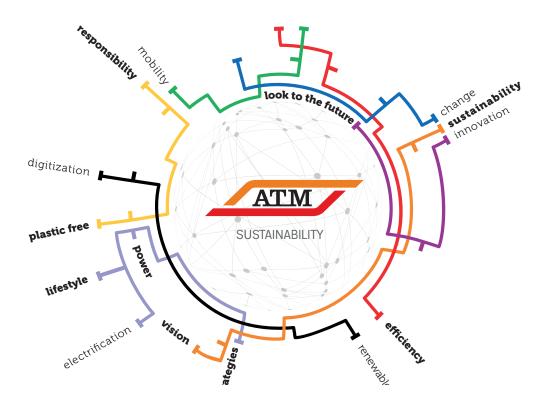
In 2019 the Danish subsidiary Metro Service A / S supported investments in computers, furnishings and to the replacement of diesel service cars with electric ones. At the moment 10 electric cars have been put into service.

Industrial strategic plan 2019 - 2025 and "Milano Next" project

In October 2018, the Board of Directors, approved the strategic industrial plan of the ATM Group. In particular, they have been taken into consideration some key dimensions, which are:



With these projects, ATM wants to be the promoter of the change of Milan, of its evolution in a more livable, sustainable and smart city, becoming an international excellence for the management of mobility, through a technologically advanced, sustainable and environmentally friendly, efficient and high quality service.



The guidelines of the strategic plan are based on the assumption of going concern, which can also be pursued after the expiry of October 31, 2020 of the management agreement entrusted to the Company for the management of public transport in the city of Milan, based on the considerations previously made on the probability of extension pending the definition of the tender procedure which provides that the Basin Authority evaluates the "Milano Next" project to determine its possible hiring as a reference for the tender parameters, as better reaffirmed below.

To this end ATM, with the help of external advisors, has prepared a project, defining the infrastructural interventions for the environment, safety and management of integrated mobility services necessary for the improvement of the Local Public Transport service.

On April 1, 2019, the Ordinary Shareholders' Meeting of ATM S.p.A. approved the 2019-2025 industrial strategic plan. As previously mentioned, the Board of Directors held after the Shareholders' Meeting, approved the project-financing proposal "Milano Next" as an instrument for implementing the guidelines established in the Strategic Industrial Plan.

On May 23, 2019 the temporary grouping of companies, consisting of ATM, A2A Smart City S.p.A., BusItalia - Sita Nord S.r.I., Commscon Italia S.r.I., Hitachi Rail STS S.p.A. and IGPDecaux S.p.A., presented to the competent authorities, the Basin Agency and the Municipality of Milan, the project financing proposal called "Milan Next". The proposal seeks the implementation of infrastructural interventions and investments in the field of mobility, environment and safety and the operational management, for a period of 15 years, of integrated mobility services within the Basin of the Metropolitan City of Milan, Monza and Brianza, Lodi and Pavia. If the submitted proposal is declared of "public interest" and the temporary grouping of specifically constituted companies is the winner of the relative tender, the project involves the establishment of a SPV.

The Basin Agency and the Municipality of Milan, as anticipated, will have to evaluate the public interest of the proposal, which, in the event of a favorable assessment, will be the subject of the tender procedure pursuant to art. 183, paragraph 15, of the Legislative Decree 50/2016. As anticipated in the event that potential competitors present improvement offers (both in economic and qualitative terms), "Milano Next", as a "promoter", may exercise pursuant to the aforementioned art.183, paragraph 15, of the Legislative Decree 50/2016 - a right of first refusal.

The prospective data included in the 2019-2025 Industrial Strategic Plan includes actions and investments related to the possible effects resulting from climate change. For the next few years, the ATM Group is committed to integrating its analyzes regarding the impact generated in the "Climate Change" area and the related reporting, also on the basis of the evolution of the relevant legislation.

Technological innovation

ATM is constantly engaged in experimentation and the use of new technologies applied to mobility services. To this end, it has developed distinctive expertise in the creation of platforms for the integrated management of mobility information.

Several projects were executed in 2019 for the purposes of technological innovation directed towards both internal and external customers:

Neighborhood Radiobus booking from the ATM App – The

direct booking function of the neighborhood Radiobus service by registered customers has been integrated into the official ATM app. This functionality was created in addition to the system still active through the call center, offering customers two distinct booking methods: autonomous and assisted.

VDAP - Vehicles-Drivers Assignment Program is an instrument of the MTRAM suite, which aims to integrate the Shift Dressing process with the cars available for the ATM surface service, replacing the manual procedures previously used to manage this process. The system natively integrates with the Bdrop dressing system where resides the agent - daily machine shift combination and through a connector with the personal data and availability of the cars registered in SAP. The instrument concerned only the Tram network and started on February 5, 2019 with the Messina depot and ended on October 22, 2019 with the Ticinese depot.

- Integration of the subsidiary NET into WebTram WebTram is the instrument of the MTRAM suite for the management of map data, the editing of the network on different geographical basins integrated with the Programming System (Management of Schedules and Shifts) in production for the ATM network since 2016. NET's topological network has been integrated into WebTram with the first version of the service in force since April 1, 2019, bringing as advantages a single cartographic base and consequent univocal coding of the basic entities (stops, routes, runs), historicization of cartographic data and greater effectiveness in communication to institutions and citizens. This functionality has also been implemented in order to possibly integrate data from other companies.
- New Gateway for online payments The realization of a technological architecture that has allowed the use of a single payment gateway, standardizing the user experience for all online sales channels and allowing the control of all payment transactions through a single back-office.
- Free Stop In order to pursue the objective of a gradual dematerialization of free parking tickets, ATM took care of creating an IT platform capable of providing a BackOffice system for the Municipality of Milan and a Front Office system for entities benefiting from the concessions of free parking permit on the territory of the Municipality of Milan. Through the system in question, entities can autonomously manage (online opening and closing) parking events. The management of free parking permits with a pre-assigned plate and free parking permits without a pre-assigned plate have been both envisaged. The IT platform is integrated with the parking control system.

- BikeMi With the aim of providing the citizen with an Integrated Mobility Service (MaaS), the use of the local ATM public transport card was made possible for the collection of the bike sharing, bikes from the various stations distributed throughout the municipality. The service is reserved for those in possession of an ATM travel card and want to purchase annual passes of the BikeMi service by loading them on a single card. For holders of annual and under 27 season tickets, the advantage is twofold because, in addition to the uniqueness of the physical support, they have the opportunity to immediately take advantage of the discounts reserved for them.
- Eagle Eye Roadside control service. Following the gradual dematerialization of the parking permits, the regulated parking control in the Municipality of Milan was strengthened with the aid of a mobile control system with a camera installed on the vehicle. The system provides for the reading of the license plate with a camera, its geolocation and the verification of whether the vehicle has active permits in the parking area or has payments that regulate the parking. The inspectors equipped with tablets verify the status of the vehicle in real time and proceed with the possible sanction depending on the situation.
- Electronic Infringement Assessment The realization of a data transmission flow relating to high infringement assessments due to irregular parking. The data flow sends information from the ATM systems to the systems of the Municipality of Milan to allow the trespassing citizen, who signs up for the service offered by the Municipality, to be promptly informed of the irregularity of his stop.
- Contactless POS The new Pos Contactless cards were gradually introduced on the over 500 vending machines of the 4 underground lines and parkings in the structure, enabling real-time payment. With this technology, in fact, it takes just a few moments for the payment to be effectively authorized by the card reader. The exchange of information takes place in total safety both for ATM and for the customer who uses this practical and innovative solution.



Comments on the economic and financial results of the ATM Group

The 2019 financial statements have been prepared in accordance with the IAS/IFRS principles.

It should be noted that in 2019 IFRS 16 Leases entered into force and the Group made use of the option to adopt the modified retrospective method which provides for the possibility of recognizing the right of use for an amount as at January 1, 2019 equal to the residual financial liability on that date, without restating the data of the previous year; consequently, the reading of the consolidated economic and financial results as at December 31, 2019 is not comparable with the corresponding data as at December 31, 2018.

Below are the consolidated comparative economic and equity results determined taking into account the foregoing:

- EBIT it 2019 amounted to 6,264 thousand euro (36,880 thousand euro at December 31, 2018).
- The Group's net profit is equal to 9,197 thousand euro (18,486 thousand euro at December 31, 2018).
- Current assets are substantially unchanged; in fact, they go from 427,446 thousand euro to 428,013 thousand euro.
- In the same way, current liabilities are substantially unchanged going from 428,130 thousand euro to 428,150 thousand euro.
- The net cash position decreased by 51,148 thousand euro, going from 184,280 thousand euro on December 31, 2018 to 133,132 thousand euro on December 31, 2019.
- The net capital employed goes from 1,301,039 thousand euro to 1,336,307 thousand euro as at December 31, 2019 and is 91% covered by equity.

Consolidated income statement

	2019	2018	Change
Revenues and other operating income			
Core Business Revenue	837,741	819,387	18,354
Local Public Transport revenues of which:	807,938	789,787	18,151
Service contract Municipality of Milan	668,483	669,340	(857)
Service contract Copenhagen	80,376	56,734	23,642
Service contract Intercity	19,028	17,458	1,570
Service contract M5 Line	23,881	30,311	(6,430)
Ticket sales - Intercity	13,593	12,391	1,202
Special/dedicated transport services	2,577	3,553	(976)
On-street parking management fees	18,490	18,490	-
Car parking management fees	8,630	8,439	191
Vehicle towing management fees	2,632	2,586	46
Other core business revenues	51	85	(34)
Other revenue	66,809	60,511	6,298
Other income of which:	76,197	82,765	(6,568)
NCLA Grants	50,190	50,190	-
Total revenues and other operating income	980,747	962,663	18,084

	2019	2018	Change
Costs and other operating charges			
Purchases of goods and changes in inventories	(71,635)	(73,927)	2,292
Service costs	(241,336)	(214,637)	(26,699)
Maintenance and cleaning costs	(101,657)	(86,147)	(15,510)
Electric traction power	(48,690)	(44,924)	(3,766)
Sub-contracted transport services	(24,599)	(23,746)	(853)
Utilities	(18,685)	(17,518)	(1,167)
Production & distribution travel tickets	(11,940)	(11,669)	(271)
Insurance	(6,508)	(7,541)	1,033
Customer services, advertising and marketing	(4,638)	(4,453)	(185)
Personnel services	(4,163)	(4,450)	287
Miscellaneous services	(7,390)	(6,059)	(1,331)
Professional services	(7,165)	(6,048)	(1,117)
Security costs	(5,901)	(2,082)	(3,819)
Operating leasing costs	(3,605)	(5,526)	1,921
Personnel expenses	(541,289)	(517,279)	(24,010)
Salaries and wages	(398,198)	(379,754)	(18,444)
Social security charges	(103,437)	(101,997)	(1,440)
Post-employment benefits	(22,829)	(23,275)	446
Other costs	(20,979)	(16,748)	(4,231)
Personnel costs for internal works	4,154	4,495	(341)
Other costs and operating charges	(9,314)	(27,198)	17,884
Total costs and other operating charges	(867,179)	(838,567)	(28,612)
Ebitda	113,568	124,096	(10,528)

	2019	2018	Change
	2010	2010	onango
Amortisation, depreciation and write-down	(107,304)	(87,216)	(20,088)
Depreciation - Property, plant and equipment	(118,319)	(123,865)	5,546
Plant capital grants	36,637	37,949	(1,312)
Amortization - Intangible assets	(1,361)	(1,188)	(173)
Depreciation right of use for leased assets	(1,646)	-	(1,646)
Impairment - Property, plant and equipment	(22,615)	(112)	(22,503)
EBIT	6,264	36,880	(30,616)
Financial income	12,689	5,590	7,099
Financial charges	(8,988)	(14,032)	5,044
Net financial income	3,701	(8,442)	12,143
Share of the result of companies measured under the equity method	1,359	2,222	(863)
Pre-tax profit	11,324	30,660	(19,336)
Income taxes	(2,127)	(12,174)	10,047
Net profit	9,197	18,486	(9,289)
Profit attributable to:			
Owners of the parent company	6,091	10,909	(4,818)
Non-controlling interests*	3,106	7,577	(4,471)
Total	9,197	18,486	(9,289)

(*) Values mainly attributable to the minority shareholder of the direct subsidiary International Metro Service S.r.l. and of the indirect subsidiary Metro Service A/S.

For a better understanding of the operating performance and to permit comparability of the 2019 and 2018 financial statements which include significant non-recurring items and the adoption of the new accounting standard IFRS 16, the Directors considered it appropriate to illustrate the effects of the adoption of this new standard in the following tables and of the non-recurring items in order to report the "adjusted" operating performance; in accordance with the ESMA recommendation the accounts included in the reconciliation are illustrated below.

With reference to the effects determined by the first time adoption of IFRS 16 for the 2019 closing, the impact on the profit for the year and on the intermediate margins is shown below:

	Values of the current accounting standards as at December 31, 2019	Reversal of lease payments IFRS 16	Depreciation right of use for leased assets	Interest expense IFRS 16	Adjusted comparative values
EBITDA	113,568	(1,693)			111,875
EBIT	6,264		1,646		7,910
Net financial income	3,701			78	3,779
Profit for the year	9,197	(1,693)	1,646	78	9,228

Instead, the impact of the non-recurring effects is shown below:

	2019	2018
Net Profit	9,197	18,486
Core business revenue	-	(7,212)
Other Income	-	(5,206)
Service costs	(10,000)	-
Personnel expenses	(5,603)	(6,815)
Other operating costs and income	-	15,353
Amortisation, depreciation and write-down	22,615	-
Total non-recurring effects	7,012	(3,880)
Adjusted net profit	16,209	14,606

The "Core business revenues" component does not have nonrecurring effects in 2019 while in the previous year, thanks to an information more complete than those available when the original estimations had been made, was identified the release of a portion of revenue adjustments of euro 7,212 thousand, deemed to be in excess of the redefined requirements. The effect was related to the recalculation of the revenues of the service contract with Metro 5 with reference to the kilometric adjustments for the year and the penalties.

The "Other Income" component does not have non-recurring effects in 2019 while in the previous year, the non-recurring effect of Euro 5,206 thousand was related to the forced collection by the subsidiary Metro Service A/S of fines issued and not collected in previous years against users of the Copenhagen metro line.

The "Service costs" component refers to the non-recurring effect connected with the recalculation of the provisions for risks set aside in previous years, against more complete information than that available when the original estimations had been made. More specifically, in 2019 the specific environmental fund set aside in previous years for Euro 10,000 thousand euro was set up to meet specific environmental measures on the M2 metro line. These interventions, initially envisaged by the Group, will be part of the specifically financed works by the competent authorities as part of the refurbishment project for the signaling and armament systems of the M2 metro line. Please refer to Note 26 of the Explanatory Note for comments and movements in the provisions for risks.

The "Personnel expenses" component refers to the non-recurring effect connected to the recognition by the Ministry of Labor, of the request for contributions for sickness charges referring to the 2013 financial year (Euro 5,603 thousand recorded in the year 2019) and 2012 (5,315 thousand euros recorded in 2018). These reimbursements are considered non-recurring as a result of the fact that their recognition by the Ministry is not certain, in addition to the fact that the disbursement date is never contextual to the year in which the cost was incurred. Furthermore, in 2018, as a result of new and more complete information than that available when the original estimations had been made, provisions for risks were released for Euro 1.500 thousand set up in previous years following the review of estimates connected with staff disputes.

The "Other operating costs and income" component does not have non-recurring effects in 2019 while in the previous year, there was a provision for contractual guarantees for Euro 15,353 thousand, issued in relation to future investment projects. Please refer to Note 26 of the Explanatory Note for comments and movement in the provisions for risks.

The "Amortisation, depreciation and write-down", registered in 2019, refers to the related non-recurring effect:

- Euro 21,393 thousand for the write-down of 6 trains used on the M2 metro line, which will be taken out of service and consequently replaced in 2020 on the basis of the supply of 12 new "Leonardo" model trains envisaged by the fourth application contract;
- Euro 1,152 thousand for the write-down of the deposit located in via Pompei in Monza owned by the subsidiary Nord Est Trasporti S.r.I., carried out in order to align the book value with the market value against a specific report prepared by an independent third party professional;
- Euro 70 thousand for the write-down of a vehicle owned by the subsidiary ATM Servizi Diversicati S.r.l. destined for the "Centrale - Linate" service. The write-down was done because the service is suspended and its possible restart is not foreseeable.

To further benefit from a better understanding of the Income Statement, the main components of revenues, costs, income and expenses are analyzed below.

Revenues and other operating income

The "*Revenues and other operating income*" component in 2019 amounted to Euro *980.747* thousand and increases by Euro *18,084* thousand compared to the previous year which amounted to Euro *962.663* thousand. Specifically, the most significant changes were:

"Core business revenue" in 2019 amounted to Euro 837,741 thousand and increased by Euro 18,354 thousand compared to the previous year (Euro 819,387 thousand in 2018). The change is mainly due to the item "Revenues from LPT" and specifically to the "Copenhagen Service Contract Fee" which increases by Euro 23,642 thousand due to the mobilization activities of the Copenhagen Cityring as well as the start of commercial activities on the new line starting at the end of September 2019. On the other hand the "Common Service Contract of Milan" fee decreased by Euro 857 thousand as a result of the definition of penalties and adjustments for additional services performed during the year, and for Euro 6. 430 thousand to

the "Line 5 management contract fee" which decreases, since the financial year 2018, was mainly characterized by the aforementioned recalculation, among the non-recurring components, of the estimate of the revenue adjustments related to the penalties of the management contract of the line issued for Euro 7,212 thousand. The "Interurban area service contract" also increased compared to the previous year for Euro 1,570 thousand relating to the service contract of the subsidiary Nord Est Trasporti S.r.l., the effect depended on the recognition by the Basin Agency of the adjustment inflation for the year 2019 while the year 2018 suffered the detection of penalties related to the quality of the service and the distances relating to the years 2009-2016. Always in an extra urban context, the "Revenue from tariffs - interurban area" component increased by Euro 1,202 thousand, a change attributable to the advent of the new Integrated Tariff System of the Milan and Monza Brianza Mobility Basin (STIBM) to replace the Integrated Tariff System of the Milan area (SITAM) which led to a general increase in the ticket price. On the other hand, there was a contraction in revenues deriving from "Special/ dedicated transport services" for Euro 976 thousand following the strategic choice of the subsidiary ATM Servizi Diversicati S.r.l. to abandon the business lines relating to the "Rental with Driver" service, "Tourist Tours" and the "Centrale - Linate" airport shuttle service as they have low margins;

- the "Other Revenues" component in 2019 amounted to Euro 66,809 thousand and increased by Euro 6,298 thousand compared to the previous year (Euro 60,511 thousand in 2018). The most significant change, of Euro 4,895 thousand, regards maintenance activities on municipal property infrastructures, for the construction and management of the payment system of Area B and C and of the Traffic and Territory Control system, as well as the activities of unscheduled extraordinary maintenance on Line M5. The other changes are the sale of material for Euro 434 thousand and the revenues of magnetic cards for Euro 694 thousand due to the passage of travel documents from paper to electronic media. On the other hand, revenues from advertising and rental of commercial premises tend to be stable.
- the "Other income" component in 2019 amounted to Euro 76,197 thousand and decreased by Euro 6,568 thousand compared to the previous year (Euro 82,765 thousands in 2018). The decrease in the item is mainly connected to the aforementioned non-recurring event that occurred in 2018 relating to the incomes deriving from the collection of penalties from previous years by the subsidiary Metro

Service A / S for Euro 5,206 thousand. The lower contributions received on the operating account also affected the change. In fact, in the previous year, contributions were received on investments made in previous years for Euro 2,177 thousand while contributions for CCNL, electricity production and staff training remained basically unchanged. Income from penalties invoiced to suppliers for Euro 229 thousand and income from the sale of materials and capital gains of Euro 286 thousand also decreased.

Costs and other operating costs

"Costs and other operating costs" amounted to Euro 867,179 thousand and increased by Euro 28,612 thousand compared to the previous year which amounted to Euro 838,567 thousand.

The main changes can be analyzed as follows:

- "Costs for the purchase of goods and changes in inventories" which decreased by Euro 2,292 thousand due to the lower consumption of diesel fuel connected to the introduction of more efficient or hybrid/electric vehicles as well as to price dynamics;
- "Service costs" which increased by Euro 26,699 thousand compared to December 31, 2018. The net increase is the effect of the increase in maintenance costs, vehicle cleaning services, supervision and finally the cost of electricity and utilities. These increases were partially offset by the release of Euro 10,000 thousand of the environmental risk fund previously commented among the non-recurring items and by the savings achieved on insurance costs;
- "Operating leasing costs" which reflect a net reduction compared to the previous year of Euro 1,921 thousand due to the application of IFRS 16 - Leases;
- "Personnel expenses" which increased by Euro 24,010 thousand compared to December 31, 2018. The net increase due to the increase of number of employees, the delaying of contract renewal (expired on December 31, 2017) as well as the provisions of period relating to untaken holidays partly compensated by the reimbursement of sickness costs in 2013, previously commented among the non-recurring components, and by the release of the provisions set aside for the PDR (Result Bonus) and MBO accrual to 2018 and paid in the 2019 for an amount lower than estimated;
- The "Other operating costs and income" reflect a net reduction compared to the previous year of Euro 17,884 thousand.

The change is due to the effects of the non-recurring items previously commented on, in particular in the previous year, a special provision for contractual guarantees was set aside for Euro 15,353 thousand. In addition to the effects on the non-recurring components, the costs related to compensation for damages to third parties shown in the item "TPL damage management", the penalties charged by third parties included in the item "*Other operating costs*", decreased.

"Amortization, depreciation and write-down" increased by Euro 20,088 thousand compared to the previous year. The net increase is due to the write-downs made in 2019, as previously commented among the non-recurring components, as well as to the recognition of the depreciation charge connected to the rights of use for leased assets for Euro 1,646 thousand, on the other hand by the reduction of depreciation following a redefinition of the useful lives of some vehicles according to the investment plan and the future delivery plan of the new rolling stock.

"Net financial income (expenses)" are positive and amount to Euro 3,701 thousand, an increase of Euro 12,143 thousand compared to 2018. This increase is mainly attributable to: the change of Euro 3,287 thousand in net profits from the sale of financial assets (Euro 3,563 thousand in 2019 against Euro 276 thousand in 2018), the positive change in fair value of the FVTPL designated securities for Euro 8,202 thousand (Euro 1,949 thousand in 2019 against Euro -6,253 thousand in 2018) and the negative change in the fair value of the loans of the project companies SPV Linea M4 SpA, M5 SpA and to the SED and SCAATI cooperatives for Euro 385 thousand (Euro 39 thousand in 2019 against Euro 424 thousand in 2018). The interest expense on bonds and financial debts for disbursement of European Investment Bank (Note 38) amounted to Euro 4,470 thousand in 2019 in line with the Euro 4,535 thousand in 2018.

The "Share of the result of companies measured at equity", equal to Euro 1,359 thousand, includes the valuation of the companies Metro 5 S.p.A. and SPV Linea M4 S.p.A. under the equity method.

"Income taxes" refer to IRAP and IRES, calculated on the positive taxable amount for the year and determined in accordance with the current regulations. In 2019, against the charge of Euro 8,681 thousand from the release of deferred tax assets as a result of usage of provisions for risks and charges recorded in previous years, deferred tax assets on fiscal loses of previous years were updated for a total net effect of Euro 7,730 thousand, recorded on the basis of an assumed time horizon up to the year 2022 as a result of the considerations formulated in the paragraph "Going concern and contractual framework of reference", while at December 31, 2018 they were disclosed only with reference to the time span expiring on October 31, 2020.

The "*Net profit*" amounts to Euro 9,197 thousand, including minority interests of Euro 3,106 thousand. The contribution to the formation of the operating result of the foreign subsidiary Metro Service A S is equal to Euro 6,342 thousand.



Reclassified consolidated statement of financial position

	31.12.2019	31.12.2018
NET CAPITAL EMPLOYED		
Property, plant and equipment	1,276,468	1,250,975
Intangible assets	3,928	3,976
Right of use for leased assets	6,669	-
Financial fixed assets	49,379	46,328
A. FIXED CAPITAL	1,336,444	1,301,279
Trade receivables	191,822	191,625
Other current assets	147,413	151,207
Inventories	88,778	84,614
B. CURRENT ASSETS	428,013	427,446
Trade payables	294,644	286,038
Other current liabilities	133,506	142,092
C. CURRENT LIABILITIES	428,150	428,130
D. WORKING CAPITAL (D=B-C)	(137)	(684)
E. NET CAPITAL EMPLOYED (E=A+D)	1,336,307	1,300,595
Assets and liabilities from discontinued operation	-	444
TOTAL NET INVESTED CAPITAL AND DISCONTINUAL ACTIVITIES AND LIABILITIES	1,336,307	1,301,039

The "*Net financial position*" as at December 31, 2019 amounts to Euro 1,336,307 thousand and increases by Euro 35,712 thousand compared to December 31, 2018.

The "Fixed capital" as at December 31, 2019 amounts to Euro 1,336,444 thousand. During the year, investments were made for Euro 155,411 thousand (net of the increase in the rights of use registered in accordance with IFRS 16 for Euro 6,669 thousand), while the depreciation and write-down rates recorded in the income statement amounted to Euro 143,941 thousand (including

the depreciation rate relating to rights of use equal to Euro 1,646 thousand) and gross of the effect of the contributions on plant account amounting to Euro 36,637 thousand.

The *"Working capital"* as at December 31, 2019 has a negative balance of Euro 137 thousand, with an improvement of Euro 547 thousand compared to December 31, 2018, the change is attributable tothe trend of trade receivables and payables and inventories. The trend of change of the various components of working capital are better analyzed in the Explanatory Note.

	31.12.2019	31.12.2018
Bonds-non current	69,247	69,094
Bank loans-non current	220,805	238,603
Financial liabilities non-current - Lease Liability (IFRS 16)	4,768	-
Other receivables and non-current assets	(7,251)	(14,268)
Loans for guaranteed CDP financing- non-current	(7,251)	(14,268)
Non-current financial assets	-	-
Non-current financial position	287,569	293,429
Bank loans-current	17,799	17,432
Financial liabilities current - Lease Liability (IFRS 16)	2,488	-
Other payables and current liabilities		12,000
Payables to parent - Dividends	-	12,000
Other receivables and current assets	(7,017)	(6,790)
Loans for guaranteed CDP financing- current	(7,017)	(6,790)
Current financial assets	(251,819)	(260,690)
Cash and cash equivalents	(182,152)	(239,661)
Current financial position	(420,701)	(477,709)
Net Financial Position	(133,132)	(184,280)

The "Net financial position" as at December 31, 2019 - determined for the purposes of this management report taking into account the bonds and UCITS held by the Group - is active and amounts to Euro 133,132 thousand, decreased by Euro 51,148 thousand compared at December 31, 2018. The change compared to December 31, 2018 is attributable, on the one hand, to investment activities in rolling stock and, on the other, to the payment of dividends by the Parent Company to the Controlling Authority for Euro 12,000 thousand. The balance of the loan with the European Investment Bank decreased due to the repayments made during the year for Euro 10,642 thousand.

	31.12.2019	31.12.2018
SOURCES OF FUNDING		
Financial payables	315,107	337,129
Financial receivables	(14,268)	(21,058)
Cash and cash equivalents and securities	(433,971)	(500,351)
F. NET FINANCIAL POSITION	(133,132)	(184,280)
Employee benefits	125,694	131,712
Provisions for risks and charges	117,016	133,949
G. NON-CURRENT LIABILITIES	242,710	265,661
H. EQUITY	1,209,904	1,204,959
- Share Capital	700,000	700,000
- Reserves	417,593	418,739
- Retained earnings	92,311	86,220
I. NON-CONTROLLING INTERESTS	16,825	14,699
L. SOURCES OF FUNDING (L=F+G+H+I)	1,336,307	1,301,039

"Group equity" as at December 31, 2019 amounts to Euro 1,209,904 thousand euros, an increase of Euro 4,945 thousand. The increase is attributable to the result of the year for Euro 6,091 thousand and to other changes in the comprehensive income statement for a total of Euro -1,285 thousand, of which Euro -1,928

thousand are related to the valuation of the severance indemnity fund according to the actuarial method envisaged from IAS 19 and Euro 643 thousand to the valuation of the securities portfolio and the change in the *"Cash Flow Hedge Reserve"*.

Reclassified Consolidated Cash Flow Statement	2019	2018	Change
Consolidated net profit	9,197	18,486	(9,289)
Adjustments to reconcile net profit to operating net cash flow:			
- amortisation, depreciation and write-downs and from consolidation	107,304	87,216	20,088
- net gain on asset disposals	(31)	433	(464)
- income taxes, interest, dividends	(1,688)	20,548	(22,236)
- financial asset impairment	36	68	(32)
- other non-monetary changes	(6,098)	(398)	(5,700)

Reclassified Consolidated Cash Flow Statement	2019	2018	Change
Change in net working capital	20,589	6,736	13,853
Change in provisions for cash and cash equivalents	(100)	253	(353)
Non-current liabilities (Changes in risks provisions and severance indemnity fund)	(23,286)	(17,848)	(5,438)
Interest paid on leased assets IFRS 16	(78)	-	(78)
Income taxes paid, interest (paid)/received, dividends received	590	(2,539)	3,129
Consolidated cash flow from operating activities	106,435	112,955	(6,520)
Investment			
Net capital expenditure	(155,411)	(173,148)	17,737
Proceeds from technical disposals	4,238	888	3,350
Change in supplier payables for capital expenditure	(29,684)	16,060	(45,744)
Investments in financial assets	14,028	39,133	(25,105)
Changes in plant capital grants	15,591	9,865	5,726
Consolidated free cash flow	(44,803)	5,753	(50,556)
Changes in current and non-current financial payables	(10,641)	59,495	(70,136)
Cash flow from own capital (dividends paid)	(980)	(1,960)	980
Exchange rate effect	(48)	57	(105)
Reimbursement of the principal amount of leased assets IFRS 16	(1,137)	-	(1,137)
Consolidated net cash flow in the year	(57,609)	63,345	(120,954)

The "Net cash flow from operating activities" in 2019 amounted to Euro 106,435 thousand; a decrease of Euro 6,520 thousand compared to 2018. The trend in net working capital, the change in taxes and financial items, as well as the change in the consistency of the provisions for risks following the settlement of the disputes, have contributed to the result. This flow guaranteed coverage for about 70% of the requirements deriving from investment activities (Euro 151,173 thousand net of disposals).

The "Net cash flow for the consolidated period" is negative and equal to Euro 57,609 thousand; as can be deduced from the

following table, the operating liquidity flow was absorbed by the investments made in 2019 resulting in the conclusion of a consolidated free cash flow of Euro 44,803 thousand not sufficient to offset the cash absorption of the financial management which mainly includes the regulation installments of the loan with the European Investment Bank for Euro 10,642 thousand, the payment of dividends to Hitachi Rail STS S.p.A. approved by International Metro Service S.r.I. for Euro 980 thousand. The amount of cash and cash equivalents decreased to Euro 182,305 thousand compared to Euro 239,914 thousand at December 31, 2018.

Comments on the economic results of ATM S.p.A.

The 2019 financial statements have been prepared in accordance with the IAS/IFRS principles.

It should be noted that in 2019 IFRS 16 Leases entered into force and the Group made use of the option to adopt the modified retrospective method which provides for the possibility of recognizing the right of use for an amount as at January 1, 2019 equal to the residual financial liability on that date, without restating the data of the previous year; consequently, the reading of the consolidated economic and financial results as at December 31, 2019 is not comparable with the corresponding data as at December 31, 2018.

Below are the consolidated comparative economic and equity results determined taking into account the foregoing:

- The operating result 2019 is negative and amounts to Euro 4,283 thousand (Euro 16,599 thousand at December 31, 2018).
- The Group's operating profit is equal to Euro 960 thousand (Euro 2,339 thousand at December 31, 2018)..
- Current assets are equal to Euro 387,677 thousand (Euro 398,516 thousand at December 31, 2018).
- Current liabilities are equal to Euro 405,112 thousand (Euro 407,319 thousand at December 31, 2018).
- The net financial position decreased by Euro 49,274 thousand, going from Euro 158,406 thousand on December 31, 2018 to 109,132 thousand euro on December 31, 2019.
- Net invested capital went from Euro 1,278,615 thousand to Euro 1,306,364 thousand as at December 31, 2019 and is 91% covered by equity.

Income statement

	2019	2018	Change
Revenues and other operating income			
Core Business Revenue	735.266	743.215	(7.949)
Local Public Transport revenues of which:	699.734	707.387	(7.653)
Service contract Municipality of Milan	668.483	669.340	(857)
Service contract Intercity	3.628	3.589	39
Service contract M5 Line	23.882	30.311	(6.429)
Ticket sales - Intercity	3.036	2.905	131
Special/dedicated transport services	705	1.242	(537)
On-street parking, parking and vehicles towing management fees	29,752	29,516	236
Revenues and services from Group Companies	5,780	6,312	(532)
Other revenue	60,651	55,628	5,023
Other income of which:	72,487	74,058	(1,571)
NCLA Grants	48,575	48,575	-
Total revenues and other operating income	868,404	872,901	(4,497)

	2019	2018	Change
Costs and other operating charges			
Purchases of goods and changes in inventories	(63,958)	(67,613)	3,655
Service costs	(213,340)	(199,339)	(14,001)
Maintenance and cleaning costs	(91,357)	(82,836)	(8,521)
Electric traction power	(41,017)	(38,783)	(2,234)
Sub-contracted transport services	(19,935)	(19,357)	(578)
Utilities	(18,456)	(17,313)	(1,143)
Production & distribution travel tickets	(11,903)	(11,670)	(233)
Insurance	(6,627)	(7,844)	1,217
Customer services, advertising and marketing	(3,826)	(3,703)	(123)
Personnel services	(3,434)	(3,899)	465
Miscellaneous services	(7,630)	(6,807)	(823)
Professional services	(6,250)	(5,071)	(1,179)
Security costs	(2,905)	(2,056)	(849)
Operating leasing costs	(3,421)	(5,258)	1,837
Personnel expenses	(480,466)	(470,954)	(9,512)
Salaries and wages	(348,202)	(342,741)	(5,461)
Social security charges	(98,196)	(96,956)	(1,240)
Post-employment benefits	(22,135)	(22,570)	435
Other costs	(16,087)	(13,191)	(2,896)
Personnel costs for internal works	4,154	4,504	(350)
Other costs and operating charges	(8,536)	(26,678)	18,142
Total costs and other operating charges	(769,721)	(769,842)	121
EBITDA	98,683	103,059	(4,376)
Amortisation, depreciation and write-downs	(102,966)	(86,460)	(16,506)
EBIT	(4,283)	16,599	(20,882)
Financial income	13,663	7,553	6,110
Financial expenses	(8,686)	(13,784)	5,098
Net financial income	4,977	(6,231)	11,208
Pre-tax profit	694	10,368	(9,674)
Income taxes	266	(8,029)	8,295
Net profit	960	2,339	(1,379)

For a better understanding of the economic trend and to allow comparability of the 2019 and 2018 financial statements which include significant non-recurring economic effects and the first-time adoption of the new accounting standard IFRS 16, the Directors considered it appropriate to highlight the effects of the adoption of this new standard in the following tables and the non-recurring nature effects to allow the identification of the "adjusted" trend of the economic result; in accordance with the ESMA recommendation, indications related to the nature of the items considered in the reconciliation are provided.

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With reference to the effects determined by the fist-time adoption of IFRS 16 for the 2019 closing, the impact on the profit for the year and on the intermediate margins is shown below:

	Values of the current accounting standards as at December 31, 2019	Reversal of lease payments IFRS 16	Depreciation of right of use for leased assets	Interest expense IFRS 16	Adjusted comparative values
EBITDA	98,683	(1,588)			97,095
EBIT	(4,283)		1,543		(2,740)
Net financial income	4,977			76	5,053
Profit for the year	960	(1,588)	1,543	76	991

Here instead it shows the impact of non-recurring effects:

	2019	2018
Net Profit	960	2,339
Core business revenue	-	(7,212)
Service costs	(10,000)	(6,577)
Personnel expenses	(5,355)	(6,577)
Other operating costs and income	-	15,353
Amortisation, depreciation and write-downs	21,393	-
Total non-recurring effects	6,038	1,564
Adjusted net profit	6,998	3,903

The "Core business revenues" component does not have nonrecurring effects in 2019 while in the previous year, thanks to more complete information than those available when the original estimations had been made, the release of a portion of revenue adjustments of euro 7,212 thousand, deemed to be in excess of the redefined requirements. The effect was related to the recalculation of the revenues of the service contract with Metro 5 with reference to the kilometric adjustments for the year and the penalties. The "Service costs" component refers to the non-recurring effect connected with the recalculation of the provisions for risks set aside in previous years, against more complete information than that available when the original estimations had been made. More specifically, in 2019 the specific environmental fund set aside in previous years for Euro 10,000 thousand euro was set up to meet specific environmental measures on the M2 metro line. These interventions, initially envisaged by the Group, will be part of the specifically financed works by the competent authorities in the context of the refurbishment project for the signaling and armament systems of the M2 metro line. Please refer to Note 24 of the Explanatory Note for comments comments and the movement of risk provisions.

The "Personnel expenses" component refers to the non-recurring effect connected to the recognition by the Ministry of Labor, of the request for contributions for sickness charges referring to the 2013 financial year (Euro 5,355 thousand recognized in the year 2019) and 2012 (5,077 thousand euros recognized in 2018). These reimbursements are considered non-recurring as a result of the fact that their recognition by the Ministry is not certain, in addition to the fact that the disbursement date is never contextual to the year in which the cost was incurred. Furthermore, in 2018, as a result of new and more complete information than that available when the original estimations had been made, provisions for risks were released for Euro 1.500 thousand set up in previous years following the review of estimates connected with staff disputes staff.

The "Other operating costs and income" component does not have non-recurring effects in 2019 while in the previous year, there was a provision for contractual guarantees for Euro 15,353 thousand, issued in relation to future investment projects. Please refer to Note 24 of the Explanatory Note for comments comments and the movement of risk provisions.

The "Amortisation, depreciation and write-downs", component registered in 2019, refers to the related non-recurring effect connected to the write-down of Euro 21,393 thousand of 6 trains used on the M2 metro line, which will be taken out of service and consequently replaced in 2020 on the basis of the supply of 12 new "Leonardo" model trains envisaged by the fourth application contract.

To further benefit from a better understanding of the Income Statement, the main components of revenues, costs, income and expenses are analyzed below.

Revenues and other operating income

The *"Revenues and other operating income"* component in 2019 amounted to Euro 868,404 thousand and decreases by Euro 4,497 thousand compared to the previous year which amounted to Euro 872,901 thousand. Specifically, the most significant changes were:

"Core business revenue" in 2019 amounted to Euro 735,266 thousand and decreased by Euro 7,949 thousand compared to the previous year (Euro 743.215 thousand in 2018). The change is mainly due to the item "Revenues from LPT" and specifically for Euro 6.429 thousand to the "Line 5 management contract fee" which decreases, as the financial year 2018 was mainly characterized by the aforementioned recalculation, among the non-recurring components, of the estimate of the revenue adjustments related to the penalties of the management contract of the line issued for Euro 7,212 thousand and by Euro 857 thousand to the "Common Service Contract of Milan" fee decreased as a result of the definition of penalties and adjustments for additional services performed during the year.

- the "Other Revenues" component in 2019 amounted to Euro 60,651 thousand and increased by Euro 5,023 thousand compared to the previous year (Euro 55,628 thousand in 2018). The most significant change, of Euro 3,792 thousand, regards maintenance activities on municipal property infrastructures, for the construction and management of the payment system of Area B and C and of the Traffic and Territory Control system, as well as the activities of unscheduled extraordinary maintenance on Line M5. The other changes are the sale of material for Euro 419 thousand and the revenues of magnetic cards for Euro 694 thousand due to the passage of travel documents from paper to electronic media. On the other hand, revenues from advertising and rental of commercial premises tend to be stable.
- "Other income" component in 2019 amounted to Euro 72,487 thousand and decreased by Euro 1,571 thousand compared to the previous year (Euro 74,058 thousands in 2018). The change is affected by the lower contributions received on the operating account. In fact, in the previous year, contributions were received on investments made in previous years for Euro 2,177 thousand while contributions for CCNL, electricity production and staff training remained basically unchanged. Income from penalties invoiced to suppliers for Euro 267 thousand and income from the sale of materials and capital gains of Euro 302 thousand also decreased. Insurance reimbursements contributed to offset the negative changes, which increased by Euro 1,616 thousand.

Costs and other operating costs

"Costs and other operating costs" amounted to Euro 769.720 thousand, basically in line with 2018 which amounted to Euro 769,841 thousand.

The main changes can be analyzed as follows:

 "Costs for the purchase of goods and changes in inventories" which decreased by Euro 3,655 thousand due to the lower consumption of diesel fuel connected to the introduction of more efficient or hybrid/electric vehicles as well as to price dynamics;

- "Service costs" which increased by Euro 14,001 thousand compared to December 31, 2018. The net increase is the effect of the increase in maintenance costs, vehicle cleaning services, supervision and finally the cost of electricity and utilities. These increases were partially offset by the release of Euro 10,000 thousand of the environmental risk fund previously commented among the non-recurring items and by the savings achieved on insurance costs;
- "Operating leasing costs" which reflect a net reduction compared to the previous year of Euro 1,837 thousand due to the application of IFRS 16 - Leases;
- "Personnel expenses" which increased by Euro 9,512 thousand compared to December 31, 2018. The net increase due to the increase of number of employees, the delaying of contract renewal (expired on December 31, 2017) as well as the provisions of the period relating to untaken holidays partly compensated by the reimbursement of sickness costs in 2013, previously commented among the non-recurring components, and by the release of the provisions set aside for the PDR (Result Bonus) and MBO accrual to 2018 and paid in the 2019 for an amount lower than estimated;
- The "Other operating costs and income" reflect a net reduction compared to the previous year of Euro 18,141 thousand. The change is due to the effects of the non-recurring components, in particular in the previous year, a special provision for contractual guarantees was set aside for Euro 15,353 thousand. In addition to the effects on the non-recurring components, the costs related to compensation for damages to third parties shown in the component" TPL damage management" (Euro 723 thousand), the penalties charged by third parties included in the component "Other operating costs" (Euro 374 thousand, decreased).

"Amortisation, depreciation and write-downs" increased by Euro 16,506 thousand compared to the previous year. The net increase is due to the write-downs of the metro trains, as previously commented among the non-recurring components, as well as to the recognition of the depreciation quota connected to the rights of use for leased assets for Euro 1,543 thousand, on the other by the reduction of depreciation following a redefinition of the useful lives of some vehicles according to the investment plan and the future delivery plan of the new rolling stock.

"Net financial income (expenses)" are positive and amount to Euro 4,977 thousand, an increase of Euro 11,208 thousand compared to 2018. This increase is mainly attributable to: the change of Euro 3,286 thousand in net profits from the sale of financial assets (Euro 3,562 thousand in 2019 against Euro 276 thousand in 2018), the positive change in *fair value* of the FVTPL designated securities for Euro 8,294 thousand (Euro 2,046 thousand in 2019 against Euro -6,248 thousand in 2018) and the negative change in the *fair value* of the loans of the project companies SPV Linea M4 S.p.A., M5 S.p.A. and to the SED and SCAATI cooperatives for Euro 385 thousand (Euro 39 thousand in 2019 against Euro 424 thousand in 2018). The interest expense on bonds and financial debts for the disbursements of the European Investment Bank (Note 36) amounted to Euro 4,470 thousand in 2019 in line with the Euro 4,534 thousand in 2018.

"Income taxes" refer to IRAP and IRES, calculated on the positive taxable amount for the year and determined in accordance with the current regulations. In 2019, against the charge of Euro 9,128 thousand from the release of deferred tax assets as a result of usage of provisions for risks and charges recorded in previous years, deferred tax assets on fiscal loses of previous years were updated for a total net effect of Euro 7,730 thousand, recorded on the basis of an assumed time horizon up to the year 2022 as a result of the considerations formulated in the paragraph "Going concern and contractual framework of reference", while at December 31, 2018 it was detected only with reference to the time span expiring on October 31, 2020.

The *"Net profit"* amounts to Euro 960 thousand and decreases compared to the previous year for Euro 1,379 thousand.

Statement of Financial Position

	31.12.2019	31.12.2018
NET CAPITAL EMPLOYED		
Property, plant and equipment	1,258,154	1,232,417
Intangible assets	2,282	2,574
Right of use for leased assets	6,502	-
Financial fixed assets	56,861	52,427
A. FIXED CAPITAL	1,323,799	1,287,418
Trade receivables	165,322	173,289
Other current assets	138,183	144,971
Inventories	84,172	80,256
B. CURRENT ASSETS	387,677	398,516
Trade payables	283,350	275,536
Other current liabilities	121,762	131,783
C. CURRENT LIABILITIES	405,112	407,319
D. WORKING CAPITAL (D=B-C)	(17,435)	(8,803)
E. NET CAPITAL EMPLOYED (E=A+D)	1,306,364	1,278,615
Assets and liabilities from discontinued operation	-	14
TOTAL NET INVESTED CAPITAL AND DISCONTINUAL ACTIVITIES AND LIABILITIES	1,306,364	1,278,629

The *"Net capital employed"* as at December 31, 2019 amounts to Euro 1,306,364 thousand and shows a net increase of Euro 27,735 thousand compared to December 31, 2018.

The "Fixed capital" as at December 31, 2019 amounts to Euro 1,323,799 thousand. During the year, investments were made for Euro 148,394 thousand (net of the increase in the rights of use

registered in accordance with IFRS 16 for Euro 6,502 thousand), while the depreciation and write-down rates recorded in the income statement amounted to Euro 138,548 thousand (including the depreciation rate relating the rights of use equal to Euro 1,543 thousand) and gross of the effect of the contributions on plant account amounting to Euro 35,581 thousand.

The *"Working capital"* as at December 31, 2019 has a negative balance of Euro 17,435 thousand , with an improvement of Euro 8,632 thousand compared to December 31, 2018, the change is attributable to the trend of trade receivables and payables and inventories. The trend of change of the various components of working capital are better analyzed in the Explanatory Note.

	31.12.2019	31.12.2018
Bonds-non current	69,247	69,094
Bank loans-non current	220,804	238,603
Financial liabilities non-current - Lease Liability (IFRS 16)	4,709	-
Other receivables and non-current assets	(7,251)	(14,268)
Loans for guaranteed CDP financing- non-current	(7,251)	(14,268)
Non-current financial position	287,509	293,429
Bank loans-current	17,798	17,433
Financial liabilities current - Lease Liability (IFRS 16)	2,379	
Other payables and current liabilities	7.,04	18,691
Financial payables due to subsidiaries	7,904	6,691
Payables to parent - Dividends		12,000
Other receivables and current assets	(7,017)	(6,790)
Loans for guaranteed CDP financing- current	(7,017)	(6,790)
Current financial assets	(247,990)	(255,528)
Financial receivables due to subsidiaries	(3,067)	(1,738)
Cash and cash equivalents	(169,715)	(225,641)
Current financial position	(396,641)	(451,835)
Net Financial Position	(109,132)	(158,406)

The "Net financial position" as at December 31, 2019 - determined for the purposes of this report on operations taking into account the bonds and UCITS held by the Group - is active and stands at Euro 109,132 thousand, decreased by Euro 49,274 thousand compared at December 31, 2018. The change compared to December 31, 2018 is attributable, on one hand, to investment activities in rolling stock and, on the other, to the payment of dividends by the Parent Company to the Controlling Authority for Euro 12,000 thousand. The balance of the Ioan with the European Investment Bank decreased due to the repayments made during the year for Euro 10,642 thousand. The financial debt from cash pooling to subsidiaries for 7,904 thousand euros (6,691 thousand euros at December 31, 2018) also contribute to the formation of the balance.

	31.12.2019	31.12.2018
SOURCES OF FUNDING		
Financial payables	322,842	343,821
Financial receivables	(17,335)	(22,795)
Cash and cash equivalents and securities	(414,638)	(479,432)
F. NET FINANCIAL POSITION	(109,131)	(158,406)
Post-employment benefits	121,437	127,367
Other provisions	111,501	129,705
G. NON-CURRENT LIABILITIES	232,938	257,072
H. EQUITY	1,182,556	1,179,963
- Share Capital	700,000	700,000
- Reserves	428,688	427,055
- Retained earnings	53,868	52,908
L. SOURCES OF FUNDING (L=F+G+H)	1,306,363	1,278,629

"Equity" as at December 31, 2019 amounts to Euro 1,182,556 thousand. The increase is attributable to the result of the year for Euro 960 thousand and to other changes in the comprehensive income statement for a total of Euro 1,633 thousand related to the valuation of the severance indemnity fund according to the actuarial method envisaged from IAS 19 and Euro -1,884 thousand to the valuation of the securities portfolio for Euro 3,477 thousand.

Reclassified Cash Flow Statement	2019	2018	Change
Net profit	960	2,339	(1,379)
Adjustments to reconcile net profit to operating net cash flow:			
- amortisation, depreciation and write-downs and from consolidation	102,966	86,460	16,506
- net gain on asset disposals	(34)	448	(482)
- income taxes, interest, dividends	(5,357)	14,185	(19,542)
- financial asset impairment	37	75	(38)
- other non-monetary changes	(3,218)	(626)	(2,592)
Change in net working capital	28,054	16,500	11,554
Change in provisions for cash and cash equivalents	(99)	246	(345)
Non-current liabilities (Changes in risks provisions and severance indemnity fund)	(24,430)	(13,944)	(10,486)
Interest paid on leased assets IFRS 16	(76)	-	(76)
Income taxes paid, interest (paid)/received, dividends received	1,689	(257)	1,946
Cash flow from operating activities	100,492	105,427	(4,935)
Investments			
Net capital expenditure	(148,394)	(164,038)	15,644
Proceeds from technical disposals	4,152	446	3,706
Change in supplier payables for capital expenditure	(27,172)	11,889	(39,061)
Investments in financial assets	12,738	40,809	(28,071)
Changes in plant capital grants	13,929	8,613	5,316
Free cash flow	(44,254)	3,146	(47,400)
Changes in current and non-current financial payables	(10,759)	59,100	(69,859)
Cash flow from own capital (dividends paid)	-	-	-
Exchange rate effect	21	72	(51)
Reimbursement of the principal amount of leased assets IFRS 16	(1,033)	-	(1,033)
Net cash flow in the year	(56,025)	62,318	(118,343)

Reference should be made to the statement of cash flows for a detailed analysis of cash flow, it should be noted here that the "operating cash flow" in 2019 amounted to Euro 100,492 thousand. The change in the consistency of the risk funds and the trend of net working capital mainly contributed to the formation of the result. This flow guaranteed coverage for approximately 70% of the requirements deriving from the investment activity (Euro 143,882 thousand net of disposals).

The "Net cash flow for the year" is negative and equal to Euro 56,025 thousand;

as can be deduced from the following table, the operating liquidity flow was absorbed by the investments made in 2019 resulting in the conclusion of a consolidated free cash flow of Euro 44,254 thousand not sufficient to offset the cash absorption of the financial management which mainly includes the regulation installments of the loan with the European Investment Bank for Euro 10,642 thousand, the payment of dividends to Hitachi Rail STS S.p.A approved by International Metro Service S.r.l. for Euro 980 thousand. The value of cash and cash equivalents decreased to Euro 169,862 thousand compared to Euro 225,887 thousand at December 31, 2018.

Risks and uncertainties

The complexity of the management processes, as well as the evolution of the regulatory, operational and financial context of reference, are subject to constant monitoring by ATM with the aim of providing the corporate bodies and management with all the tools necessary for a correct assessment of the associated risks and to facilitate the development of the related action plans.

Financial risk management - for detailed analysis of which please refer to Note 5 and 6 respectively *"Financial risk management"* of the separate and consolidated financial statements - takes place within the framework of precise organizational directives governing the management of the same and the control of all the transactions that have strict relevance in the composition of the financial and commercial assets and liabilities. Risks are also monitored through periodic reporting systems.

Below is the analysis of non-financial risks and the resulting uncertainties.

Risks related to the external environment

Risk of legislative and regulatory evolution

The regulatory framework of the local public transport sector has a recent evolution at regional level, with reference to the review of the participation fees of Local Authorities to the Basin Agency of the Province of Milan, Monza and Brianza, Lodi and Pavia which will be determined by resolution of the Regional Council by March 31, 2020. Among other things, it follows a different dialectic between the authorities, for the allocation of the resources available to service the mobility of the Basin, as well as the investments related to it.

The market-opening deadline for the entire area remains undetermined.

A further element of complexity derives from the uncertainties regarding the authority of the public contribution for the coverage of infrastructure projects as well as the fleet renewal plans.

A specific factor of uncertainty is represented by the expiry of the "Contract for the local public transport service and those connected and complementary" with the Municipality of Milan, which has been approved - in accordance with the tender documents and the contracts signed - the continuation by part of the Municipality of Milan until October 31, 2020, subject to the Council resolution of April 13, 2018; please refer to the previous paragraph "Going concern and contractual framework of reference" for specific considerations on the expected assignment procedures that mitigate the risk that the aforementioned uncertainty of renewal will have a significant impact on the going concern of the Company and the Group.

Cyber attack

Also for 2019, the risk of cyber-attack is among the top 10 global risks ("World Economic Forum - Global risk report"). Similarly, for ATM it is rated among the most relevant for probability of occurrence and potential impact by virtue of the complexity of the technological and managerial systems supporting going concern.

The Group constantly updates its protection strategies against cyber-attacks, inspired from the main international standards in the field of cybersecurity and data protection and with specific attention to regulatory developments.

The company operates on different defense levels including prevention and protection. For this purpose, the Group has equipped itself with advanced systems for the defense of the perimeter and critical assets, evolving over time according to basic principles such as "segregation of duty", "least privilege" and "deny by default". Several improvements are being studied in line with the evolution of cyber-attack scenarios and with current and future regulations.

The Group is also structuring specific cybersecurity awareness campaigns with the aim of increasing employee awareness of the issue.

Operating risks

Risks related to the production of the service

Operational risks are mainly attributable to any **malfunction and unexpected interruption of the service** caused by accidental and extraordinary events; these situations could create harm to people and cause a negative economic impact. In general, the internal control system and action plans put in place by the Group are aimed at guaranteeing the safety and continuity of the service and the safeguarding of the company's assets, in full compliance with laws and regulations.

ATM is exposed to operational risks related to the occurrence of claims, which can cause significant damage to persons and property of third parties, with any compensation obligations, or to corporate property. The framework of the activated insurance coverage guarantees the protection of the Group, both from the point of view of civil liability and the protection of the assets.

The trend in claims may have negative effects on insurance coverage in terms of increase in costs for reimbursement of deductibles and for premiums. Through a dedicated structure and through its subsidiary Gesam S.r.I., claims settlement center which also operates as an agent of the insurance company, the Group oversees and manages all claims within the deductibility, in collaboration with the competent operating sectors, also contributing to the training activities of the staff with a view to prevention.

With specific reference to the phenomenon of emergency braking, the Company made efforts in 2019 to identify the causes and to define a remediation plan prepared together with the suppliers, which will be fully implemented during 2020, in addition to having prepared a prompt execution mitigation plan, which has already produced the first benefits.

With reference to the vibrational levels and the acoustic emissions related to the operation of the metropolitan and tramway lines, ATM adopts monitoring and mitigation measures of the inherent risk related to the infrastructures.

In view of the problems that emerged in previous years with reference to the operation of line 5, ATM also carried out extraordinary maintenance activities in 2019 in addition to the basic maintenance plans, in accordance with the contractual provisions, collaborating with Metro 5 for overcoming and/or for mitigating possible impacts deriving from extraordinary events

related to infrastructure and assets.

Environmental, health and safety risks

The historical background of certain departments and regulatory developments necessitate the prompt and effective monitoring of environmental components at risk with an impact the air, water to the soil and subsoil.

The Group, also by virtue of the commitments made with the QAS policy related to the voluntary adoption of the management systems certified today, regularly monitors the environmental risk factors related to each process, in line with the relevant legislation. This with a view to prevention and prompt intervention on any activity that may have consequences both inside and outside the Group.

As for the aspects of protecting the health and safety of its employees, effective systemic management of company processes aimed at continuous improvement of performance standards and related indicators such as, for example, near misses and accidents is of fundamental importance.

The investments incurred by ATM, in the framework of current operations, are not exclusively due to the implementation of interventions necessary to ensure full compliance with the prevention obligations in compliance with current regulations, but represent reason for medium to long-term planning of precise general improvement plans defined by management.

Human resources

ATM's ability to guarantee a high quality service is also closely related to the continuous updating of skills, as well as to an effective and targeted selection of the most qualified staff on the market.

In this framework, the Group implements development paths and empowerment of key resources, with the aim of retaining distinctive skills and enhancing them with respect to strategic objectives.

Furthermore, for the support and monitoring of operating personnel, continuous field training is provided, in addition to classroom training to ensure complete knowledge of the specific regulations.

Legal and compliance risks

Legal and compliance risks concern the risk of incurring judicial or administrative sanctions, suffering reputational losses or damages as a consequence of failure to comply with directly applicable European laws, regulations and standards or provisions of the Supervisory Authorities or self-regulation rules, such as statutes, codes of conduct or self-regulatory codes; risk deriving from unfavorable changes to the regulatory framework or jurisprudential guidelines.

This category includes, among others, the risks related to noncompliance with Legislative Decree 231/2001 which provides for the responsibility of companies for offenses committed by Management or third parties in relation to certain cases expressly regulated: in this context ATM and the directly controlled companies have adopted 231 Models in order to represent the system of controls in place to protect against the risk of committing crimes pursuant to Legislative Decree 231/2001. The analysis of business processes and the related *risk assessment* are periodically updated to incorporate organizational changes or regulatory interventions.

It should be noted that, with regard to environmental (Legislative Decree 152/2006) and health and safety (Legislative Decree 81/2008) issues, ATM and some directly controlled companies have adopted and maintain Health, Safety and Environment management system, where applicable, certified according to ISO14001 and OHSAS18001 standards.

In addition, during 2019, ATM continued the work of adapting its processes to the requirements of the European Regulation 679/2016 ("GDPR " - General Data Protection Regulation), which was first adopted on May 24, 2016 and is operational from May 25, 2018, completing the risk assessment activities required by law and supporting company departments at a specialist level for contractual adjustments and the management of the main operational aspects related to the protection of personal data, also in concert with the structures in charge of data protection .

Finally, within this category, the risks associated with the absence or failure to comply with the internal procedures and regulations are noted. With regard to this, ATM has adopted an organic system of regulations and operating procedures, including **the Group regulation**, which governs the methods of operation of the Group and intra-group relations, **the regulation for the awarding of contracts** which governs the procedures for the assignment of contracts relating to workings contracts, purchase of goods and service contracts for all Group companies, **the sales regulation**, which governs the procedures relating to the sale of goods, materials and services and to the awarding of commercial exploitation contracts for areas and of spaces, procedures and operating instructions, which describe and regulate business processes.

Main disputes pending

ATM is a party in criminal, administrative and civil proceedings, as well as in legal actions related to the normal performance of its own activities. The following is a summary of the proceedings opened before the most important national authorities in place. Unless otherwise specified, in the various disputes currently in progress no elements have emerged to date that may lead us to believe an exposure to potential liabilities or consistency losses such as to have an considerable impact on the equity, economic and financial position of ATM.

In detail:

- in relation to disputes and proceedings brought against ATMs by employees, it is noted that there were 22 disputes during 2019: the number of cases concerning the termination of the employment relationship (or failure to hire) were 11, while the number of disputes concerning the request for a higher qualification or an alleged professional demotion were 3; the remaining cases concerned claims for compensation for psycho-physical damage 2 (lawsuits), joint and several liability (3 lawsuits), conservative sanctions (2 lawsuits) and compensation claims (1 lawsuit).
- Among the causes concerning the termination of the employment relationship, we note, in particular, the one brought by the former ATM Point manager, implicated in facts with respect to which ATM has also considered to present a formal complaint report (which currently concerns investigation phase). The cases previously instituted by the other former employee-helpers involved in the same or similar events have experienced the subsequent judicial phases in 2019. It should be noted that the decisions of the Court which, to date, have closed the disputes have confirmed the legitimacy of the company's operations, rejecting the workers' appeals. To date, only two cases remain pending (the others have become final), one in the first instance and one was in favor of the Company in the second instance but still

appealable in the Supreme Court;

- related to the criminal litigation, during 2019 ATM was established as civil party in n. 80 criminal proceedings for the purpose of obtaining compensation for the damage suffered as a result of crimes committed by third parties, attributed in the aforementioned proceedings;
- in relation to the dispute pertaining to the civil Judge (Courts, Courts of Appeal, Offices of the Justice of the Peace), the same is substantiated in both out-of-court and judicial disputes related to issues of the figure of ATM as Manager of the Local Public Transport service and activities connected and complementary to it (by way of example but not limited to requests for compensation for transport damages; requests for compensation for damages due to interruption of public service; debt collection; rental relationships, pathology of contracts): specifically, in 2019, they were treated (both in court and out of court) n. 477 civil law positions. During 2019, due to problems attributable to vibrations and noises related to the tramway and metropolitan operation, two appeals were filed for preventive technical assessment, one ended with the issue of a Technical Consultancy aimed at the subsequent possible assessment and request for damages, the other declared inadmissible; to date no judgment has been filed. During the year, the Company received several disputes out of court (warnings) in relation to the subject of vibrations. The investigations carried out so far have shown that the inconveniences, albeit for various reasons, are connected to the infrastructure owned by the Municipality of Milan; ATM as an infrastructure manager would not be legitimated passively in judgments for compensation for any damages claimed in a possible judgment by individual citizens. The risk is therefore assessed as remote;
- the causes relating to the Public Transport Service include the one with the company Caronte S.r.l. ("Caronte") for the period October 1997-2010, based on the counterparty assumption that the urban lines managed by the company were part of the SITAM system. The first instance judgment ended with the filing of Judgment n.8098 of September 11, 2019, which sentenced ATM to pay Caronte the sum in capital equal to Euro 6,421 thousand plus legal interest from the balance, legal fees and accessories. The aforementioned ruling was served on September 12, 2019 by Caronte's lawyer at the end of the short term for appealing, followed by the counts; ATM has immediately filed an appeal before the Court of Milan against a ruling that regards as unfair precisely because of the legal

reconstruction carried out by the first care Judge: the case was postponed for the clarification of the conclusions at the hearing of September 8, 2020; on October 22, 2019 was discussed the application aimed at obtaining suspension of the enforcement of the contested sentence; the interim procedure ended with no need to proceed and with the achievement of an agreement between the parties on the point, such as the payment of Euro 2,052 thousand. With regard to the risk of losing, it should be noted that in previous years adequate provisions had been entered in the provision for risks and charges, taking into account the opposition strategy adopted by the Company at the September 2019 judgment;

- It should also be noted that, although ATM is not involved in the proceeding, on July 4, 2019 ATM received a warning and formal notice from the Municipality of Cinisello Balsamo in relation to an arbitration procedure initiated on March 9, 2019 by Caronte against the aforementioned Municipality. The Arbitration Award, originates from the legal relationship between Caronte and the Municipality of Cinisello Balsamo for the management of the urban transport service and Caronte asserts the existence of lack of fees for lines 710 - 711, for the years from 2000 to 2011, and 712 municipal for the years from 2000 to 2011. On February 21, 2020, ATM became aware, through the press that on February 7, 2020 was issued by the Arbitration Board the Award which accepts the request of Caronte and condemns the Municipality of Cinisello Balsamo to the payment of about 5.2 million euros for capital, interest and legal fees. From the recognized partial overlap between the extension of the Award and the ongoing dispute directly between ATM and Caronte, the risk must be assessed separately for the two periods:
 - remote for the claims referring to the years from 2000 to 2008 as superimposable to what has already been requested by Caronte from ATM in the dispute before the Court of Milan which ended with sentence n ° 8098 of September 11, 2019.
 - possible even if not determinable for the claims referring to the years 2009-2011, since:
 - a) from the formal notice of July 4, 2019 and, subsequently, the award of February 7, 2020, no further acts or communications to ATM by the Municipality of Cinisello were followed;
 - b) the Arbitration Award deals with the legal relationship between Caronte and the Municipality of Cinisello

Balsamo, identifying the latter as the exclusive owner;

- c) if extra-judicial or judicial payment requests are received by ATM, the claims will be contested and their position in the judicial sphere will be asserted;
- in relation to disputes and lawsuits concerning civil responsibility (road accidents, transport accidents, responsibility for things in custody), the exposure and possible risk for the Group appears to be largely covered by the provisions for risks and charges estimated by the Insurance Strategies Department, from which the out-ofcourt procedures originate, which updates the economy of each of them, also considering the progress of the pending judgments; with reference to disputes of another nature (debt collection, pathology of contracts etc.), the Legal Department acts, on the basis of a constant flow of information, in synergy with the Departments concerned for the purpose of quantifying the risk area, depending on the case;
- the progress of the dispute before the Administrative Judge (TAR and the Council of State) is also followed, in synergy with the external lawyers in charge, concerning, for the most part,

the procedures for awarding contracts for the supply of goods, works and services necessary for ATM to better pursue its corporate purpose on a daily basis;

- however, there are no criminal proceedings against ATM pursuant to Legislative Decree no. 231/2001, the Court of Auditors or before national or community authorities;
- It should be noted that in 2018 the first degree criminal proceeding no. 41767/2015 ended with the acquittal n.12319 / 18, for a more complete description of which, please refer to the 2018 Financial Statements file, established at the Criminal Court of Milan against the former General Manager of ATM, dot. Elio Gambini; the aforementioned sentence has been appealed, and therefore the appeal judgment is pending;
- Finally, it should be noted that a criminal proceeding has been opened which concerns investigations relating to the emergency braking that have occurred in the last few months on Lines 1 and 2 of the metro line: technical investigations are in progress in order to establish causes and any possible responsibility.





Subsequent events

With reference to the subsequent events at the end of the financial year and which occurred at the same time as the date of preparation of this document, those connected to the progressive diffusion at national and international level of the health emergency from COVID-19 are reported.

In relation to this emergency and the growing restrictive measures ordered by the Italian Government Authorities and in order to prevent and contain the spread of the epidemic on the national territory, the Group has operated promptly and in accordance with its protocols and policies regarding the management of business emergencies and crises, establishing a Crisis Committee. This Committee has implemented a contingency plan in order to guarantee the safety and health of its employees and collaborators, arranging and extending, where possible, the use of the smart-working method, with a view to guaranteeing going concern and operational both in the current scenario and in anticipation of further access restrictions at the operating sites.

From an operational point of view, from February 21, 2020 the ATM Group has put in place everything that was necessary to allow the smooth running of the public transport service, ensuring the mobility of people who move for work or health needs. In doing so, the Group has implemented the indications of the Authorities, such as the extraordinary sanitization of all means and the timely communication to passengers on the rules to be respected. From March 31, 2020, in compliance with the provisions contained in the order of the Lombardy Region, which implements the restrictive measures ordered by the Italian Government Authorities, the scheduling of the service was remodeled with an offer equal to 75% of a normal weekday, while until that date the service was provided at full capacity or 100%. Furthermore, the reduction in service was functional and related to the drastic drop in passengers, which reached -92% compared to normal operating conditions. The situation is constantly monitored in consultation with the entities entrusted with the service contracts, in order to identify the necessary actions for the remodulation of the service both in terms of containment and expansion and to also define the interventions for *flexibility* of costs, in particular that of the staff, to ensure containment of the impacts on operating margins and on the result for the year.

Obviously, there are still strong uncertainties and fears about the economic repercussions connected to the persistence of this situation, which will be affected by the economic interventions that the Italian Government will put in place for the sectors and operators most exposed, including those of the public transport service, which are strongly affected by the behavioral models imposed on citizens that prohibit any movement except those for valid and justified reasons. The ATM Group, in consultation with the entities entrusted with the service contracts as well as with its shareholder, is evaluating the economic and financial impacts that the remodeling of the transport service could entail, including the consideration of the service contract related to the kilometers exercised and the proceeds from the sale of travel tickets related to the flow of passengers. Factors that can reduce the cash generating capacity and the size of cash and cash equivalents, while the financial strength of the Company and the Group remains unchanged, considered, as better explained below, the high amounts of financial assets and cash and cash equivalents and credit access; these impacts may also affect the contracting entities regardless of the contractual form of the service (Gross Cost or Net Cost).

In fact, the structure of the service contracts in force does not provide the formal tools necessary to manage a situation that was neither foreseen nor foreseeable and it will therefore be necessary to identify the indispensable methods of intervention for their economic and financial rebalancing. In this framework, precisely to better manage both the ways in which to carry out the service and for economic and financial considerations, the technical committee for the management of the Service Contract has met constantly.

For these reasons, the ATM Group and the companies that carry out the public transport service, through their trade associations, are presenting to the Authorities entrusted with the service, to the Regions and to the Italian Government, some proposals aimed at filling, if not totally, even only partially, lower revenues including:

- confirmation of the fees provided for by the service contracts (or of the contributions in the case of direct credit lines) on the basis of the annual operating programs annexed to the contracts themselves and non-application of the current contractual provisions which have potential detrimental consequences for the operators, such as, for example, payment cuts, application of sanctions and/or penalties on account of the fewer journeys made and/or the smaller distances realized;
- activation for 2020 of a compensation fund for the lost revenue from the tariff based on the data relating to the 2019 tariff revenues documented in the financial statements approved by the companies and sent to the Lombardy Region.

The reason for these claims are based on the assumption that the transport service is a public and essential good and for these reasons the costs incurred by the companies must be supported. It is also to be considered that the remodulation of the services should lead to a reduction in the variable costs related to the volume of the service provided, such as fuel, traction electricity and maintenance costs, and that any social safety nets, such as the Bilateral Fund, may bear the cost of staff, but at the same time it should be noted that already at this time the total cost of the service does not find complete correspondence and balance with the fees of the service contracts (commensurate with the kilometers exercised), with the tariffs of the ticketing system and with the drastic drop in volumes due to the limitations on the movement of persons. The other requests include:

- the cancellation or significant reduction of the payment of labor cost contributions by public transport companies for the year 2020;
- the extraordinary restoration of the benefit of excise duties on diesel fuel for the year 2020.
- the moratorium or suspension of the tender procedures, with the related extension of the service contracts currently in force.

We are therefore confident that the proposals made to the Authorities the Region and the Government will find tangible feedback, and that the strategy adopted by the ATM Group in dealing with this emergency is and will be effective despite knowing that the COVID-19 emergency, in any case, will produce effects on the regular and ordinary performance of company activities even in the presence of mitigating actions aimed at preserving the continuity of the service and the full protection of the health and safety of workers.

In particular, at the time of the preparation of this document, the ATM Group presents an active *"Net Financial Position"* estimated at around Euro 61 million, made up of spot liquidity (bank deposits and liquidable securities) for around Euro 355 million and financial debt of approximately Euro 294 million, with an average residual life of more than 8 years, to be repaid in 2020 for approximately Euro 15 million. The Group also has cash lines of credit that can be used immediately for Euro 49 million, with the possibility of increasing them on request.

Since there is no evidence to date and for the immediate future of a failure to comply with the payment obligations relating to the service contracts by the Municipality of Milan and the contracting entities, it can be considered that the Group has the necessary resources to meet to their contractual obligations in place within a time horizon of at least 12 months, taking into account, among other things, the scalability of certain investment initiatives, careful management of working capital and variable costs.

Consequently as mentioned before, when preparing the balance sheet, income statement and financial position as at December 31, 2019, the ATM Group, in the framework of its assessment and sensitivity analysis processes, identified some key parameters in which they do not emerge obvious risks to going concern.

 On March 28, 2020, the M4 line of the Copenhagen metro was inaugurated, which connects the north with the south of the city and connects with the other subway lines.



Outlook

The next few years will be important and could define the future of ATM since the extension of the Service Contract between ATM S.p.A. and the Municipality of Milan will expire on October 31, 2020.

As already highlighted elsewhere in this document, the Basin Agency and the Municipality of Milan will have to evaluate the public interest of the project-financing proposal called "Milan Next" which, in the event of a favorable assessment, will be the subject of the procedure tender referred to in art.183, paragraph 15, of Legislative Decree 50/2016. Given the complexity of the aforementioned procedure, it is considered reasonable that, at the deadline of October 31, 2020, a further extension will be required to guarantee the public service until the tender procedure is completed. Regardless of the project finance instrument pursuant to art. 183, paragraph 15, of Legislative Decree 50/2016, it is considered presumable and reasonable to think that in any

case ATM S.p/A/ will play a strategic role in the area of sustainable mobility of the Basin, whether it operates continuously in the context of the "Milano Next" grouping or, in other possible hypotheses, as a company owning essential and instrumental assets for the exercise of mobility services.

With a view to consolidating and developing the business, ATM will oversee the competitive procedures for the assignment of LPT services that will be launched in the Lombardy Region also in the suburban area, with particular attention to those in which the Group is already present. Furthermore, considering the excellent results achieved abroad with the Danish subsidiary Metro Service A S and with a view to developing its business abroad, ATM will pay particular attention to seizing the opportunities for diversification and extension of activities in selected international markets, in corporate partnership with high profile companies.

Operational activities will continue to pursue the guidelines and objectives already defined:

- renewal of the rolling stock (trains, trams, trolley buses), purchase of Hybrid and Full Electric buses and start of the implementation of the infrastructures necessary for a future full electric transport system;
- offer an increasingly functional and widespread public service to reduce the use of private cars;
- fight against tax evasion and further investments in passenger and property safety;
- development of new technologies applied to transport services.

In this framework, the characteristic activity of the year 2020 will be mainly dedicated to the commitment to ensure high levels of customer service, despite the unchanged payment of the Service Contract of the Municipality of Milan against greater mileage programming, in the context of the extension of the Service Contract.

Metro Service A/S will continue to carry out the management and maintenance of the M1, M2, M3 and M4 lines of the Copenhagen

metro based on new contracts entered into with Metroselskabet I/S and Hitachi Rail STS, and will also carry out pre-mobilization activities for the light rail.

As regards to investments, the tender is underway for the award of a framework contract for 150 hybrid 12-meter buses and deliveries of the first batch of 30 trolley buses purchased under the framework contract for 80 vehicles will continue. In addition, the commissioning plan for the 12 Leonardo M2 trains purchased with the fourth application contract, which will be completed in 2020, will continue. These new trains, fully financed by ATM for a value of Euro 87 million, (including full service) will be added to the 34 of the latest generation already in service on the line.

In the first half of 2021, deliveries will also begin for the first batch of 30 new generation bidirectional trams purchased under the framework contract for the supply of 80 new rolling stock.

In the second half of 2021, the supply of the first batch of 40 Solaris electric buses will be concluded, which are part of the framework agreement for the supply of 250 vehicles while the tender for the installation of charging systems at depots and terminals is being awarded.

These investments, which therefore mark the progressive path of renewal of the fleet under the sign of sustainability, are made possible by the release of public contributions that have remained frozen for a long time and by the additional financial effort that ATM has decided to face also for the new surface vehicles, always through an effective procurement policy, based on the use of competitive and open procedures.

The Group is therefore ready in all its components to effectively face these challenges, capitalizing on the good results achieved in terms of service both in Italy and in the international framework in which it operates, the professionalism of its staff and the important investments made. Finally, the increasingly careful cost control will continue to consolidate and strengthen the Group's profitability.

Other information

Other notifications pursuant to Art. 40 of Legislative Decree 127/91

The following is notified in accordance with the provisions of Art. 40 of Legislative Decree 127/91:

- Due to the nature of operations, the Group has not undertaken any research and development in 2019;
- No company in the ATM Group owns or has acquired or sold treasury shares or those of the parent company, including through trustees or nominees;
- Again, in 2019, the Group has not made use of derivative financial instruments in the framework of financial and asset management and the financial results for the year.

Information relating to intercompany transactions and transactions with related parties

The ATM Group, wholly-owned by the Municipality of Milan, carries out transactions for its shareholder that are regulated by the service contract, involving the management of Intermodal Local Public Transport (metro, trams, buses and trolleybuses), together with all connected and ancillary activities, as better described in the "Going concern and contractual framework" section.

ATM S.p.A., as parent, undertakes with its subsidiaries transactions, which mainly concern the provision of services and funding requirements. The transactions are strictly of a commercial and financial nature and which do not constitute atypical and/or unusual operations and are regulated at normal market conditions.

ATM S.p.A. applied the tax consolidation for IRES purposes together with the following subsidiaries: ATM Servizi Diversificati S.r.I., Gesam S.r.I., International Metro Service S.r.I., NET S.r.I. and Rail Diagnostics S.p.A. The contract provides, in the case of the transfer of assessable income, that the consolidated company recognises a payable to the parent of an amount equal to the results from the application of the IRES rate on the assessable amount transferred. Vice versa, the transfer of an assessable loss obliges the consolidating company to record a payable to the consolidated company for an amount equal to the result of the application of the IRES corporate tax rate to the tax loss transferred, where utilized.

ATM also applied the option for the application of Group VAT with the following subsidiaries: ATM Servizi Diversificati S.r.I., Gesam S.r.I., NET S.r.I. and Rail Diagnostics S.p.A.

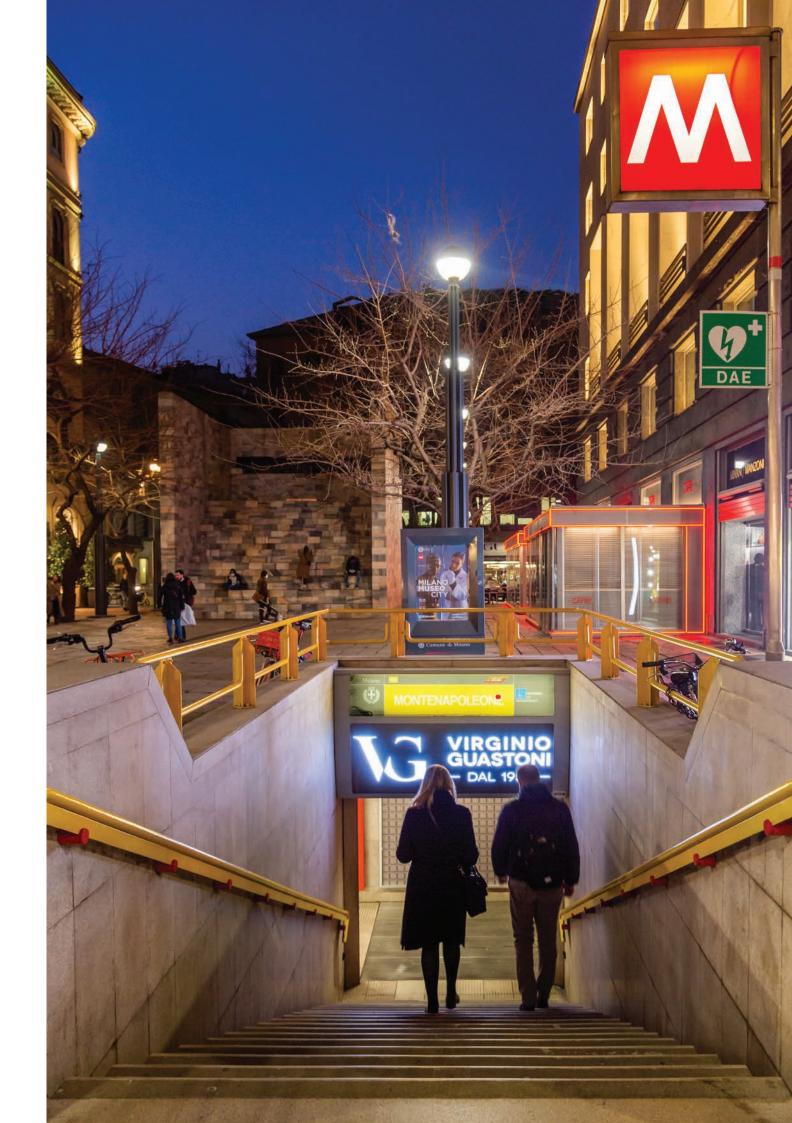
This agreement provides for the transfer of the monthly VAT balance to the parent, which is therefore the only debtor/creditor company liable to the tax authorities, while the subsidiaries record the receivable/payable with the parent in their financial statements.

Point 43 of the ATM Group's Notes to the Financial Statements, information on related parties is provided based on the nature of the service.

Milan, March 30, 2020

For the Board of Directors The Chairman Luca Bianchi

tabard.





Consolidated Financial Statements of ATM Group

ATM Group Financial Statements

Consolidated Statement of Financial Position

	Note	31.12.2019 *	31.12.2018
Assets			
Property, plant and equipment	9	1,276,468	1,250,975
Intangible assets	10	3,928	3,976
Right of use for leased assets	11	6,669	-
Investments	12	24,467	23,350
Non-current financial assets	13	24,912	22,978
Of which: Related Parties	43	24,269	22,500
Deferred tax assets	14	73,595	74,740
Other receivables and non-current assets	15	7,251	14,268
Non-current assets		1,417,290	1,390,287
Inventory	16	88,778	84,614
Current financial assets	17	251,819	260,690
Tax receivables	18	18,654	17,384
Trade receivables	19	191,822	191,625
Of which: Related Parties	43	130,759	139,634
Other receivables and current assets	20	62,181	65,919
Cash and cash equivalents	21	182,152	239,661
Current assets		795,406	859,893
Assets held-for-sale	22	-	444
Total assets		2,212,696	2,250,624

(*) The first time adoption starting from January 1, 2019 of IFRS 16, a new international accounting standard that defines the recognition of operating and financial leasing contracts, has determined the recognition of the rights of use registered for a total of Euro 2,341 thousand. Please refer to Note 4 of the Explanatory Note for more details on how to determine the value of the rights of use regarding the lease payments still to be settled at January 1, 2019 on the lease contracts that fall within the scope of application of the new standard. At December 31, 2019 the amount of the rights of use increased to Euro 6,669 thousand due to the signing of new contracts in 2019 for the rental of auxiliary vehicles (Note 11).

	Note	31.12.2019 *	31.12.2018
Equity			
Share Capital		700,000	700,000
Legal reserve		140,000	140,000
Other Reserves		277,593	278,739
Retained earnings		86,220	75,311
Net profit for the year		6,091	10,909
Group Equity		1,209,904	1,204,959
Non-controlling interest equity		16,825	14,699
Total Equity	23	1,226,729	1,219,658
Liabilities			
Non-current financial liabilities	24	294,820	307,697
Employee benefits	25	125,694	131,712
Provision for risk and charges	26	69,352	85,191
Deferred tax liabilities	27	47,664	48,758
Non-current liabilities		537,530	573,358
Current financial liabilities	24	20,811	17,957
Current income tax liabilities	28	810	770
Trade payables	29	294,644	286,038
Of which: Related Parties	43	62,500	50,423
Other Payables and current liabilities	30	132,172	152,843
Of which: Related Parties	43	-	12,000
Current liabilities		448,437	457,608
Liabilities held-for-sale		-	-
Total liabilities		985,967	1,030,966
Total equity & liabilities		2,212,696	2,250,624

(*) The first time adoption starting from January 1, 2019 of IFRS 16, a new international accounting standard that defines the recognition of operating and financial leasing contracts, has resulted in the recognition of financial payables recorded among the financial liabilities for a total of Euro 2,340 thousand (of which 716 thousand euro falling due within the year and 1,624 thousand euro falling due after the year). Please refer to Note 4 of the Explanatory Note for more details on how to determine the value of financial liabilities in relation to the the rights of use and lease contracts that fall within the scope of application of the new standard. At December 31, 2019, the amount of financial payables increased to Euro 7,256 thousand (of which 2,488 thousand euros falling due within the year and 4. € 768 thousand expiring beyond the year) due to the signing in 2019 of new contracts for the rental of auxiliary vehicles as well as the payment of the rental fees for the year. The effect of the adoption of IFRS 16 on the profit for the year and on equity as of December 31, 2019 is equal to Euro 31 thousand.

Consolidated Income Statement

	Note	2019 *	of which related parties	2018	of which related parties
Revenues and other operating income					
Core Business Revenue	31	837,741	690,642	819,387	700,262
Other revenue	31	66,809	24,136	60,511	21,084
Other Income	31	76,197	4,845	82,765	4,357
Total revenues and other operating income		980,747	719,623	962,663	725,703
Costs and other operating charges					
Purchases of goods and changes in inventory	32	(71,635)		(73,927)	
Service costs	33	(241,336)	(2,227)	(214,637)	(1,367)
Operating leasing costs	34	(3,605)	(1,737)	(5,526)	(1,828)
Personnel expenses	35	(541,289)	(2)	(517,279)	(8)
Other costs and operating charges	36	(9,314)	(271)	(27,198)	(3,459)
Total costs and other operating charges		(867,179)	(4,237)	(838,567)	(6,662)
Ebitda		113,568		124,096	
Ammortisation, depreciation and write-downs	37	(107,304)		(87,216)	
Depreciation - Property, plant and machinery		(118,319)		(123,865)	
Plant capital grants		36,637		37,949	
Amortization - Intangible assets		(1,361)		(1,188)	
Depreciation of right of use for leased assets		(1,646)			
Write down of fixed assets		(22,615)		(112)	
Ebit		6,264		36,880	
Financial Income		12,689	1,496	5,590	1,158
Financial Expenses		(8,988)		(14,032)	
Net financial income	38	3,701	1,496	(8,442)	1,158
Share of the result of the companies measured under the equity method	39	1,359		2,222	
Pre-tax profit		11,324		30,660	
Income taxes	40	(2,127)		(12,174)	
Net profit		9,197		18,486	
Profit attributable to:					
Owners of the parent company		6,091		10,909	
Non-controlling intrests**		3,106		7,577	
Total		9,197		18,486	

(*) The first time adoption starting from January 1, 2019 of IFRS 16, a new international accounting standard that defines the recognition of operating and financial leasing contracts, has resulted in the recognition of depreciation during the year, on the rights of use recorded in the assets for Euro 1,646 thousand, in addition to the interest on financial payables recorded in current and non-current liabilities for a total of Euro 78 thousand; the recognition of these economic components replaces that of the rent, which would have amounted to Euro 1,693 thousand. Please refer to Note 4 of the Explanatory Note for more details. The effect of the adoption of IFRS 16 on the profit for the year and on the equity as of December 31, 2019 is therefore equal to Euro 31 thousand.

(**) Values mainly attributable to the minority shareholder of the direct subsidiary International Metro Service Srl and of the indirect subsidiary Metro Service A/S.

Consolidated Statement of Comprehensive Income

	Note	2019	of which 2018 related parties	of which related parties
Net profit		9,197	18,486	
Consolidated other comprehensive income statement items				
Items which may not be reclassified subsequently in the P&L account				
Revaluations of net liabilities for defined benefits	23	(2,536)	(1,146)	
Income taxes on items which may not be reclassified subsequently in the P&L account	23	608	275	
Total items which may not be reclassified subsequently in the P&L account		(1,928)	(871)	
Items which may be reclassified subsequently in the P&L account				
Currency exchange differences of foreign operations	23	-	-	
Equity investments at equity – Cash Flow Hedge Reserve	23	2,728	284	
Income taxes on items which may be reclassified subsequently in the P&L account	23	(33)	(3)	
Financial Assets Held to Collect and Sale	23	4,191	(3,115)	
Income taxes on items which may be reclassified subsequently in the P&L account	23	(853)	748	
Total items which may be reclassified subsequently in the P&L account		643	(2,086)	
Total consolidated other comprehensive income statement items		(1,285)	(2,957)	
Total comprehensive income		7,912	15,529	
Total comprehensive income attributable to:				
Owners of the parent company		4,806	7,952	
Non-controlling interests*		3,106	7,577	
Total		7,912	15,529	

Statement of Changes in Consolidated Equity

Equity	31.12.2017	Allocation of Profit	Destributed Dividends	Other changes	IFRS 9 impacts	Other comprehensiv income items	Net Profit	31.12.2018
Share Capital	700,000							700,000
Legal Reserve	140,000							140,000
Other Reserves	281,362	-	-	4	330	(2,957)	-	278,739
Conferment reserve	19,690							19,690
Extraordinary reserve	5,764							5,764
Translation reserve	(4)							(4)
Rounding reserve	-			(2)				(2)
First Time Adaption reserve	154,105							154,105
Actuarial Losses reserve	(2,263)					(871)		(3,134)
Available For Sale reserve	210				(210)			-
Cash Flow Hedge reserve	(6,739)					281		(6,458)
Property revaluation reserve - FTA	110,599							110,599
Held to Collect and Sel reservel	-				278	(2,367)		(2,089)
OCI reserve	-			6	262			268
Retained earnings	40,079	35,096			136			75,311
Net profit for the year	35,096	(35,096)					10,909	10,909
Group Equity	1,196,537	-	-	4	466	(2,957)	10,909	1,204,959
Non-control. Int. Equity	9,082	-	(1,960)	-	-	-	7,577	14,699
Share capital	572							572
Retained earnings	4,876	3,634	(1,960)					6,550
Net profit for the year	3,634	(3,634)					7,577	7,577
Total Equity	1,205,619	-	(1,960)	4	466	(2,957)	18,486	1,219,658

Equity	31.12.2018	Allocation of Profit	Destributed Dividends	Other changes	IFRS 9 impacts	Other comprehensiv income items	Net Profit	31.12.2019
Share Capital	700,000							700,000
Legal Reserve	140,000							140,000
Other Reserves	278,739	-	-	-	139	(1,285)	-	277,593
Conferment reserve	19,690							19,690
Extraordinary reserve	5,764							5,764
Translation reserve	(4)			(1)				(5)
Rounding reserve	(2)			1				(1)
First Time Adaption reserve	154,105							154,105
Actuarial Losses reserve	(3,134)					(1,928)		(5,062)
Cash Flow Hedge reserve	(6,458)					(2,695)		(9,153)
Property revaluation reserve - FTA	110,599							110,599
Held to Collect and Sel reservel	(2,089)					3,338		1,249
OCI reserve	268				139			407
Retained earnings	75,311	10,909						86,220
Net profit for the year	10,909	(10,909)					6,091	6,091
Group Equity	1,204,959	-	-	-	139	(1,285)	6,091	1,209,904
Non-control. Int. equity	14,699	-	(980)	-	-	-	3,106	16,825
Share capital	572							572
Retained earnings	6,550	7,577	(980)					13,147
Net profit for the year	7,577	(7,577)					3,106	3,106
Total Equity	1,219,658	-	(980)	-	139	(1,285)	9,197	1,226,729

Consolidated Cash Flow Statement

		2019	2018
A	Cash flow from operating activities		
	Net Profit	9,197	18,486
	Income taxes	2,127	12,174
	Interest income net of impairment of financial activities	(3,815)	8,374
	(gains)/losses on sale of assets	(31)	433
	1. Profit/(loss) for the year before taxes, interest, dividends and gains/(losses) from disposals	7,478	39,467
	Non-cash adjustments not impacting working capital		
	changes in provisions for risk and charges	(7,475)	(463)
	changes in employee benefits	2,347	1,187
	changes in the provision for impairment on cash and cash equivalents	(100)	253
	amortisation & depreciation	84,689	87,104
	adjustmets to fixed asset values	22,615	112
	adjustments to investments	-	-
	impairment on financial assets	36	68
	other changes	(6,098)	(398)
	Total non-cash adjustments	96,014	87,863
	2. Cash flow before working capital changes	103,492	127,330
	change in net working capital:	20,589	6,730
	Inventory	(3,734)	(5,393)
	trade receivables	(405)	(48,684)
	other receivables	6,571	41,166
	accrued income and prepaid expenses	110	(229)
	trade payables	40,311	24,728
	Short-term payables for IFRS 16 leasing	(328)	-
	other payables	(9.,20)	10,775
	Accrued expenses deferred income	(416)	(1.627)
	Payables due to shareholders for dividends	(12,000)	(14,000)
	Changes in assets not included in the net working capital		
	3. Cash flow after after net working capital changes	124,081	134,066
	Other adjustments	(17,646)	(21,111
	interest collected / (paid)	630	(814)
	interest collected / (paid) on leased assets	(78)	-
	(paid income taxes)	(40)	(1,725)

	2019	2018
dividends collected	-	-
(utilisation of provision for risk and charges)	(8,364)	(5,237)
(utilisation of provision for employee benefits)	(9,794)	(13,335)
Cash flow of income management (A)	106,435	112.,55
Cash flow deriving from investment / divestment activities		
Property,plant & equipment		
(Investments)	(154,123)	(171,134)
Sales price of disposals	4,264	900
Intangible assets		
(Investments)	(1,288)	(2,014)
Sales price of disposals	(26)	(12)
Increase/(decrease in trade payables for fixed assets	(29,684)	16,060
Financial fixed assets		
(Investments)	(1,628)	(2,470)
Sales price of disposals	1,498	908
Current financial assets		
(Investments)	(94,611)	(67,757)
Sales price of disposals	108,769	108,452
Changes in plant capital grants	15,591	9,865
Cash flow from investment/divestment activities (B)	(151,238)	(107,202)
Cash flow from financing activities		
Third party funds		
New loans	-	70,000
Repayment of loans	(10,641)	(10,505)
Reimbursement of share capital loans on IFRS 16 leased assets	(1,137)	-
Own funds		
Paid Dividends (and advances in dividends)	(980)	(1,960)
Cash flow from financing activities (C)	(12,758)	57,535
Exchange rate effect	(48)	57
Increase/(decrease) in cash and cash equivalents and current securities	(57,609)	63,345
Cash and cash equivalents at the beginning of the year *	239,914	176,569
Cash and cash equivalents at year end *	182,305	239,914



Financial Statements ATM S.p.A.

1. General Information

ATM S.p.A. (hereinafter also the "Company", the "Parent Company" or "ATM") is a limited liability company incorporated and domiciled in Milan and organized under the laws of the Italian Republic. The Company has its registered office in Milan - Foro Buonaparte, 61.

The Company and its subsidiaries (jointly the "Group" or the "ATM Group") manage the urban and long-distance public transport service in Milan and Monza, the Copenhagen metro, car park, on-street parking and towing of the Zone B and C, as well as integrated infrastructure and fleet maintenance.

The publication of these Consolidated Financial Statements was authorized by the Directors on March 30, 2020 and they will be presented to the Shareholders' Meeting for approval and subsequent filling within the terms required by law. The Shareholders' Meeting has the power to make amendments to these financial statements.

The company Deloitte & Touché S.p.A. was appointed auditor of

the company, based on the assignment entrusted on November 9, 2017.

In the preparation of these consolidated financial statements, the same accounting standards and valuation criteria adopted in the preparation of the consolidated financial statements at December 31, 2018 were applied, supplemented by what is described in the paragraph "Accounting principles, amendments and interpretations IFRS and IFRIC approved by the European Union applied from January 1, 2019" with the exception connected to the application of IFRS 16 Leases which was first adopted on January 1, 2019. In this regard, the Company has opted to apply the new standard by adopting the modified retrospective method as better described in the paragraph" *IFRS 16 - Leases* "of Note 4 - Evaluation criteria.

2. Basis of Presentation of the Consolidated Financial Statements

These Consolidated Financial Statements for the year ended December 31, 2019 have been prepared in accordance with International Accounting Standards (International Accounting Standards - IAS and International Financial Reporting Standards - IFRS) issued by the International Accounting Standards Board (IASB), and interpretations issued by the IFRS Interpretations Committee (IFRIC) and the Standing Interpretations Committee (SIC), endorsed by the European Union pursuant to European Regulation (EC) n. 1606/2002 of July 19, 2002 and in force at the reporting date (together these standards and interpretations defined hereafter as "IAS/IFRS Standards". In particular, Legislative Decree no. 38 of February 28, 2005, which governs this regulation in Italy, introduced the mandatory application to apply the IAS-IFRS Standards for the preparation of the separate and consolidated financial statements to the companies issuing financial instruments admitted for trading on regulated markets in any Member State of the European Union.

These consolidated financial statements were prepared based on the best information on the IAS/IFRS Standards and taking into account best practice; any further orientations and interpretative updates will be reflected in subsequent years, in accordance with the provisions of the related accounting standards.

The consolidated financial statements were prepared on a going concern basis, pursuant to paragraphs 24 and 25 of IAS 1, as the Directors verified the absence of financial, management, operational and other factors that could indicate critical issues regarding capacity of the Group to meet its obligations in the foreseeable future and in particular in the next 12 months, taking into account the high levels of capitalization of the Group and cash and cash equivalents and access to the financial market. This assessment also takes into account what is described in the Management Report in the "Going concern and contractual framework" paragraph which illustrates the existence of a time horizon following the end of the current deadline for extending the Service Contract with the Municipality of Milan (October 31, 2020) and the conditions under which a renewal of the existing contracts between NET S.r.l. and the Local Public Transport Agency of the Basin of the Metropolitan City of Milan, Monza Brianza, Lodi and Pavia for the management of the extra-urban car service, extended to all December 31, 2020, also taking into consideration the possible impacts deriving from the COVID-19 pandemic against which rationalization and efficiency measures of variable costs will be put in place in the face of the reduction of the fees for restrictions on the movement of persons.

The description of the method in which the Group manages financial risks is illustrated in Note 6 - Management of financial risks.

The consolidated financial statements consist of the Consolidated Statement of Financial Position, the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity, the Consolidated Cash Flow Statement and the related Explanatory Notes.

In particular, the consolidated Statement of financial position was prepared according to the format categorising assets and liabilities as "current/non-current" as per IAS 1. An asset/liability is classified as current when it satisfies any of the following criteria:

- it is expected to be realised/settled or it is expected to be sold or utilised in the normal operating cycle; or
- it is principally held to be traded; or
- it is expected to be realised/settled within twelve months from the reporting date.

Where none of these conditions applies, the assets/liabilities are classified as non-current. The receivable and payable balances also disclose the amounts with related parties.

The consolidated income statement was prepared classifying revenues and costs by type, indicating the interim gross and net operating margin and the result before taxes, in order to better present the operating performance. The chosen format complies with internal reporting and *business* management practice, in addition to international best practice and is therefore considered more representative than presentation by destination, providing more reliable and relevant performance indicators for the sector. The revenues and costs also disclose the amounts with related parties. Revenues and costs with related parties are also illustrated in detail by counterparty in the table at Note 43.

The consolidated statement of comprehensive income includes the changes during the year generated by transactions other than those with the Shareholders and based on specific IAS/IFRS Standards. The changes to "other comprehensive profits (losses)" are presented separately from the related tax effects.

The consolidated statement of comprehensive income was prepared as per IAS 1 and outlines the changes to the consolidated equity accounts concerning:

- allocation of the consolidated result for the year;
- each profit and loss account, net of any tax effects which, as required by IAS-IFRS, are alternatively directly recognized to consolidated equity (actuarial profits and losses generated from the measurement of defined benefit plans, measurement of financial assets at *fair value* and measurement of derivative financial instruments at *fair value* held by associates measured under the equity method) or are recognized to an equity reserve, whose impact is therefore directly reflected in equity;
- the effect deriving from changes in accounting standards or the introduction of new accounting standards.

The Consolidated Statement of Cash Flows presents the cash flow movements during the year, classified as relating to operating, investing or financing activities; cash flows from operating activities are presented according to the indirect method.

The Consolidated financial report includes the Directors' Report, which comprises the Consolidated Financial Statements. In addition, in compliance with the requirements introduced by Legislative Decree No.254 of December 30,2016 enacting Directive 2014/95/EU, and in compliance with the GRI *Sustainability Reporting Standards* - published by the *Global Reporting Initiative* (GRI) – the ATM Group prepared the Consolidated Non-Financial Report to ensure the dissemination of the activities of the Group, of its performance, of its results and of the impact produced, covering 5 significant areas: environment, social aspects,

personnel management, human rights and the fight against corruption. For further details, reference should be made to the separate document "2019 Consolidated Non-Financial Report" available on the website www.atm.it.

The Group's functional currency is the Euro and the presentation currency of the Consolidated Financial Statements, which represents the currency of the country in which the Group principally operates; the Consolidated Financial Statements and all the amounts included in the tables of the Explanatory Notes, except where otherwise indicated, are illustrated in thousands of Euro.

The consolidated financial statements were prepared applying the historical cost method, taking in consideration where appropriate value adjustments, with the exception of the financial statements accounts which according to IAS-IFRS principles must be recognized at *fair value*, as indicated in the accounting policies and without prejudice to the cases in which the IAS-IFRS standards permit a different valuation criteria and this alternative criteria to the cost has been adopted (in this case the valuation of the real estate portfolio at *fair value*).

No subsequent events arose which altered conditions at the reporting date and which required amendments to asset and liability values and on the result for the year. For subsequent events to the reporting date, for which there were no equity, economic and financial impacts, reference should be made to the specific paragraph in the Management Report.

3. Consolidation method and principles

Subsidiaries

The consolidated financial statements include, in addition to the Parent Company, the companies in which it directly or indirectly controls, from the date of acquisition and until the date the control terminates. Control may be exercised either through direct or indirect holding of the majority of the exercisable votes, or by means of the right to receive the variable returns deriving from its relationship with the company, impacting upon these returns and exercising their power over the company, independent of the holding in the company. The existence of potential exercisable voting rights at the reporting date is considered in order to determine control.

In the case of the purchase of investments not fully controlled, the goodwill is recognized only for the part attributable to the Parent Company. The value of non-controlling interests is determined in proportion to the investment held by third parties in the identifiable net assets of the investee.

Where the business combination was undertaken in several steps, on the acquisition of control the previous holdings are remeasured at fair value and any difference (positive or negative) recognized in the income statement.

After acquiring non-controlling interests share and obtaining control, the positive difference between acquisition cost and book value of the non-controlling interest acquired is recognized as a reduction of the equity of the Group. On the sale of holding which do not result in the loss of control of the entity, however, the difference between the price received and the book value of the holding sold is recognized directly as an increase of equity, without recognizing through the income statement.

With reference to transactions between entities under common control ("Business combination under common control"), excluded from the application of IFRS 3 *Business Combination* and not governed by other IFRS accounting standards, in the ATM Group, in the absence of such a standard, these transactions are recognized taking into account the provisions of IAS 8 *Operating Segments*, or rather the concept of reliable and fair representation of the transaction and in accordance with the provisions of OPI 1 (Assirevi preliminary IFRS interpretations).

The financial statements of subsidiaries and associates were prepared as at December 31 - reporting date of the consolidated financial statements, specifically prepared and approved by the Board of Directors of the individual companies, appropriately adjusted, where necessary, in accordance with the accounting policies of the ATM Group.

The subsidiary companies are consolidated using the comprehensive method, as illustrated below:

- the assets and liabilities and the charges and income of the companies fully consolidated are recognized line-by-line, attributing to the non-controlling interests, where applicable, the share of equity and result for the period pertaining to them; this share is recognized separately under net consolidated equity and in the consolidated income statement;
- the business combinations between entities not subject to common control, in which the control of an entity is acquired, are recognized applying the Purchase method. The acquisition cost is represented by the fair value, at the purchase date, of assets transferred, of liabilities assumed and of capital instruments issued. The identifiable assets acquired and liabilities assumed are recognized at their fair value at the purchase date. The difference between the purchase cost and the fair value of the identifiable assets and liabilities acquired, if positive, is recognized under intangible assets as goodwill, or, if negative, after verifying the correct measurement of the fair values of the assets and liabilities acquired and of the purchase cost, recognized directly to the income statement, as income; Where the fair value of the identifiable assets and liabilities acquired may only be determined provisionally, the aggregation of business is recognized utilising the provisional values. Any adjustments deriving from the completion of the valuation process are recognized within 12 months from the acquisition date, restating the comparative figures;
- the gains and losses, with the relative fiscal effect, deriving from operations between fully consolidated companies and not yet realised with third parties, are eliminated, except for unrealised losses which are not eliminated where the transaction indicates a reduction in the value of the asset transferred. The effects deriving from reciprocal payables and receivables, costs and revenues, as well as financial income and expenses are also eliminated.

for the acquisition of non-controlling interests relating to entities in which control already exists, any difference between the purchase cost and the relative share of equity acquired is recognized under equity.

All the subsidiaries are included in the consolidated scope at the date in which the Group acquires control. Entities are excluded from the consolidation scope from the date the Group losses control.

List of companies consolidated using the comprehensive consolidation method:

Company	Consolidation method
ATM Servizi Diversificati S.r.l.	comprehensive
Gesam S.r.I.	comprehensive
International Metro Service S.r.l.	comprehensive
Metro Service A/S	comprehensive
Nord Est Trasporti S.r.l.	comprehensive
Rail Dignostics S.p.A.	comprehensive

Associates

Associates are those in which the ATM Group exercises a significant influence, which is considered the power to participate in the financial and operating policy decisions of an investee, however not exercising control or joint control. In the evaluation of significant influence, is also taken into consideration the potential voting rights that are effectively exercisable or convertible.

Investments in associates are initially valued at cost incurred for the relative purchase and subsequently measured under the equity method. The equity method is as described below:

- the book value of the investments in associates is aligned with its Equity share, adjusted, where necessary, to the accounting policies adopted by the ATM Group and includes the recognition of the higher value attributed to the assets and liabilities and of any goodwill identified on acquisition;
- the ATM Group gains and losses of the associates are

recognized at the date in which the significant influence begins and until the significant influence terminates; in the case where, due to losses, the companies measured under this method indicates negative equity, the carrying value of the investment is written down and any excess pertaining to the ATM Group, where this latter is committed to comply with legal or implicit obligations of the investee, or in any case to cover the losses, is recognized in a specific provision; the comprehensive income items measured under the equity method are recognized in separate equity reserves;

the gains and losses not realised generated on operations between the Parent Company and subsidiary companies and investments valued under the equity method are eliminated based on the share pertaining to the ATM Group in the subsidiary; the losses not realised are eliminated, except when they represent a reduction in value.

The results of the associates are recognized in the consolidated income statement in the account "The net result of companies measured under the equity method".

Where the value thus determined is higher than the recoverable value an adjustment is made to the investment in the associate through the recognition of an impairment in the Income Statement.

The investments held in subsidiaries, associates and in other companies whose consolidation or whose recognition in the consolidated financial statements under the equity method does not produce significant effects on the statement of the financial position as well as on the profit of the Group, are excluded from the consolidation scope and are recognized at *fair value*, where available, or at cost net of any impairment.

List of companies consolidated using the equity method:

Company	Consolidation method
Metro 5 S.p.A.	equity
SPV Linea M4 S.p.A.	equity

List of investments in companies registered at cost, net of any reductions for impairment:

Company	Consolidation method
CO.MO. Fun&Bus S.c.a r.l.	Cost
Consorzio SBE	Cost
Metrofil S.c.a r.l.	Cost
Movibus S.r.I.	Cost
SPM4 S.c.p.A. in liquidazione	Cost

The financial statements of the subsidiaries and associates are prepared in the primary currency in which they operate (functional currency). The rules for the conversion of the financial statements of Metro Service A/S (Denmark) which operates in a different currency than the Euro are as follows:

- the assets and the liabilities are converted using the exchange rate at the balance sheet date;
- the costs and revenues are converted at the average exchange rate for the period;
- the translation reserve, included under consolidated equity, includes both the foreign exchange differences generated from the conversion of foreign currency transactions at a

rate different than at the reporting date and those generated from the conversion of the opening equity at a different rate than that at the reporting date. This reserve is reversed to the income statement on the sale of the investment.

The exchange rates adopted for the conversion of the financial statements of Metro Service A/S (Denmark) – with the Danish Crown as the functional currency - are as follows:

- historical exchange rate at December 31, 2008 utilised for the conversion of the opening net equity: DKK 7.4428;
- exchange rate at December 31, 2019 utilized for the conversion of assets and liabilities:
 DKK 7.4715 for 1 Euro (DKK 7.4673 as at December 31, 2018);
- average exchange rate in 2019 utilized for the conversion of costs and revenues:
 DKK 7.4661 for 1 Euro (DKK 7.4532 for the year 2018).



4. Valuation Criteria

Property, plant and equipment

Property, plant and equipment (with the exception of deposits disposed of by the production process and those for which restructuring and redevelopment interventions are foreseen), are valued at the restated criteria of *fair value*, a criteria that allows to periodically re-determine the value of the assets so as to align it with a value equal to the *fair value* on the date of recalculation, net of accumulated depreciation and any impairment losses.

Plant and machinery are recognized at purchase or production cost. The value is recognized net of accumulated depreciation and any impairment losses. The purchase or production cost includes the charges directly incurred to prepare the assets for use, as well as any dismantling and removal charges that will incur because of contractual obligations that require the asset to be restored to its original condition.

The costs for improvements, modernization and transformation of an incremental nature of fixed assets are allocated as an asset. In particular, these improvements include the maintenance activity defined as "General revision" or "Ongoing general revision", with the objective to return the metro and tram rolling stock to conditions comparable with a corresponding purchase of a new vehicle, with its substantial reconstruction commencing from the carriage structure or, for revamping interventions, including significant technological modernization/upgrading. These interventions are based on the aging, type of rolling stock, deterioration of the stock and therefore its general usage and number of journeys and distances clocked and the need for technological modernization/upgrading. The capitalization of the interventions described above relating to the expansion, modernization or improvement is made only when they satisfy the requirements to be separately classified as an asset or part of an asset in accordance with the component approach, in which case the useful life and the relative value of each component is measured separately.

The expenses incurred for the maintenance and repairs of an ordinary nature are directly charged to the income statement

when incurred.

Depreciation is calculated on a straight-line basis based on depreciation rates representative of the economic-technical life of the tangible assets. Depreciation is calculated starting from when the asset is available for use, according to the intentions of Management. Land is not depreciated.

The estimated useful lives are as follows:

Property, plant and equipment	Useful life years
Buildings	50
Plant and machinery	
- Lines plant	
- Depot fixed plant	20
- Water supply plant	9
- Line switch plant	10
- Industrial plant	17
- Signalling plant	25
- Operating offices	17
- Substation power	17
- Localisation	17
- Magnetic-electronic ticketing	10
- Line rolling stock	
- Rail rolling stock	30
- Road rolling stock	7 ÷ 13
Industrial and commercial equipment	
- Ancillary vehicles	5 ÷ 13
- Other equipment	5 ÷ 10
- Tour buses	12
- Sentry/Shelters	20
Other assets	5 ÷ 8

The useful life of tangible assets and their residual value are reviewed and updated, where necessary, at least at the end of each year.

Tangible assets are also subject to verification to identify any reductions in value annually or whenever there is an indication that the asset may have suffered a reduction in value. Reference should be made to the contents of the following paragraph "Impairment of assets" for the criteria for determining any write-downs.

The Buildings also include properties owned that are not instrumental in nature. Similarly to land, deposits and offices, real estate investments are valued at the criteria of the cost recalculated at *fair value*, a criteria that allows periodically redetermining the value of the asset to align it with a value equal to the *fair value* on the revaluation date, at net of accumulated depreciation and any impairment losses.

In the event of the sale of the properties, any higher price collected with respect to the value of the property is recognized in the net equity under "Other reserves" which also includes the residual amount of OCI attributable to the property or land transferred.

Intangible Fixed Assets

An intangible asset is a non-monetary asset, identifiable and without physical substance, controllable and capable of generating future economic benefits. These assets are recognized at purchase and/or production cost, including the costs of bringing the asset to its current use, net of accumulated amortisation, and any loss in value.

Amortisation begins when the asset is available for use, according to the intentions of Management, and is recognized on a straightline basis in relation to the residual possibility of use and thus over the estimated useful life of the asset.

The cost of *software* license, including expenses incurred to make the *software* ready for use, are amortised on a straight-line basis over five years, while software programme maintenance costs are charged to the income statement when incurred. Intangible assets with definite useful life are tested for losses in value when there is an indication that the asset may have incurred a loss in value. Reference should be made to the paragraph below "Impairments of assets" for the criteria to determine any write-downs.

Goodwill represents the difference between the cost incurred for the acquisition of an asset and the fair value of the identifiable assets and liabilities acquired at the acquisition date. Goodwill is classified as an indefinite intangible asset and, therefore, is not systematically amortised but is subject to an impairment test at least annually in order to identify potential impairment losses. It is not allowed to restore the value of goodwill in the case of a previous write-down for impairment.

Assets held under lease agreements

Tangible assets held under lease contracts through which the control (*right of use*) of an asset is acquired, are recognised as assets of the Company through the registration of the *leased* asset in the assets with a counter-entry to a financial payable. The elements of the *leases* are the following: the identification of the asset, the right to replace it, the right to obtain substantially all the economic benefits deriving from the use of the asset and, lastly, the right to manage the use of the asset under the *lease* contract.

The right of use is systematically depreciated from the moment the asset is available for use, over the contractual term of the lease contract, according to Management's intentions.

The right of use is also submitted to an impairment test to identify any reduction in value annually or whenever there is an indication that the asset may have suffered an impairment loss as a result of the implementation of management conditions that make the lease contract onerous in accordance with IAS 37.

Investments in subsidiaries, associates and other companies

The results and the assets and liabilities of the investments in associates and in other companies are recognized in the consolidated financial statements utilising the equity method, as described in Note 3 "Consolidation criteria and methods", with the exception of those investments in which consolidation utilising the Equity method does not produce significant effects on the statement of financial position as well as on the result of the Group, which are recognized at *fair value*, where available, or at cost less any impairment.

Any positive difference, arising on acquisition from third parties, between the purchase cost and fair value of net assets acquired in an investee company is included in the carrying amount of the investment.

Investments in associates and other companies are tested annually for impairment or more frequently if evidence of impairment exists. Where an impairment loss exists, it is recognized immediately through the income statement. Where the share of losses pertaining to the Group in the investment exceeds the book value of the investment, and the Group has an obligation to cover such losses, the investment is written down and the share of further losses is recognized as a provision for risks and charges under liabilities in the statement of financial position. If subsequently the impairment loss is reversed or reduced, the increase in book value is recognized through the income statement within the limits of the original cost.

Impairments of assets

 Tangible and intangible assets with definite useful lives

At each reporting date, a verification is made to establish whether there are indicators that tangible, intangible assets (including rights of use, the reduction in value of which is connected to the emergence of conditions of use of the asset on the basis of an onerous contract pursuant to IAS 37) and the investments may have suffered a reduction in value and if, with reference at the value of the land and buildings, the *fair value* may differ from the cost restated to the fair value on the reference date of the verification (therefore including

the accumulated depreciation recorded between the two *fair value* measurement dates). To this end, both internal and external sources of information are considered. With regard to the former (internal sources): obsolescence or the asset's physical deterioration and any significant changes in the asset's use and the asset's economic performance in comparison to projections are taken into consideration. As regards external sources: the trend in the assets' market prices, any technological, market or regulatory discontinuities, the trend in market rate interest rates or the cost of capital used to evaluate investments are considered.

If the presence of such indicators is identified, the recoverable value of the above mentioned assets is estimated (*Impairment test*) and subsequently imputed to the income statement. The recoverable value of an asset is represented by the higher of its *fair value*, net of accessory selling costs, and its value in use, the current value of estimated future cash flows for the asset. In determining value in use, the expected future cash flows are discounted to the present value, compared to the investment period and the specific risks of the business. For an asset that does not generate largely independent cash flows, the recoverable value is determined in relation to the *cash generating unit* (CGU) to which the asset belongs.

A loss in value is recognized in the income statement when the book value of the asset, or of the relative *Cash Generating Unit* to which it is allocated, is higher than its recoverable value. The loss in value of the *Cash Generating Unit* is recognized as a reduction of the assets, in proportion to their book value and within the limit of the relative recoverable value. When the reasons for the write-down no longer exist, the book value of the asset is restated through the income statement, up to the value at which the asset would be recognized if no write-down had taken place and amortisation or depreciation had been recognized.

Goodwill and intangible assets not yet available for use

The recoverable value of goodwill and that of intangible assets not yet available for use is subject to an impairment test annually or more frequently, in the presence of indicators that may suggest that the aforementioned activities may have suffered a reduction in value. The original value of goodwill is not restored in any case if the reasons that led to the impairment cease to exist.

 Land and buildings valued at cost restated at fair value

In the *fair value* determination exercise, the positive difference between the restated *fair value* and the recognition value (previous recalculated *fair value* adjusted with amortization) is recognized in equity while, in the event of a negative differential, it is recognized in the shareholders' equity (OCI) up to the residual value of the *fair value* recalculation of each property and for the part exceeding the income statement.

Financial assets

Financial assets are classified into the following three categories: (i) financial assets measured at amortized cost; (ii) financial assets measured at fair value with recognition of the effects among the other components of comprehensive income (hereinafter also FVTOCI); (iii) financial assets measured at *fair value* with recognition of the effects in the income statement (hereinafter also FVTPL).

The financial assets are initially recognized at fair value.

(i) financial assets measured at amortized cost

After initial recognition, financial assets that generate contractual cash flows exclusively representing capital and interest payments are measured at amortized cost if held for the purpose of collecting contractual cash flows (so-called business model *held to collect*). According to the amortized cost method, the initial recognition value is subsequently adjusted to take into account capital repayments, any write-downs and the amortization of the difference between the repayment amount and the initial recognition value. Amortization is based on the effective internal interest rate, which represents the rate that makes the present value of expected cash flows and the initial book value equal at the time of initial recognition. Receivables and other financial assets measured at amortized cost are presented in the balance sheet net of the related provision for bad debts.

(ii) financial assets measured at fair value with recognition of the effects among the other components of comprehensive income (hereinafter also FVTOCI) The financial assets representing debt instruments whose business model provides both the possibility of collecting contractual cash flows and the possibility of realizing capital gains on disposal (so-called business model *held to collect and sell*), are valued at *fair value* with attribution of the effects to OCI (FVTOCI). In this case, changes in the *fair value* of the instrument are recognized under shareholders' equity among the other components of comprehensive income. The cumulative amount of changes in *fair value*, recognized in the shareholders' equity reserve that includes the other components of comprehensive income, is reversed to the income statement when the instrument is derecognized.

(iii) financial assets measured at fair value with the effects recognized in the income statement (hereinafter also FVTPL)

A financial asset that is not valued at amortized cost or at the FVTOCI is valued at *fair value* with the effects being recognized in the income statement (FVTPL); this category includes financial assets held for trading purposes as well as financial assets whose cash flows have characteristics that do not meet the conditions for valuation at amortized cost or at FVTOCI.

The assessment of the recoverability of financial assets not valued at fair value with effects on the income statement is made based on the so-called *Expected Credit Losses model*.

Financial assets sold are derecognized when the contractual rights associated with obtaining the cash flows associated with the financial instrument expire or are transferred to third parties.

With regard to value adjustments ("*impairment*"), loans and debt securities classified as financial assets at amortized cost, financial assets at fair value with an impact on comprehensive income and significant off-balance sheet exposures are subject to calculation of adjustments of value.

In this regard, these instruments are classified in stage 1, stage 2 or stage 3 depending on their absolute or relative credit quality with respect to the initial supply. In particular:

Stage 1: includes (i) newly originated or acquired credit exposures,
 (ii) exposures that have not suffered a significant deterioration in credit risk with respect to the date of initial recognition and (iii) exposures with low credit risk ("Low credit risk exemption").

- Stage 2: includes credit exposures, which although not impaired, have undergone a significant deterioration in credit risk compared to the date of initial recognition.
- Stage 3: includes impaired credit exposures. For exposures belonging to stage 1 the total value adjustments are equal to the expected loss calculated over a time horizon of up to one year. For exposures belonging to stages 2 or 3 the total value adjustments are equal to the expected loss calculated over a time horizon equal to the expected loss calculated over a time horizon equal to the entire duration of the relative exposure.

In order to respond to the requests of the principle, the Group has developed specific models for the calculation of the expected loss that rely on the parameters of probability of insolvency ("PD"), loss considered insolvency ("LGD") and exposure to the date of insolvency ("EAD") used for regulatory purposes and to which specific corrections are made in order to ensure full consistency with accounting regulations. In this context, forward-looking information was also included through the development of specific scenarios.

Inventory

Inventory - relating to materials for rolling stock maintenance, are recognized at the lower between purchase cost (including any accessory charges) and net realisable value. The cost is determined in accordance with the weighted average cost method. The net realisable value is represented by the replacement cost.

Obsolete and/or slow-moving inventory is written down in relation to it's expected future utilisation through the recognition of an obsolescence provision. The write-downs made are restored in future years should the reason for the write-down no longer exist.

Trade and other receivables

Trade and other receivables are initially recognized at *fair value* and subsequently measured based on the amortized cost method net of the doubtful debt provision. When there is an indication of a reduction in value, the asset is reduced to the value of the discounted future cash flows obtainable. Indicators of loss in value include, among others, significant

contractual non-compliance, significant financial difficulties, insolvency risk of the counterparty. Receivables are reported net of the provision for doubtful debts. When in subsequent periods the reduction in the value of the asset is confirmed, the doubtful debt provision is utilized; otherwise, where the reasons for the previous write-down no longer exist, the value of the asset is reversed up to the recoverable amount derived from applying the amortized cost method where no write down had been made.

Cash and cash equivalents

Cash and cash equivalents includes cash, bank deposits, and other short-term forms of investment, due within three months. Cash and cash equivalents are recognized at *fair value*.

Non-current assets held for sale

In accordance with the provisions of IFRS 5 "Non-current assets held for sale and discontinued operations" the non-current assets whose book value will be recovered principally through sale instead of continuous use, and where in accordance with the provisions of the specific standard and in particular the sale is considered highly probable, are classified as held for sale and measured at the lower between book value and *fair value*, net of selling costs. From the date in which these assets are classified under non-current assets held for sale, the relative depreciation is suspended.

Financial liabilities

Loans, trade payables and other financial liabilities are initially recognized at fair value, net of directly allocated accessory costs, and subsequently recognized at amortised cost, using the effective interest rate criteria. When there is a change in the expected cash flows, the value of the liabilities are recalculated to reflect this change, based on the new present value of the expected cash flows and on the effective internal rate initially determined. Loans, trade payables and other financial liabilities are classified under current liabilities, except where the contractual maturity is beyond 12 months compared to the reporting date and when the Group has an unconditional right to defer their payment for 12 months after the reporting date. Loans, trade payables and other financial liabilities are derecognized from the financial statements when they are settled and the Group has transferred all the risks and rewards relating to the instrument.

Employee Benefits

The Group has both defined contribution plans and defined benefit plans.

Third party fund operators, in relation to which there is no legal or other obligation to pay further contributions where the fund does not have sufficient assets to meet the obligations of the employees manages defined contribution plans. For the defined contribution plans, the Group pays contributions, voluntary or established contractually, to public and private pension funds. The contributions are recognized as personnel expense in accordance with the accruals principle. The advanced contributions are recognized as an asset which will be repaid or offset against future payments where due.

A defined benefit plan is a plan not classified as a defined contribution plan. In the defined benefit plans the amount of the benefit to be paid to the employee is quantifiable only after the termination of the employment service period, and is related to one or more factors such as age, years of service and remuneration. An independent actuary utilising the "*projected unit credit method*" therefore determines the obligations for the defined benefit plans. The present value of the defined benefit plan is determined discounting the future cash flows at an interest rate equal to the obligations (*high-quality corporate*)

issued in the currency in which the liabilities will be settled and takes into account the duration of the relative pension plan. The gains and losses deriving from the actuarial calculation are entirely recognized under equity in the year, taking into account the deferred tax effect.

In particular, we report that the company manages a defined benefit plan, represented by the Employment Termination Indemnities ("TFR"). "TFR" is obligatory for Italian companies in accordance with Article 2120 of the Italian Civil Code; it is a form of deferred remuneration and is based on the period of employment service and the remuneration received for this period. From January 1, 2007, Law No. 296 of December 27, 2006 ("2007 Finance Law") and subsequent decrees and regulations introduced important amendments in relation to the "TFR", including the choice of the employee to allocate maturing benefits to supplementary pension funds or the "Treasury Funds" managed by INPS. Therefore, the obligations with INPS and the complementary pension contributions, in accordance with IAS 19 "Employee benefits" are considered defined contribution plans, while the amounts recognized in the Employee Termination Indemnities at January 1, 2007 are considered defined benefit plans.

The Group until December 31, 2018, had a defined benefit plan referring to the War Veterans Fund. The accounting treatment of the benefits from the War Veterans Fund and the effects deriving from the actuarial measurement are the same as those for the Employee Termination Indemnities.

During the financial year 2019, this fund was fully distributed to the entitled parties by paying each beneficiary the sums due at the definitive closure of any future financial claims. This choice was made in consideration of the small number of beneficiaries and the commitment for its administrative management.

Provisions for risks and charges

Provisions for risks and charges are recognized to cover known or likely losses or liabilities, the timing and extent of which are not known with certainty at the reporting date. They are recognized only when there exists a current obligation (legal or implicit) for a future payment resulting from past events and it is probable that the obligation will be settled. This amount represents the best estimate of the costs required to settle the obligation. If the financial effect of the period is significant and the payment dates of the obligations can be reliably estimated, the provisions are valued at the present value of the expected payment, utilising a rate, which reflects market conditions, the change in the cost of money in the period, and the specific risk related to the obligation. The increase in the value of the provision from changes in the cost of money in the period is recognized as interest expense.

Possible risks that may result in a liability are disclosed in the notes on potential liabilities without any provision.

Revenue recognition

Revenues are recognized for the amount equal to the *fair value* of the consideration received or to be received, for the economic benefits accruing to the Group and where determined reliably.

The fee for Service Contracts relating to Local Public Transport services is recognized in the Income Statement based on the temporal competence of the distances and sections carried out in the reference year, net of penalties, discounts, allowances and premiums, as well as taxes connected.

Revenues from services (in particular, on-street parking, car parks, vehicle tow removing) are recognized on the completion of the service; sales revenue are recognized on the transfer of the risks and rewards related to the goods sold.

Rental income for commercial spaces, advertising and sponsorship are recognized in the period they mature, based on the contractual agreements underwritten.

Public Grants

Public grants, in the presence of a formal resolution, are recognized on an accrual basis in direct correlation to the costs incurred. In the case of uncertainty on their allocation, they are recognized in accordance with the cash criteria in the year in which they are received.

Capital grants

Public capital grants refer to sums paid for the acquisition of rolling stock or direct construction interventions, reconstruction and expansion of property, plant and equipment. The capital grants are recognized as a direct reduction of the assets to which they refer and contribute to the reduction in the calculation of the depreciation.

Operating grants

Operating grants refer to sums received from the Municipality of Milan or other Public Entities by the company as a reduction of costs and charges incurred. Operating grants are credited to the account "Other income" as an income item in the P&L.

Recognition of costs

Costs are recognized when relating to assets or services acquired or consumed in the year or by systematic allocation.

Dividends

They are recognized in the income statement when the right of the shareholders to receive the payment arises, which normally occurs at the shareholders' meeting for the distribution of dividends.

Financial income

Financial income is recognized on an accruals basis and includes interest income on financial assets invested, gains on the sale of financial assets and foreign currency gains. Interest income is recognized in the income statement at the moment of maturity, considering the effective yield.



Financial expenses

Financial expenses are recognized on an accruals basis and include interest on financial payables calculated using the effective interest method, losses on the sale of financial assets and currency losses.

Income taxes

Current income taxes are calculated based on the assessable income for the year, applying the current tax rates at the reporting date. Deferred taxes are calculated on all differences between the assessable income of an asset or liability and the relative book value.

Deferred tax assets are recognized only for those amounts for which it is probable there will be future assessable income to recover the amounts. The deferred taxes are calculated utilising the tax rates which are expected to be applied in the years when the temporary differences will be realised or settled. The recovery of the deferred tax asset is reviewed at each reporting date. Deferred tax assets not recognized in the financial statements are reanalysed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Current and deferred income taxes are recognized in the income statement, except those relating to accounts directly credited or debited to equity, in which case the fiscal effect is recognized directly to equity and to the consolidated comprehensive statement of income. Income taxes are offset when applied by the same fiscal authority, there is a legal right for offsetting and the payment of the net balance is expected.

ATM S.p.A. together with the subsidiaries in accordance with

Article 2359 of the Civil Code, as consolidating company applied the National Tax Consolidation for the ATM Group, which permits the IRES corporate tax calculation on the sum of the assessable amounts of the individual participants. The transactions, responsibilities and reciprocal obligations between the parent company (ATM S.p.A.) and the companies of the ATM Group within the National Tax Consolidation are defined in the "Agreement concerning the joint exercise of the option for the national consolidation by the companies belonging to the ATM Group".

Other taxes not related to income, such as taxes on property, are included under "Other operating costs and charges".

Conversion of Accounts in Foreign Currencies

Transactions in currencies other than the Euro are recognized at the exchange rate at the date of the transaction. Assets and liabilities denominated in currencies other than the Euro are subsequently adjusted to the exchange rate at the reporting date. Non-monetary assets and liabilities denominated in currencies other than the Euro are recognized at historical cost, utilising the exchange rate on the initial recognition of the transaction. Exchange differences are recognized to the income statement.

IFRS and IFRIC standards, amendments and interpretations approved by the European Union applied from the Company since January 1, 2019.

The following IFRS accounting standards, amendments and interpretations have been applied for the first time by the Group since January 1, 2019.

IFRS 16 - Leases

On January 13, 2016 the IASB published IFRS 16 – Leases, which is intended to replace IAS 17 - *Leases*, as well as IFRIC 4 *Determining whether an Arrangement contains interpretations to Lease*, SIC-15 Operating Leases – Incentives and SIC- 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The new standard provides a new definition of lease and introduces a criteria based on the control (*right of use*) of an asset to distinguish leasing contracts from service contracts, identifying as discriminating: the identification of the asset, the right to replace the asset, the right to obtain substantially all the economic benefits deriving from the use of the asset and the right to direct the use of the asset subject of the contract.

The principle establishes a single model for the recognition and evaluation of lease contracts for the lessee (lessee) which provides for the registration among the assets of the asset subject to lease, even if it is an operating one, with a financial debt as counterpart. On the contrary, the Standard does not include significant changes for the property owners.

The ATM Group made use of the option to adopt IFRS 16 with the modified retrospective method; which provides for the possibility of recognizing the right of use at January 1, 2019 for an amount equal to the residual financial liability at that date, without restating the data of the previous year; consequently, the balances of the consolidated financial statements as at December 31, 2019 are not comparable with the values for the year ended December 31, 2018.

In particular, the Company has recognized for lease contracts previously classified as operating:

 a financial liability, equal to the present value of future payments remaining on the transition date, discounted using for each contract the *incremental borrowing* rate applicable at the transition date; b. the right of use equal to the value of the financial liability at the transition date, net of any accrued income and prepaid expenses related to the *lease* and recognized in the financial statement at the closing date of these financial statements.

The following table shows the impacts estimated from the adoption of IFRS 16 on the transition date:

	Impact as at the transition date (01.01.2019)
ASSETS	
Non-current assets	
Right of use Buildings	1,262
Right of use Motor vehicles	198
Right of use Industrial equipment	332
Right to use IT equipment	448
Other rights of use	101
Total	2,341
NET EQUITY AND LIABILITIES	
Non-current liabilities	1,625
Financial liabilities for non-current leases	1,625
Current liabilities	716

ouno		110
	Financial liabilities for current leases	716
Total		2,341

It should be noted that the weighted average *incremental borrowing rate* applied to the financial liabilities recorded on January 1, 2019 was 1.45%.

In adopting IFRS 16, the Group made use of the exemption granted by paragraph IFRS 16: 5 (a) in relation to *short-term leases* for the following asset classes:

buildings;

vehicles

Likewise, the Group made use of the exemption granted by IFRS 16: 5 (b) with regard to lease contracts for which the underlying asset is a *low-value asset* (when the new assets subject to the leases agreement do not exceed Euro 5,000).

The contracts for which the exemption has been applied mainly include the following categories:

- computers, telephones and tablets;
- printers;
- other electronic devices.

For these contracts, the introduction of IFRS 16 will not entail the recognition of the financial liability of the lease and the related right of use, but the lease payments will be recognized in the income statement on a linear basis for the duration of the respective contracts in the component "*Operating leasing costs*" in the consolidated income statement.

The Company intends to use the following practical expedients required by IFRS 16:

- Separation of non-lease components: the Company intends to avail itself of the exemption granted by IFRS 16:15 for the following categories of assets:
 - vehicles.

The non-lease components on these assets will not be separated and accounted separately from the *lease components*, but will be considered together with the latter in determining the financial liability of the lease and the related right of use.

Furthermore, with reference to the transition rules, the Group intends to make use of the following practical expedients available in the event of choosing the modified retrospective transition method:

- Classification of contracts that expire within 12 months of the transition date as a *short-term lease*. For these contracts the *lease* installments will be recognized in the income statement on a linear basis;
- exclusion of initial direct costs from the measurement of the right of use as of January 1, 2019;
- Use of the information present at the transition date for the

determination of the *lease term*, with particular reference to the exercise of extension options and early closure.

In December 2019, the IFRS Interpretation Committee published its conclusions regarding an Agenda Decision regarding the Lease Term and, in support, the useful life of Leasehold improvements (and freely transferable assets). At the date of preparation of these consolidated financial statements, the Group is evaluating the possible impacts deriving from this interpretation on the accurate estimate of the lease term of its leasing contracts and also on the useful life of the leasehold improvement. In light of the contents reported by the Agenda Decision, the Group does not foresee significant impacts on the determination of the right of use for leased assets and the financial liabilities / assets for leased assets and expects to complete this analysis by the end of 2020.

Reconciliation with lease commitments

In order to help understand the impacts of the first application of the standard, the following table provides a reconciliation between future commitments relating to *lease* contracts, which are disclosed in the Explanatory Notes of the financial statements as at December 31, 2018, and the expected impact of the adoption of IFRS 16 on January 1, 2019.

Recognition of lease agreements	01.01.2019	
Operating lease agreement as at December 31, 2018	3,602	
Short term lease Payment (exemption)	(555)	
Low-value lease Payment (exemption)	(676)	
Not-discounted financial liabilities for the lease as of January 1,2019	2,371	
Discounting effect	30	
Financial liabilities for the lease as at January 1, 2019	2,341	
Present value of financial lease liabilities as at December 31, 2018	-	
Financial liabilities for additional leases due to	2,341	

the transition to IFRS 16 as at January 1, 2019

The transition to IFRS 16 also introduced some elements of professional judgment which involve the definition of some accounting *policies* and the use of assumptions and estimates by the Directors. In this regard, the Group has decided the following:

- not to apply IFRS 16 for leasing contracts that have an intangible asset as their underlying asset;
- for the purpose of determining the duration of the lease term, the Group has analyzed all the leasing contracts, defining for each of them the *lease term*, as the "noncancellable" period considering the effects of any extension options or early closure, the exercise of which was deemed reasonably certain using the information available at the transition date;
- since for all leasing agreements entered into by the Group there is no implicit interest rate, the discounting rate to be applied to payments for future minimum rent fees for the determination of the financial liability was determined taking into account the bond loan repayment rate as well as the risk-free rate of Italy, with a maturity commensurate with the duration of the loan agreement with the European Investment Bank, increased by the specific credit spread attributable to the Group.

Annual Improvements to IFRSs 2015-2017 Cycle

On December 12, 2017, the IASB published the document "Annual Improvements to IFRSs 2015-2017 Cycle" which incorporates the changes to some principles as part of the annual improvement process. The main changes concern:

- IFRS 3 Business Combinations and IFRS 11 Joint Arrangements: the amendment clarifies that when an entity obtains control of a business that represents a joint operation, it must remeasure the interest previously held in that business. This process however is not, planned if joint control is obtained.
- IAS 12 Income Taxes: the amendment clarifies that all tax effects related to dividends (including payments on financial instruments classified as part of equity) should be accounted for in a consistency with the transaction that generated these profits (Income statement, OCI or Equity).
- IAS 23 Borrowing costs: the amendment clarifies that in the case of loans that remain in place even after the reference-qualifying asset is ready for use or for sale, these become part of the set of loans used to calculate the financing costs.

The adoption of this amendment did not have any effects on the Group's consolidated financial statements as at December 31, 2019.

Plant Amendment, Curtailment or Settlement (Amendments to IAS 19)

On February 7, 2018 the IASB published the document "Plant Amendment, Curtailment or Settlement (Amendments to IAS 19)". The document clarifies how an entity must recognize a change (i.e. a curtailment or a settlement) of a defined benefit plan. The changes require the entity to update its assumptions and re-measure the liability or net asset arising from the plan. The amendments clarify that after this event occurs, an entity uses updated hypotheses to measure the current service cost and the interests for the rest of the reference period following the event. The adoption of this amendment did not have any effects on the Group's consolidated financial statements as at December 31, 2019.

Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)

On October 12, 2017 the IASB published the document "Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)". This document clarifies the need to apply IFRS 9, including the requirements related to impairment, to other long-term interests in associates and joint ventures for which the equity method is not applied. The adoption of this amendment did not have any effects on the Group's consolidated financial statements as at December 31, 2019.

Uncertainty over Income Tax Treatments (IFRIC Interpretation 23)

On June 7, 2017 the IASB published the interpretation "Uncertainty over Income Tax Treatments (IFRIC Interpretation 23)". The interpretation deals with the issue of uncertainties regarding the tax treatment to be applied to income taxes. In particular, the interpretation requires an entity to analyze the uncertain tax treatments (individually or as a whole, depending on the characteristics), always assuming that the tax authority examines the tax position in question, having full knowledge of all information relevant. In the event that the entity considers it unlikely that, the tax authority will accept the tax treatment followed, the entity shall reflect the effect of the uncertainty in the measurement of its current and deferred income taxes. Furthermore, the document does not contain any new disclosure obligations, but underlines that the entity will have to establish whether it will be necessary to provide information on the considerations made by the Management and relating to the uncertainty inherent in accounting for taxes, in accordance with IAS 1. The new interpretation applies from January 1, 2019, but early application is permitted. The adoption of this amendment did not have any effects on the Group's consolidated financial statements as at December 31, 2019.

Prepayment Features with Negative Compensation (Amendments to IFRS 9)

On October 2017 the IASB published "Prepayment Features with Negative Compensation" an amendment to IFRS 9. This document specifies that instruments that provide for early repayment could comply with the Solely Payments of Principal and Interest ("SPPI") test, even if the "reasonable additional compensation" to be paid in the event of early repayment is a "negative compensation" for the lender. The adoption of this amendment did not have any effects on the Group's consolidated financial statements as at December 31, 2019.

IFRS and IFRIC accounting principles, amendments and interpretations endorsed by the European Union, not yet mandatory and not adopted early by the Group from December 31, 2019

Definition of Material (Amendments to IAS 1 and IAS 8)

On October 31, 2018, the IASB published the document "*Definition of Material (Amendments* to IAS 1 and IAS 8)". The document introduced a change in the definition of "significant" contained in IAS 1 - *Presentation of Financial Statements* and IAS 8 - *Accounting Policies, Changes in Accounting Estimates and Errors.* The purpose of this amendment is to make the definition of "relevant" more specific and to introduce the concept of "obscured information" alongside the concepts of omitted or incorrect information already present in the two principles subject to modification. The amendment clarifies that an information is "obscured" if it has been described in such a way as to produce an effect similar to the one that would have been produced if this information had been omitted or incorrect for primary readers of a financial statement. The changes introduced by the document apply to

all transactions subsequent to January 1, 2020. The Directors do not expect a significant effect on the Company's consolidated financial statements from the adoption of this amendment.

References to the Conceptual Framework in IFRS Standards

On March 29, 2018, the IASB published an amendment to the *"References to the Conceptual Framework in IFRS Standards"*. The amendment is effective for periods starting on January 1, 2020 or later, but early application is permitted.

The *Conceptual Framework* defines the fundamental concepts for financial reporting and guides the Board in the development of IFRS standards. The document helps ensure that the Standards are conceptually consistent and that similar transactions are treated the same way, in order to provide useful information to investors, lenders and other creditors.

The *Conceptual Framework* supports companies in the development of accounting standards when no IFRS standard is applicable to a particular transaction and, more generally, helps interested parties to understand and interpret the Standards.

Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform

On September 26, 2019, the IASB published the amendment called "Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform". The same changes IFRS 9 - Financial Instruments and IAS 39 - Financial Instruments: Recognition and Measurement as well as IFRS 7 - Financial Instruments: Disclosures. In particular, the amendment modifies some of the necessary requirements for the application of hedge accounting, providing for temporary derogations from them, in order to mitigate the impact deriving from the uncertainty of the IBOR reform (still in progress) on the flows of future cash in the period preceding its completion. The amendment also requires companies to provide additional information in the financial statements regarding their hedging relationships which are directly affected by the uncertainties generated by the reform and to which the aforementioned exemptions apply. The amendments will apply starting from January 1, 2020, but companies can choose early application. The Directors do not expect significant effects on the Group's consolidated financial statements from the adoption of this amendment.

Accounting principles, amendments and IFRS interpretations not yet approved by the European Union

At the reference date of this financial report, the competent authorities of the European Union have not yet completed the endorsement process necessary for the adoption of the amendments and principles described below.

Definition of a Business (Amendments to IFRS 3)

On October 22, 2018, the IASB published the document "*Definition of a Business (Amendments* to IFRS 3)". The document provides some clarifications regarding the definition of business for the purpose of the correct application of IFRS 3. In particular, the amendment clarifies that while a business usually produces an output, the presence of an output is not strictly necessary to identify in business in the presence of an integrated set of activities processes and assets. However, to meet the definition of business, an integrated set of activities/processes and assets must include, as a minimum, an input and a substantial process that together contribute significantly to the ability to create output. To this end, the IASB has replaced the term "ability to create output" with "ability to contribute to the creation of outputs" to clarify that a business can exist even without the presence of all the inputs and processes necessary to create an output.

The amendment also introduced a test ("*concentration test*"), optional for the entity, to determine whether a set of assets / processes and assets purchased is not a business. If the test gives a positive result, the set of activities/processes and goods purchased does not constitute a business and the principle does not require further verification. In the event that the test gives a negative result, the entity will have to carry out further analyzes on the activities/processes and assets purchased to identify the presence of a business. To this end, the amendment has added numerous illustrative examples to IFRS 3 in order to understand the practical application of the new definition of business in specific cases. The amendments apply to all *business combinations* and acquisitions of assets subsequent to January 1, 2020, but early application is permitted.

Given that this amendment will be applied to the new acquisition transactions that will be concluded starting from January 1, 2020, any effects will be recognized in the consolidated financial statements closed after that date.

Sales or Contribution of Assets between an Investor and its Associate or Joint Venture (IFRS 10 and IAS 28)

On September 11, 2014, the IASB published an amendment to IFRS 10 and IAS 28 Sales or Contribution of Assets between an Investor and its Associate or Joint Venture. The document was published in order to resolve the current conflict between IAS 28 and IFRS 10. In accordance with IAS 28, the profit or loss resulting from the sale or transfer of a non-monetary asset to a joint venture or associate in exchange for a share in the latter's capital is limited to the share held in the joint venture or associate by other investors unrelated to the transaction. On the contrary, IFRS 10 provides for the recognition of the entire profit or loss in the event of loss of control of a subsidiary, even if the entity continues to hold a non-controlling share of it, therein, including in this case also the sale or transfer of a subsidiary to a joint venture or associate. The changes introduced provide that in a transfer/assignment of an asset or a subsidiary to a joint venture or associate, the measure of the profit or loss to be recognized in the financial statements of the transferor depends on whether the assets or subsidiary companies sold/assigned constitute or not a business, in accordance to what is envisaged by IFRS 3. In the event that the assets or the subsidiary company transferred / conferred represent a business, the entity must recognize the profit or loss on the entire share previously held; while, otherwise, the share of profit or loss relating to the share still held by the entity must be eliminated. At the present moment, the IASB has suspended the application of this amendment. Considering that this amendment will be applied to new transactions which will be concluded starting from January 1, 2020, any effects will be recognized in the consolidated financial statements closed after that date.



5. Use of estimates

The application of the IAS-IFRS principles for the preparation of the consolidated financial statements involves the making, by the Directors, of accounting estimates, often based on complex and/or subjective assessments, based on past experiences and hypotheses considered reasonable and realistic in relation to the information known at the time of the estimate, even with the support of experts. The use of these estimates is reflected in the carrying amount of assets and liabilities and in the information relating to potential assets and liabilities at the date of the consolidated financial statements, as well as in the amount of revenue and costs in the accounting period represented. Actual results may differ from those estimated due to the uncertainty that characterizes the assumptions and conditions on which the estimates are based. The estimates and assumptions are reviewed periodically and the effects of each change are reflected in the consolidated income statement.

Please note that in accordance with IAS 10, the impacts on the estimate uses of the COVID 19 pandemic will be reflected in the year 2020 as such event is considered to be a "*non-adjusting event*".

For a better understanding of the Consolidated Financial Statements, the most significant estimates of the consolidated financial statement preparation process are indicated below because they involve a high recourse to subjective judgments, assumptions and estimates relating to issues that are by their nature uncertain. Changes in the conditions underlying the judgments and assumptions adopted could have a significant impact on subsequent results.

Restated value of land and buildings at fair value

The assessment of the *fair value* of the land and of the buildings taken as a reference for the periodic recalculation of the cost is a complex estimation process that depends on the characteristics of the buildings, the criteria for identifying the market parameters used for the valuation, as well as the methodological approach adopted in determining the portfolio discount.

Impairment of assets

Tangible and intangible assets with a definite useful life and equity investments in associated companies and other companies are subject to verification in order to ascertain whether there has been a reduction in value, which must be recognized through a write-down, when there are indicators that predict difficulties, for the recovery of the related net book value through use. The verification of the existence of the aforementioned indicators requires the Directors to make subjective assessments based on the information available within the Group and from the market, as well as from historical experience. Moreover, if it is determined that a potential reduction in value may have been generated, the Group proceeds to determine the same using valuation techniques deemed appropriate. The correct identification of the indicator elements of the existence of a potential reduction in value, as well as the estimates for the determination of the same

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depend on factors that may vary over time and that are subject to uncertainties and use of estimates (growth rates, rates of return of the activities, economic-financial projections influenced by noncontrollable external variables) that influence the assessments and estimates made by the Directors.

Useful life of tangible and intangible assets

Tangible and intangible assets with a definite useful life are amortized over the estimated useful life of the related assets. The Directors determine the economic useful life of the assets at the time the asset was acquired; it is based on historical experience for similar fixed assets, market conditions and advances regarding future events that could have an impact on the useful life. Therefore, the actual economic life may differ from the estimated useful life. The Group periodically assesses technological and sector changes to update the residual useful life. This periodic update could lead to a change in the depreciation period and therefore also to the depreciation charge for future years. It should be noted that last year, on the occasion of the first adoption of the IAS-IFRS Principles, the useful lives of the metropolitan and tramway rolling stock had been updated, while in the context of the modification of the Property valuation criteria, a new economic-technical life of the buildings subject to fair value valuation has been defined.

It should also be noted that following the carrying out of an analysis of *impairment* on the metropolitan rolling stock, following the acknowledgment of the exit from the production cycle of some rolling stock due to technological obsolescence, the write-down of 6 trains was recorded on the M2 line, no longer used in the transportation service, the financial and economic effects of which are illustrated in Note 9. In addition to the above, no further endogenous and exogenous indicators were identified that made it necessary to carry out the test of *impairment*.

Recoverability of inventory

The valuation of the warehouse is an estimation process subject to the uncertainty of the determination of the replacement value of the components of rolling stock and of consumable material which varies over time and according to market conditions as well as the conditions of use of the different types of vehicles that make up the fleet based on fleet renewal plans that may change over time.

Recoverability of the balance that guarantees TPL services

The estimate of the outcome of the negotiations on the penalties and the definition and settlement by the purchasers of the balance guaranteeing the services performed as part of the TPL service contracts, entail, with particular reference to the extraurban public transport services of the Northern – East area of the province of Milan and the city of Monza and its hinterland, the adoption of assessments on the recoverability of the amounts allocated to invoices to be issued, also referring to previous years, which depend on elements that may change over time and which could therefore have significant effects compared to the current estimates made by the Directors for the preparation of the consolidated financial statements of the Group.

Recoverability of deferred tax assets

The consolidated financial statements include deferred tax assets, mainly related to the recognition of tax losses that can be used in subsequent years and to income components with deferred tax deductibility, for an amount whose recovery in future years is considered highly probable. The recoverability of the aforementioned deferred tax assets is subject to the achievement of sufficiently large future taxable profits to absorb the aforementioned tax losses or up to the amount of the deferred taxation related to other deferred tax assets. Significant judgments of the Directors are required to determine the amount of deferred tax assets that can be recognized in the financial statements based on the timing and amount of future taxable income. In particular, what the Directors deem recoverable against the future taxable income assumed to have a time horizon exceeding the end of the current expiry of the Service Agreement with the Municipality of Milan extended until October 31, 2020, taking into account the presentation of "Milano Next" which, as described in the Management Report, increases the probability of winning the tender issued by the Basin Authority to the Group as, in the event of a favorable assessment, "Milano Next" will constitute the tender basis, while in the event that potential competitors present improvement offers (both in economic and feasibility terms), "Milano Next", as a "promoter", may exercise pursuant to the aforementioned art.183, paragraph 15, of Legislative Decree 50/2016 - the right of first refusal, thus winning the prior concession, the equalization of the best offer presented.

In particular, as reported in the Management Report, the Directors believe it highly probable that the Parent Company generates taxable income both if it exercises the service under an extension regime, in the event that the tender is not called and assigned, and in the event that the tender is launched and has as its basis the "Milano Next" project submitted to the TPL Agency on May 23, 2019 or was lost, due to the aforementioned exercise of the right of first refusal, or the possibility that the Parent Company operates, however, as the company owning the means and capital goods ("Rosco Management") which must be made available to the new manager if it is decided not to benefit from the exercise of the right of first refusal. Given the temporal uncertainty with which the events related to the examination of the "Milano Next" project will occur and consequent decisions relating the awarding or not to the Group and the exercise of the right of first refusal or Rosco Management - given the time necessary for the completion of a tender of such characteristics and such economic values - it is believed that the certain time frame of prolongation of the activity cannot be less than 3 years, therefore until 2022; therefore, the recognition of deferred tax assets on tax losses took place by taking this time horizon as a reference, assuming the realization of taxable profits in the least favorable of the result alternatives of the evolution of the procedure managed by the Basin Authority, also taking into account the foreseeable impact of the reduction of the taxable amount of 2020 associated with the effects of the COVID 19 pandemic.

Processes for estimating funds for risks and charges

The Group is subject to legal and tax disputes that can derive from complex and difficult problems, which are subject to a different degree of uncertainty, including the facts and circumstances inherent to each case, the jurisdiction and the different applicable laws. Given the inherent uncertainties of these issues, it is difficult to predict with certainty the outlay that could arise from such disputes. Consequently, the Directors, having heard the opinion of their consultants and experts in legal and tax matters, ascertain a liability for such disputes when it considers it probable that a financial outlay will occur and when the amount of the resulting losses can be reasonably estimated . This estimate involves the adoption of assumptions that depend on factors that may change over time and which could therefore have significant effects compared to the current estimates made by the Directors for the preparation of the Group's consolidated financial statements. Demonstration of this estimation uncertainty is represented by the significant impacts recognized in the 2019 Financial Statements due to the redefinition of certain estimations in light of new and relevant information.

Factors for the evaluation of employee benefits

Liabilities for employee benefits are measured using an actuarial method that requires the use of estimates and assumptions to determine the value of the obligation. The estimates and assumptions inherent in the actuarial assessment regard exogenous factors such as the discount rate and subjective factors such as the rate of increase in future remuneration, mortality and resignation.

Determination of the fair value of financial assets

The *fair value* of certain financial assets that are not listed on active markets is determined using valuation techniques. The ATM Group uses valuation techniques that use inputs directly or indirectly observable by the market at the end of the year, connected to the assets being valued. Although the estimates of the aforementioned fair values are reasonable, possible changes in the estimation factors on which the calculation of the aforementioned values is based could produce different valuations.

6. Financial risk management

This section briefly describes the Group's policies for the management and control of financial risks to which it is exposed:

- credit risk deriving from the possibility of default by a counterparty;
- liquidity risk deriving from the lack of financial resources to meet short-term commitments;
- risk of non-compliance with the *covenants* on the debt and possible default;
- risk deriving from exposure to fluctuations in interest rates, exchange rates and fluctuations in the price of commodities and the downgrading of the rating on medium/long-term debt.

During 2019 - as in the previous year - the Group did not use derivative financial instruments to hedge the effects of the aforementioned risks, with the exception of the associated company Metro 5 S.p.A. and SPV Linea M4 S.p.A., consolidated with the equity method. Moreover, Metro 5 S.p.A. has early terminated a series of "floor" operations and SPV Linea M4 S.p.A. has remodeled derivative hedging transactions, aligning them with the underlying debt on the rebalancing carried out on its Economic and Financial Plan.

1. Credit risk

The credit risk represents the Group's exposure to potential losses deriving from the non-fulfillment of the obligations assumed by commercial counterparties, mainly represented by the Municipality of Milan and its investee companies, as well as by financial counterparties in relation to the portfolio of financial assets, to deposits with banks and capital contributions also in the form of loans granted to investee.

For counterparty credit risk deriving from the use of financial instruments, the Group adopts procedures and tools for the

evaluation and selection of counterparties on the basis of *credit standing* (explicit rating assessments, monitoring of CDS - Credit Default Swaps), continuous monitoring exposure, and adoption of *stress test* scenarios.

In the management, the security of the investment is privileged before liquidity and liquidity before yield. The credit risk on liquidity and on financial instruments in the portfolio is limited as the Group only operates with counterparties with a high credit rating.

The Group is also exposed to credit risk in relation to financial guarantees (pledges on shares) issued in favor of lenders on *project finance* transactions for associated companies Metro 5 S.p.A. and SPV Linea M4 S.p.A. The maximum exposure of the Group is equal to the value of the shares of the two project companies pledged for a total of Euro 12,03 million as at December 31, 2019.

With reference to commercial counterparties, the Group has adopted internal tools for selecting and assessing the economic and financial reliability of customers and suppliers, as well as external sources for monitoring their credit situation. Continuous monitoring of the exposure to the various counterparties and the implementation of adequate mitigation actions also envisage the adoption of measures aimed at recovering the credit.

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

The table below illustrates the credit risk of the company as at December 31, 2019 compared with December 31, 2018.

	31.12.2019	31.12.2018
Non-current financial assets	24,920	23,025
Doubtful debt provision	(8)	(47)
Non-current financial assets net of doubtful debt provision	24,912	22,978
Other receivables and non-current assets	7,251	14,268
Doubtful debt provision	-	-
Other receivables and non-current assets net of doubtful debt provision	7,251	14,268
Current financial assets	252.226	260.958
Doubtful debt provision	(407)	(268)
Current financial assets net of doubtful debt provision	251,819	260,690
Current trade receivables	208,770	210,561
Doubtful debt provision	(16,948)	(18,936)
Current trade receivables net of doubtful debt provision	191,822	191,625
Other receivables and current assets	62,662	65,919
Doubtful debt provision	(481)	-
Others receivables and current assets net of doubtful debt provision	62,181	65,919
Cash and cash equivalent	182,305	239,914
Doubtful debt provision	(153)	(253)
Cash and cash equivalents	182,152	239,661
Total exposure net of doubtful debt provision *	720,137	795,141

* The items exclude tax receivables

The change in current financial assets and cash and cash equivalents reflects the effect of the investment dynamics that have absorbed liquidity, in addition to the resources destined to regulate the installments of the loan with the European Investment Bank and the payment of dividends to the Municipality of Milan and Hitachi Rail STS S.p.A.

Non-current financial assets include loans and receivables

from related parties and third parties, the increase for the year is attributable to the payments made and the interest accrued in the 2019 financial year.

The other receivables and non-current assets include the receivable, beyond 12 months, for state grants on the plant account relating to the purchase of trains of the metro line 1 as part of the *"Fiera Milano Accessibility"* project. The credit, maturing in

2021, is to guarantee the loan granted by Cassa Depositi e Prestiti, recorded for an equal amount among liabilities. The change is connected to the collection of the maturing credit related to the payment of the related maturing debt.

The decrease in the provision for the write-down of trade receivables is linked to the dynamics connected to the uses and releases made during the year in order to adjust the value to the change in expected losses (for further details, see Note 19 - Trade receivables). The main ones refer to the releases of the bad debt provision for the controlling entity Comune di Milano for

Euro 1,142 thousand and to the associated company Movibus S.r.l. for Euro 674 thousand following the collection of the credits that had been specifically written down. Specifically, the receivables from Movibus S.r.l., in 2013, were subject of the debt restructuring agreement pursuant to art. 182-bis of the RD March 16, 1942 No. 267 between the associated company and ATM.

The tables below illustrate the credit risk by counterparty, for total amount and in percentage terms, excluding cash and cash equivalents as well as current and non-current financial assets:

	31.12.2019	31.12.2018
Municipality of Milan	126,042	123,342
Receivables from tax authorities	2,913	3,143
Receivables from public entities	61,503	72,625
Receivables from third party customers	61,063	51,991
Receivables from associates	4,063	16,080
Receivables from other debtors	5,016	4,419
Receivables from subsidiaries of parent companies	654	212
Total exposure of trade receivables, current and non current receivables	261,254	271,812

	Inc. % 2019	Inc. % 2018
Municipality of Milan	48.2%	45.4%
Receivables from tax authorities	1.1%	1.2%
Receivables from public entities	23.5%	26.7%
Receivables from third party customers	23.4%	19.1%
Receivables from associates	1.6%	5.9%
Receivables from other debtors	1.9%	1.6%
Receivables from subsidiaries of parent companies	0.3%	0.1%
Total exposure of trade receivables, other current and non current receivables	100.0%	100.0%

It should be noted that a significant part of trade receivables and other current and non-current receivables is directly or indirectly attributable to the Municipality of Milan. The amount of financial assets considered to be of doubtful recoverability and of an insignificant amount is covered by appropriate provisions to the doubtful debt provision, which also takes into account the general risk of bad debts of receivables not yet due, determined based on historical experience, in compliance with the requirements of IFRS 9.

The tables below provide a breakdown of financial assets at December 31, 2019 and at December 31, 2018, net of the doubtful debt provision, by overdue period and excluding cash and cash equivalents as well as current and non-current financial assets:

	31.12.2019	Not expired	0-180	180-360	360-720	over 720
Municipality of Milan (gross)	129,528	58,510	56,664	6,648	2,817	4,889
Doubtful debt provision	(3,486)	(82)	(79)	(9)	(2,591)	(725)
Milan Municipality (net)	126,042	58,428	56,585	6,639	226	4,164
Receivables from tax authorities (gross)	2,913	2,913				
Doubtful debt provision						
Receivables from tax authorities (net)	2,913	2,913				
Receivables from entities (gross)	61,503	54,252			7,251	
Doubtful debt provision						
Receivables from entities (net)	61,503	54,252			7,251	
Receivables from customers (gross)	74,490	46,029	12,628	1,514	609	13,710
Doubtful debt provision	(13,427)	(404)	(452)	(424)	(382)	(11,765)
Receivables from customers (net)	61,063	45,625	12,176	1,090	227	1,945
Receivables from associates (gross)	4,092	2,362	173	191	1,336	30
Doubtful debt provision	(29)	(5)	(1)		(2)	(21)
Receivbales from associates (net)	4,063	2,357	172	191	1,334	9
Receivables from other debtors (gross)	5,497	5,016			481	
Doubtful debt provision	(481)				(481)	
Receivables from other debtors (net)	5,016	5,016			-	
Receivables from subsidiaries of parent companies (gross)	660	404	189	6	13	48
Doubtful debt provision	(6)	(2)				(4)
Receivables form subsidiaries of parent companies (net)	654	402	189	6	13	44
Total exposure of trade receivables, current and non- current receivables net of doubtful debt provision	261,254	168,993	69,122	7,926	9,051	6,162

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	31.12.2018	Not expired	0-180	180-360	360-720	over 720
Municipality of Milan (gross)	128,160	34,976	79,821	1,983	4,392	6,988
Doubtful debt provision	(4,818)	(3,757)	(117)	(3)	(10)	(931)
Milan Municipality (net)	123,342	31,219	79,704	1,980	4,382	6,052
Receivables from tax authorities (gross)	3,143	3,143				
Doubtful debt provision						
Receivables from tax authorities (net)	3,143	3,143				
Receivables from entities (gross)	72,625	58,357			14,268	
Doubtful debt provision						
Receivables from entities (net)	72,625	58,357			14,268	
Receivables from customers (gross)	65,420	32,682	13,402	558	3,128	15,650
Doubtful debt provision	(13,429)	(295)	(710)	(341)	(496)	(11,587)
Receivables from customers (net)	51,991	32,387	12,692	217	2,632	4,063
Receivables from associates (gross)	16,770	1,803	530	914	12,770	753
Doubtful debt provision	(690)	(40)	(1)	(1)	(9)	(639)
Receivbales from associates (net)	16,080	1,763	529	913	12,761	114
Receivables from other debtors (gross)	4,419	4,419				
Doubtful debt provision						
Receivables from other debtors (net)	4,419	4,419				
Receivables from subsidiaries of parent companies (gross)	212	164	47	1		
Doubtful debt provision						
Receivables form subsidiaries of parent companies (net)	212	164	47	1		
Total exposure of trade receivables, other current and non-current receivables net of doubtful debt provision	271,812	131,452	92,972	3,111	34,043	10,234

During the year, the write-down provisions were adjusted according to the level of risk recognized for each type of credit. Please refer to the comment sections of the Explanatory Notes for details concerning the movement of funds.

Impairment of financial assets

At each reporting date, financial assets other than those measured at *fair value* with impact on the income statement (FVTPL) and equity securities through FVTOCI are subject to an assessment aimed at verifying the existence of events that may cause the carrying amount of the assets to become not fully recoverable. A similar analysis is also carried out for current and cash balances, trade receivables, commitments to lend to third parties, and for guarantees that fall within the scope of subjects to *impairment* pursuant to IFRS 9.

IFRS 9 calls for the valuation of the provision correlated to the presumable reduction in value of financial assets using a classification in three categories (*stage allocation*) based on the degree of deterioration of creditworthiness. The measurement of the expected loss for financial assets depends on the debtor's credit risk on the first reporting date, and on the change in the same observed between the initial recognition and the reporting date. In detail:

in Stage 1, financial assets that have not undergone a significant deterioration in creditworthiness with respect to that found at the time of initial recognition in the Financial Statements, except for a deteriorated financial asset at the time of purchase or origin, are classified. The retention of *"investment grade"* status, as defined by the ECB accredited rating agencies, is deemed a discriminating factor.

Regarding the exposures included in this category, the Group

assesses the provision of loss coverage in an amount equal to the expected losses on loans arising from a possible default event in the following 12 months (*12-months expected credit losses*-ECL);

In Stage 2, financial assets for which a significant increase in credit risk has occurred with respect to the initial recognition date, regardless of whether a specific loss event has already occurred. Despite this, financial assets are considered *performing* but their quality is lower than those of stage 1.

Regarding the exposures included in this category, the Group assesses the provision to the fund for an amount equal to the losses expected over the entire life of the financial instrument (expected losses on the residual life - *lifetime expected credit losses* - ECL). We therefore proceed from the estimate of the expected loss over a period of 12 months to an estimate that takes into consideration the entire residual life of the financial asset;

in Stage 3, on the other hand, the "impaired" financial assets are classified, i.e. assets for which a loss event has occurred that definitively deteriorates the creditworthiness. Similarly to the assets classified in Stage 2, the Group assesses the provision to the fund for an amount equal to the losses expected over the entire life of the financial instrument (expected losses on the residual life - *lifetime expected credit losses* -ECL).



The following table shows the ECL ("Expected Credit Loss") values as at December 31, 2019 and as at December, 31 2018:

		Exp	ected Credit Loss	
	31.12.2019	Stage 1 ECL 12 months	Stage 2 ECL Lifetime	Stage 3 ECL Lifetime
Cash and cash equivalents	153	153		
Financial assets Held to Collect & Sell	407	407		
Loan commitments	5	5		
Financial Guarantees	17	17		
Tax receivables	1	1		
Trade receivables	16,948	16,948		
Other receivables	481	481		
Total	18,012	18,012	-	-

		Exp	ected Credit Loss	
	31.12.2018	Stage 1 ECL 12 months	Stage 2 ECL Lifetime	Stage 3 ECL Lifetime
Cash and cash equivalents	253	253		
Financial assets Held to Collect & Sell	268	268		
Loan commitments	7	7		
Financial Guarantees	17	17		
Tax receivables	1	1		
Trade receivables	18,936	18,936		
Total	19,482	19,482	-	-

In consideration of the credit risk identified, all financial assets other than trade receivables fall within stage 1, with a probability of default measured at 12 months.

2. Liquidity risk

The liquidity risk represents the risk that the financial resources are not sufficient to meet the financial and commercial obligations in the pre-established terms and deadlines, also due to the difficulty in finding funds or liquidating assets on the market.

The Group manages liquidity risk by maintaining adequate reserves, *committed* lines and has the capital capacity to obtain additional *funding*, both through access to the capital market and by leading financial institutions, including supranational ones. Risk management is carried out in the

first instance through continuous monitoring of expected and current cash flows and the correlation of the maturity profiles of financial assets and liabilities.

The following tables provide a detail of the residual maturity dates of financial liabilities based on non-discounted cash flows, based on the first maturity date to which the Group will be required to repay them. The amounts include both the cash flows relating to the repayment of the principal and the flows relating to the interest. In the case in which the interest flows are at a variable rate, the non-discounted value of the same is estimated by applying, for subsequent maturities, the last variable rate applied by the lending institution in 2019.

	31.12.2019	Contractual cash flow	0 -3 months	3-6 months	6-12 months	1-2 years	2-5 years	Over 5 years
Bonds	69,771	76,570	-	-	1,316	1,313	73,941	-
Bank loans	238,604	271,671	-	6,896	14,389	21,280	43,511	185,596
Total *	308,375	348,241	-	6,896	15,705	22,593	117,452	185,596

	31.12.2018	Contractual cash flow	0 -3 months	3-6 months	6-12 months	1-2 years	2-5 years	Over 5 years
Bonds	69,619	77,875	-	-	1,313	1,313	3,938	71,313
Bank loans	256,035	290,860	-	6,901	14,394	21,291	48,861	199,413
Total *	325,654	368,735	-	6,901	15,707	22,604	52,799	270,726

* financial liabilities deriving from the application of IFRS 16 are not included

The Group believes it has the ability to meet its payment obligations by generating cash flows from operating activities and, alternatively, by using cash on hand and / or financial instruments in the portfolio, which can be liquidated, despite the uncertainty of 2020 caused by the COVID 19 pandemic, as it believes it can implement cost efficiency measures, and therefore reduce disbursements, to counteract any impacts on fees currently not yet definitively estimable. Moreover, the Group has *committed* credit lines of Euro 49.5 million on which no uses were made at both December 31, 2019 and December 31, 2018.

3. Default risk and debt covenants

The default risk consists in the possibility that upon the occurrence of specific circumstances, included in the loan agreements or in the settlement of the bonds, the lenders are entitled to activate contractual protections that may go as far as the early repayment of the loan, thus generating a potential liquidity risk.

At December 31, 2019, the parent company had loan agreements in place with the European Investment Bank and a bond loan in Eurobond format, whose repayment is expected to be repaid in a single installment in 2024.

The loan agreements, as well as the bond loan, in line with international practice for similar transactions, generally provide for the lender's right to request the repayment of his credit by terminating the relationship with the debtor in advance, in all cases in which the latter is declared insolvent and/or is subject to bankruptcy proceedings, or has started a liquidation procedure or another procedure with similar effects.

In particular, the loan agreements and the regulation of the bond loan, as normally happens on the market, contain a series of typical clauses whose violation causes the issuer of the obligation to immediately repay the issued bonds. These include the main: (i) *negative pledge* clauses, as a result of which the financed company undertakes not to constitute real guarantees on the assets of the ATM Group in favor of new lenders, beyond a specifically identified threshold; (ii) *cross default / cross acceleration* clauses that entail the obligation of immediate repayment of the debt upon the occurrence of serious non-fulfillment which find reason or title in other loan agreements; (iii) clauses that oblige ATM to reserve to lenders a treatment similar to that due to other unsecured creditors (*pari passu*).

Specifically, the contracts also provide for compliance with financial *covenants*:

the loans granted by the EIB provide for the obligation to respect, for the entire duration of the loans, preestablished levels of financial ratios such as (i) a ratio between consolidated net equity and Group debt greater than 2, (ii) a ratio between cash flows operating before changes in CCN and Annual Debt Service greater than 3 and (iii) a ratio between real and personal guarantees given and the Group's consolidated shareholders' equity less than or equal to 15%;

the bond involves the obligation to respect, for the entire duration of the debt, a ratio between consolidated net equity and debt of the Group greater than two.

ATM is also required to ensure, for the duration of the loans and the bond loan, that the debt of the Subsidiaries is less than 10% of the Group's debt.

Failure to comply with the clauses described above, after an observation period during which the violations can be remedied, would constitute a violation of the contractual obligations and the Company can be called upon to pay the residual debt.

Compliance with these *covenants* is monitored by the Group every six months. At present, the Group is not aware of the existence of any situation of default or non-compliance with *covenants*, even after the introduction, as of January 1, 2019, of the new IFRS 16 *Leases* principle.

4. Risk deriving from exposure to fluctuations in interest rates, exchange rates, fluctuations in the price of commodities and the downgrading of the rating on the medium/long-term debt

Interest rate risk

The risk of changes in interest rates is linked to fluctuations in interest rates that affect the market value of the Group's financial assets and liabilities and the level of net financial charges. In particular, the ATM Group is exposed to fluctuations in the interest rate (mainly Euribor) on financial assets indexed at a variable rate and marginally on loans, considering that approximately 96% of medium/long-term financial debt is indexed at a fixed rate. The following table presents the variable rate and fixed rate loans.

	31.12.2019	Contratual cash flows	Current portion	1 and 2 years	2 and 5 years	Over 5 years
Variable rate	12,591	13,261	750	746	2,216	9,548
Fixed rate	295,784	334,980	21,850	21,847	115,236	176,048
Total *	308,375	348,241	22,600	22,593	117,452	185,596

	31.12.2018	Contratual cash flows	Current portion	1 and 2 years	2 and 5 years	Over 5 years
Variable rate	13,272	14,089	761	757	2,246	10,325
Fixed rate	312,382	354,646	21,846	21,846	50,553	260,400
Total *	325,654	368,735	22,608	22,604	52,799	270,725

* financial liabilities deriving from the application of IFRS 16 are not included

The *sensitivity analysis* below illustrates the effects determined on the Income Statement by a hypothetical translation of the rate curves of +50 or -50 basis points with respect to the levels actually applied in 2019 and 2018:

2019	Shift + 50 bps	Shift - 50 bps
Higher/(lower) interest expense on variable interest loans	66	(66)
Total	66	(66)

2018	Shift + 50 bps	Shift - 50 bps
Higher/(lower) interest expense on variable interest loans	70	(70)
Total	70	(70)

With reference to financial assets, the following table shows the subdivision of government bonds and corporate bonds at a fixed rate and variable rate based on the discounted repayment flows of the nominal value of the instruments at the respective due dates:

	31.12.2019	Contractual cash flows	Current portion	1 and 2 years	2 and 5 years	Over 5 years
Variable rate	37,233	37,143	3,250	6,900	21,993	5,000
Fixed rate	74,695	72,716	3,453	4,275	31,832	33,156
Total	111,928	109,859	6,703	11,175	53,825	38,156

	31.12.2018	Contractual cash flows	Current portion	1 and 2 years	2 and 5 years	Over 5 years
Variable rate	43,200	44,645	4,200	8,156	25,289	7,000
Fixed rate	66,903	68,088	3,696	5,542	20,304	38,546
Total	110,103	112,733	7,896	13,698	45,593	45,546

To complete the analysis, the *sensitivity analysis* on the bond portfolio carried out by using the *modified duration* of the individual securities in the portfolio as a reference parameter is reported, assuming an increasing change of 50, 150 and 250 in interest rates, respectively. The assumption of the analysis is the linear relationship between the prices of the securities and the relative returns.

Coupon flows have not been taken into account, since, considering the significant component of floating-rate indexed securities and the expected slight change in future rate levels, as can be deduced from the projections of the market curves, any projections on these bases would be unreliable.

	31.12.2019 -	Sen	sitivity Analysis	
		0.50%	1.50%	2.50%
Bond Securities	111,927	(1,574)	(4,869)	(8,164)
Total	111,927	(1,574)	(4,869)	(8,164)

	31.12.2018	Sensitivity Analysis		
		0.50%	1.50%	2.50%
Bond Securities	110,104	(1,452)	(2,178)	(2,904)
Total	110,104	(1,452)	(2,178)	(2,904)

With regard to the assets invested in UCITS, a parametric *sensitivity* is reported against a hypothetical change of +/- 10% of the market value at December 31, 2019

	21 12 2010	Sensitivity Analysis	sis
	31.12.2019	31.12.2019 +10%	
OICR	139,891	13,989	(13,989)
Total	139,891	13,989	(13,989)

	31,12,2019	Sensitivity Analysis	S	
	31.12.2019	+10%	-10%	
OICR	110,104	(1,452)	(2,178)	
Total	110,104	(1,452)	(2,178)	

Some considerations and the main qualitative impacts of the events subsequent to the balance sheet date on the financial instruments in place at December 31, 2019 are provided.

After the closing date, significant turbulences attributable to the growing global health emergency caused by the COVID-19 pandemic hit the financial markets. In March 2020, all markets went through major downward corrections, including traditional safe haven goods such as gold.

The tubulence mainly affected the market value of the assets themselves despite a marginal change in the quality of the creditworthiness of the issuers.

The risk profile contained in the portfolio, as well as the marginal

changes in the creditworthiness of the counterparties, allowed to mitigate the impact of the downward pressures, within the volatility ranges already subject to *sensitivity* analysis.

Moreover, in consideration of what is already indicated in the Management Report in the paragraph "Subsequent events to the end of the year" to which reference is made, also taking into account the credit lines that can be readily used, it is believed that there is no need in the short period of disposal of the invested positions.

The Group has not put in place financial derivative instruments on "interest rates" after the closing of the financial statements, nor financial derivative instruments on "commodities".



Exchange rate risk

The Group operates in the domestic market and in Denmark; it holds financial assets denominated in foreign currency and is therefore exposed to the exchange risk deriving from fluctuations in exchange rates.

		31.12.2019		
	USD	AUD	TRY	DKK
Bond Securities	9,266	-	-	6,896
Total	9,266	-	-	6,896

	31.12.2018			
	USD	AUD	TRY	DKK
Bond Securities	6,714	490	-	6,901
Total	6,714	490	-	6,901

The following table details the Group's *sensitivity analysis* to a hypothetical change of +10 or -10 *basis points* in the exchange rates applied to financial assets at December 31, 2019 and December 31, 2018:

	31.12.2019		
	Shift + 10 bps	Shift - 10 bps	
Change in value of financial assets in foreign currency	(848)	998	
Total	(848)	998	

	31.12.2018		
	Shift + 10 bps	Shift - 10 bps	
Change in value of financial assets in foreign currency	(658)	768	
Total	(658)	768	

There are no exchange risks for trade receivables and payables.

Commodity price risk

The ATM Group is exposed to the price risk of energy commodities, that is to say electricity and petroleum products, since supplies are affected by fluctuations in the prices of these commodities directly or through indexing formulas. Furthermore, since some contracts contain the exchange rate with other currencies within the price indexing formulas, the Group is also exposed to exchange rate risk.

The Group's policy is aimed at minimizing the need to resort to financial markets for hedges, which are addressed only if the coverage is deemed appropriate and convenient, both for oil products and for the supply of electricity of traction.

For the latter, the Group completes the supply through tender procedures aimed at finalizing fixed-price contracts.

The tenders are called once a year for the following year.

The trend in *baseload* prices of electricity on the markets where futures contracts are traded and in the financial derivatives markets is followed on a daily basis and tenders are called in periods that are more favorable. The fixed price allows to stabilize the cost and to formulate a certain annual budget.

Downgrading of the medium/long-term debt rating

Subject to the "credit linkage" with the State and, consequently, with the Municipality of Milan, the sole shareholder, the ATM Group constantly monitors the performance of the indicators underlying the rating assessment, as well as the evolution of the Group's capital structure , in order to maintain the judgment assigned by the rating company.

In view of the growing interest in ESG issues and taking into account the transition plan of the fleet to full electric, the Group will be able to evaluate, also with a view to transparency towards the market, the adoption of qualitative rating criteria linked to environmental sustainability factors.

Financial assets and liabilities by category

Complementing the disclosure on financial risks, the following table shows a reconciliation between financial assets and liabilities as reported in the statement of financial position and the categories of financial assets and liabilities identified based on the requirements of IFRS 7:

31.12.2019	Financial assets and liabilities at amortised cost	Financial assets and liabilities at fair value	Non-financial assets and liabilities	Total
Non-current financial assets	24,912			24,912
Other receivables and non-current assets	7,251			7,251
Current financial assets		251,819		251,819
Current trade receivables	191,822			191,822
Other receivables and current assets	62,181			62,181
Non-current financial liabilities	294,820			294,820
Current financial liabilities	20,811			20,811
Trade payables	294,644			294,644
Other payables and current liabilities	132,172			132,172

31.12.2018	Financial assets and liabilities at amortised cost	Financial assets and liabilities at fair value	Non-financial assets and liabilities	Total
Non-current financial assets	22,978			22,978
Other receivables and non-current assets	14,268			14,268
Current financial assets		260,690		260,690
Current trade receivables	191,625			191,625
Other receivables and current assets	65,919			65,919
Non-current financial liabilities	307,697			307,697
Current financial liabilities	17,957			17,957
Trade payables	286,038			286,038
Other payables and current liabilities	152,843			152,843

Determination of fair value

The *fair value* of financial assets and liabilities is determined in accordance with IFRS 13, which requires that these values be classified on the basis of a hierarchy of levels, which reflects the characteristics of the inputs used in determining *fair value*:

- Level 1: valuations made based on prices quoted on active markets for financial assets and liabilities identical to those being valued;
- Level 2: valuations made on the basis of inputs, different from the listed prices referred to in level 1, which for the financial asset or liability are observable either directly (prices) or indirectly (price derivatives);
- Level 3: assessments that refer to parameters that cannot be observed on the market.

Referring to the aforementioned classification, valuation procedures have been carried out for the fair value of the assets and liabilities outstanding at December 31, 2019 and December 31, 2018 with reference to observable market parameters:

the fair value of financial assets and liabilities with standard terms and conditions listed on an active market is measured with reference to the prices published on the market by leading market contributors (Bloomberg info provider);

- the fair value of other financial assets and liabilities is measured, where the conditions exist, by applying the discounted cash flow method, using the reference values for prices recognized for recent market transactions by leading market contributors for similar tools. In particular, for the valuation of some investments in bonds, in the absence of a regular functioning of the market, or of a sufficient and continuous number of transactions and a sufficiently low bid/ offer spread, the determination of the fair value is carried out with reference to specific quotations of primary contributors issued at the Group's request;
- in the valuation of investments in funds, the *fair value* is determined on the basis of the NAV communicated by the relevant *fund administrators* at the reporting date. In the event that this information is not available at the date of preparation of the financial statements, the last available official communication is used, in any case not earlier than one month from the closing date of financial statements.

The following table shows the financial assets and liabilities measured at fair value, and classified according to the hierarchy of levels defined above:

	0140.0040	Fair Va	lue at the reporting	date
	31.12.2019	Level 1	Level 2	Level 3
Financial assets HTC&S	99,586	99,586	-	-
Government Securities	7,729	7,729	-	-
Bond securities	91,857	91,857	-	-
Other financial assets	152,233	144,163	8,070	-
Bond securities	12,342	10,167	2,174	-
OICR	139,891	133,996	5,896	-
Total	251,819	243,749	8,070	-

	0140.0040	Fair Value	Fair Value at the reporting date			
	31.12.2018	Level 1	Level 2	Level 3		
Financial assets HTC&S	98,658	98,658	-	-		
Government Securities	8,179	8,179	-	-		
Bond securities	90,479	90,479	-	-		
Other financial assets	162,032	154,070	7,962	-		
Bond securities	11,445	9,383	2,062	-		
OICR	150,587	144,687	5,900	-		
Total	260,690	252,728	7,962	-		

In line with the provisions of IFRS 13, the *fair value* of financial liabilities at December 31, 2019 and at December 31, 2018 is reported for information purposes, among which the bond is valued at amortized cost.

	31.12.2019	31.12.2018
Bonds	69,431	68,878
Bank loans	221,353	234,895
Total	290,784	303,773

7. Operating trend - Sector analysis

The main areas of activity in which the Group is organized are:

Local Public Transport and complementary services

The area of activity relating to LPT and complementary services includes the local public transport services carried out:

- the Service Contract stipulated with the Municipality of Milan and the connected and complementary services to the LPT service such as on-street parking, car parks and towing management. The area of activity in question also includes the management of Area B and C and of the Traffic and Territory Control System, rents of commercial areas in the underground, management of advertising spaces and other residual and complementary activities;
- the single management contract for the metro line 5 between ATM S.p.A. and the concessionaire Metro 5 S.p.A. The contract regulates the management activities entrusted to ATM S.p.A. and those related to the same for the entire duration of the concession until 2040.

In addition to the local public transport services, the Group undertakes on-street parking, car parks and forced towing services, in addition to Area B and C and SCTT management services.

Core revenues refer to the service contract with the Municipality of Milan for Euro 668,483 thousand, while connected services refer for Euro 18,490 thousand to on-street parking, for Euro 8,630 thousand revenues to car parks, for Euro 2,632 thousand towing services, as well as the single management contract of metro line 5 for Euro 23,881 thousand.

Costs mainly refer to personnel expense totalling Euro 480,465 thousand, as well as service costs for Euro 213,337 thousand, which includes Euro 91,355 thousand for maintenance activities and Euro 41,017 thousand for electricity consumption.

Depreciation and impairment losses discount the non-recurring effect of the write-down made on the residual value of the rolling

stock, in particular 6 M2 line trains which will be taken out of service and consequently replaced in 2020 as a result of the supply of 12 new trains "Leonardo" model envisaged by the fourth application contract.

Intercity Local Public Transport

This activity is based on the service contract, under the net cost regime (as outlined in greater detail in the Management Report), between the subsidiary NET S.r.l. and the local public transport Agency for the Metropolitan City of Milan, Monza Brianza, Lodi and Pavia for the management of the suburban bus service. During 2017, the Agency sub-entered into the previous local entities contracts (Municipality of Monza, Milan Metropolitan City and Province of Monza-Brianza) and, with Directive No. 71bis of December 31, 2019, extended the current contracts until December 31, 2020. To ensure the continuity of the public service awarded, it is considered reasonable to expect further extensions while awaiting the tender process. The increase in operating revenues is mainly related to higher revenues referring to the increase in the operating program of Lot 3 and the recognition of the share of the LPT Agreement and inflation adjustment, as well as to the increase in revenues relating to passenger traffic as a consequence of the introduction of the new STIBM tariff system which led to a general increase in the ticket price. Compared to the 2018 the increase in amortization and impairment losses is attributable to the non-recurring effect of the write-down made during the year on a proprietary deposit, in order to align the book value with the market value against a specific appraisal.

Management of the Copenhagen metro

The area of activity in question refers to the Service Contract for the management by the Danish subsidiary Metro Service A/S. The company is controlled by the sub Holding International Metro Service S.r.l. and is responsible for the operation and maintenance of the Copenhagen metro. The current contract, which refers to the management and maintenance of the M1 and M2 metro lines, expires on September 29, 2027, in addition Metro Service A/S has completed the *mobilization* of the M3 and M4 metro lines (Cityringen) and on September 29, 2019 has inaugurated the commercial and management of the M3 line while on March 28, 2020 that of the M4 line. The latter are governed by an additional subcontracting agreement entered into with Hitachi Rail STS which also expires on September 29, 2027.

undertaken by the companies of the ATM Group, Servizi Diversificati S.r.l., Rail Diagnostics S.p.A. and Gesam S.r.l, in the sectors of claims settlement, maintenance and concrete diagnostics and of diversified services.

The following table summarizes the 2019 and 2018 economic trends in the sectors in which the ATM Group operates:

Other activities

The activities refer to accessory and connected services

2019	Local Public Transport And Complementary Services	Local public Transportation in Interurban Areas	Copenhagen Metro Management	Other Activities	Intercompany	Consolidated
Operating Revenues	868,407	29,077	89,025	9,067	(14,829)	980,747
Operating Costs	(769,726)	(25,702)	(79,904)	(6,676)	14,829	(867,179)
Gross Operating Margin	98,681	3,375	9,121	2,391	-	113,568
Amortization and impairment	(102,966)	(2,462)	(826)	(1,050)		(107,304)
Operating Result	(4,285)	913	8,295	1,341	-	6,264
Financial income and expenses						3,701
Share of profit from equity investments recognized under the equity method						1,359
Pre-Tax result						11,324
Income Taxes						(2,127)
Net Profit						9,197

2018	Local Public Transport And Complementary Services	Local public Transportation in Interurban Areas	Copenhagen Metro Management	Other Activities	Intercompany	Consolidated
Operating Revenues	872,902	26,688	68,973	9,275	(15,715)	962,123
Operating Costs	(769,848)	(25,369)	(50,747)	(7,778)	15,715	(838,027)
Gross Operating Margin	103,054	1,319	18,226	1,497	-	124,096
Ammortization and impairment	(84,266)	(1,085)	(644)	(1,221)		(87,216)
Operating Result	18,788	234	17,582	276	-	36,880
Financial income and expenses						(8,442)
Share of profit from equity investments recognized under the equity method						2,222
Pre-Tax result						30,660
Income Taxes						(12,174)
Net Profit						18,486

8. Workforce

The average number of employees rose from 9,826 in 2019 to 10,136 in 2018.

International Metro Service S.r.l. does not have employees and for the performance of its activities, it avails itself of the services provided by the Parent Company, ATM S.p.A.

The workforce at the end of the year registered the following changes:

Description	31.12.2018	Hires (+)	Leaves (-)	Other changes	Intercompany Trasfers	31.12.2019
ATM	9,130	594	(342)		14	9,396
ATM Diversified Services	21				(16)	5
Gesam	17	1	(4)			14
Metro Service A/S	420	199	(76)	7	2	552
Net	265	20	(9)			276
Rail Diagnostics	31	2	(1)			32
Total	9,884	816	(432)	7	-	10,275

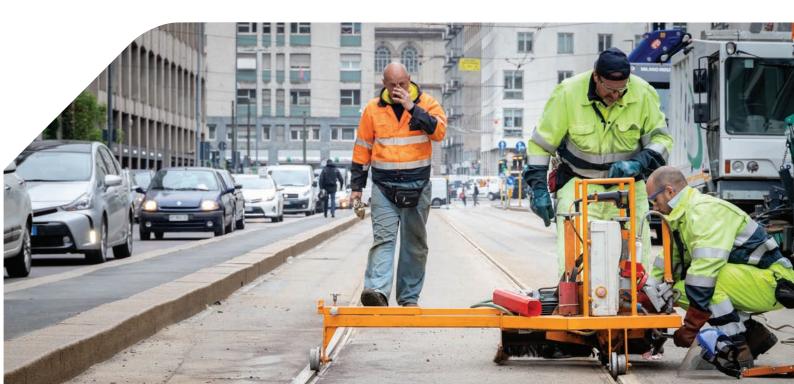
Employees numbered 10,275 at December 31, 2019, compared with 9,884 at December, 31 2018. The net change is mainly attributable to 816 new hires and 432 departures. The departures are in line with previous years and include all reasons for terminating employment; among these the most frequent concerned retirement and spontaneous resignation. With particular reference to the Danish subsidiary Metro Service A/S (+ 130 units), the increase refers to the staff hired for the opening of the Cityringen at the end of September 2019.

Notes to consolidated statement of financial position Assets

9. Property, plant and equipment

The value of "*Property, plant and equipment*" amounted to Euro 1,276,468 thousand at December 31, 2019 net of accumulated depreciation, capital grants and accumulated write-downs.

	31.12.2019	31.12.2018
Plant and machinery	803,356	780,257
Land and buildings	368,261	372,297
Industrial and commercial equipment	14,197	14,463
Other assets	3,772	3,660
Assets in progress	86,882	80,298
Total	1,276,468	1,250,975



This item refers to:

- "Plant and machinery", for Euro 803,356 thousand relating to line rolling stock and the transport system plant owned by the Group;
- "Land and buildings", for Euro 368,261 thousand mainly relating to rolling stock depots and office buildings;
- "Industrial and commercial equipment", for Euro 14,197 thousand mainly relating to auxiliary vehicles;
- "Other assets", for Euro 3,772 thousand;
- "Assets in progress", for Euro 86,882 thousand.

The component "Assets on progress" refers to advances paid to suppliers for supplies and to investments for fixed assets which at the closing date of the financial statements have not yet been completed and entered into operation, including:

 purchase of Leonardo trains for lines M1 and M2 lines, for Euro 55,050 thousand;

- trolleybus purchase, for Euro 15,497 thousand;
- revamping of "4900" tramway carriages and general overhaul of "1928" and "4700" tramway carriages, for Euro 3,321 thousand;
- purchase of diesel-electric hybrid buses for Euro 2,976 thousand
- general review of line M3 trains, for Euro 2,357 thousand;
- purchase of diesel buses for Euro 1,779 thousand;
- incremental maintenance of various company depots, for Euro 1,332 thousand;
- purchase of electric buses for Euro 1,000 thousand;

The significant increase compared to the previous year (6,584 thousand euro) is attributable to the Group's investment plan.

"Land and Buildings" include *"Property investment"*, represented by non-core owned buildings subject to commercial leases. The net book value of property investment is reported below:

	31.12.2019	31.12.2018
Property investment	12,175	12,332

Please note that the parent company ATM S.p.A. starting from the financial statements as at December 31, 2018, decided to modify the valuation criterion of the Land and Buildings, adopting the valuation at the cost re-determined at *fair value* instead of the historical cost, in accordance with the options granted by IAS 16 *Property*, *plant and equipment*.

The table below illustrates the movements during the year and in the previous year.

	Property, plant and equipment						
Property, plant and equipment	Plant & machinery	Land & buildings	Industrial and commercial equipment	Other assets	Assets in progress and advances	Tota	
Historical cost	2,897,343	502,468	70,354	44,158	82,920	3,597,243	
Accumulated depreciation	(1,596,780)	(109,010)	(55,891)	(36,143)	-	(1,797,824)	
Cumulative grants	(486,391)	(18,195)	-	(4,355)	(622)	(509,563)	
Cumulative impairment	(33,915)	(2,966)	-	-	(2,000)	(38,881)	
Net book value as at 31.12.2018	780,257	372,297	14,463	3,660	80.298	1,250,975	
Historical cost							
Investments and acquisitions in the year					154,123	154,123	
Transfers to finished plant	138,103	2,305	3,807	2,515	(146,730)	-	
Disposals, sales and reclassifications	(168,611)	-	(1,822)	(436)	(27)	(170,896)	
Accumulated Depreciation							
Depreciation for the year (Note 37)	(107,931)	(6,673)	(3,734)	(3,100)	-	(121,438)	
Disposals, sales and reclassifications	133,930	-	1,483	434	-	135,847	
Grants							
Increases	(23,598)	-		-	(20)	(23,618)	
Amount accrued in the year	34,718	391		1,528	-	36,637	
Disposals, sales and reclassifications	4,038	-		(827)	305	3,516	
Impairment							
Increases	(21,463)	(86)			(1,066)	(22,615)	
Cumulative impairment on disposal	30,822	-			-	30,822	
Utilizations of accumulated depreciation	3,093	26			-	3,119	
Disposals, sales and reclassifications	-	-			-	-	
Historical cost	2,866,834	504,774	72,339	46,236	90,285	3,580,468	
Accumulated amortisation	(1,570,783)	(115,683)	(58,142)	(38,809)	-	(1,783,417)	
Cumulative grants	(471,232)	(17,803)	-	(3,655)	(337)	(493,027)	
Cumulative impairment	(21,463)	(3,027)	-	-	(3,066)	(27,556)	
Net book value as at 31.12.2019	803,356	368,261	14,197	3,772	86,882	1,276,468	

	Property, plant and equipment						
Property, plant and equipment	Plant & machinery	Land & buildings	Industrial and commercial equipment	Other assets	Assets in progress and advances	Tota	
Historical cost	2,896,582	501,990	70,159	42,017	84,345	3,595,093	
Accumulated depreciation	(1,617,573)	(100,522)	(54,796)	(32,667)	-	(1,805,558)	
Grants	(488,480)	(18,587)	-	(5,549)	-	(512,616)	
Cumulative impairment	(68,187)	(4,632)	-	-	(2,000)	(74,819)	
Net book value as at 01.01.2018	722,342	378,249	15,363	3,801	82,345	1,202,100	
Historical cost							
Investments and acquisitions in the year	-	-	-	-	171,134	171,134	
Transfers to finished plant	166,839	478	2,904	2,331	(172,552)	-	
Disposals, sales and reclassifications	(166,078)	-	(2,709)	(190)	(7)	(168,984)	
Accumulated Depreciation							
Depreciation for the year (Note 37)	(111,428)	(6,821)	(3,801)	(3,659)	-	(125,709)	
Disposals, sales and reclassifications	132,221	(1,667)	2,707	183	-	133,444	
Grants							
Increases	(33,867)	-	-	(500)	(622)	(34,989)	
Amount accrued in the year	35,863	392	-	1,694	-	37,949	
Disposals, sales and reclassifications	93	-	-	-	-	93	
Write-downs							
Increases	112	-	-	-	-	112	
Cumulative impairment on disposal	32,454	-	-	-	-	32,454	
Utilizations of accumulated depreciation	1,818	26	-	-	-	1,844	
Disposals, sales and reclassifications	(112)	1,640	-	-	-	1,528	
Historical cost	2,897,343	502,468	70,354	44,158	82,920	3,597,243	
Accumulated depreciation	(1,596,780)	(109,010)	(55,891)	(36,143)	-	(1,797,824)	
Cumulative Grants	(486,391)	(18,195)	-	(4,355)	(622)	(509,563)	
Cumulative impairment	(33,915)	(2,966)	-	-	(2,000)	(38,881)	
Net book value as at 31.12.2018	780,257	372,297	14,463	3,660	80,298	1,250,975	

As illustrated in the table above, investments were undertaken in the year relating to "*Property*, *Plant and Equipment*" for Euro 154,123 thousand and assets sold/disposed of with an historical cost equal to Euro 170,896 thousand, an accumulated depreciation provision of Euro 135,847 thousand and an accumulated writedowns for 32,454 thousand euro. The capital gains realized during the period amounted to Euro 145 thousand relating to the sale of 40 buses.

The principal investments in the year include:

- purchase of "Leonardo" trains for metro lines 1 and 2, for Euro 44,872 thousand;
- purchase of diesel-electric hybrid buses, for Euro 46,664 thousand, of which Euro 4,740 thousand funded through regional tenders;
- purchase of electric buses, for Euro 6,894 thousand, of which Euro 4,419 thousand funded through ministerial resources;
- purchase of diesel buses, for Euro 5,032 thousand, of which Euro 2,214 thousand financed through regional tenders;
- trolleybus purchase, for Euro 13,150 thousand;
- revamping of "4900" tramway carriages and general overhaul of "1928" and "4700" tramway carriages, for Euro 7,140 thousand;
- general review of metropolitan vehicles, for Euro 6,997 thousand;
- AVM systems and surface vehicle video surveillance, for Euro 3,961 thousand, of which Euro 782 thousand financed through regional resources;
- upgrading of metro line 2 rebuilding of power supply and electric traction systems, for Euro 4,721 thousand, of which Euro 2,660 thousand financed through ministerial resources;
- extraordinary maintenance interventions of the depots, for Euro 4,202 thousand;
- electronic magnetic ticketing system, for Euro 859 thousand;
- interventions on metro security, for Euro 679 thousand;
- purchase and extraordinary maintenance of Rail Diagnostics S.p.A. operating vehicles for Euro 547 thousand;
- bike sharing cities project, for Euro 1,301 thousand financed through municipal resources;
- modernization of central station and metro station supervision system, for Euro 1,018 thousand;

- Power supply/recharge systems for buses and electric vehicles, for Euro 823 thousand;
- Signaling systems on Leonardo trains on metro line 1, for Euro 1,434 thousand.

It should be noted that following the carrying out of an *impairment* analysis on the metropolitan rolling stock, following the acknowledgment of the exit from the production cycle of some rolling stock due to technological obsolescence, a write-down of 6 trains was registered on the M2 underground line, no longer used in the transportation service, for a total of Euro 21,393 thousand. These vehicles will be taken out of service and consequently replaced during the year 2020 against the supply of new "Leonardo" model trains provided for in the fourth application contract. The effect of the provisions was recognized in the income statement under the component "*Amortization and impairment*" (Note 37).

The following write-downs were also made during the year:

- for the amount of Euro 1,152 thousand relating to the Deposit in Via Pompei owned by NET S.r.l. in order to adjust the value of the asset to the presumed market value following a specific appraisal carried out by an independent third party expert;
- for the amount of Euro 70 thousand for the only vehicle intended for the "Centrale - Linate" service owned by ATM Servizi Diversified S.r.I., since the service is temporarily suspended and its possible restart is not foreseeable.

The effect of the provisions described above was recognized in the income statement under the component "*Amortization and impairment*" (Note 37).

In addition to these factual elements of write-down, no further endogenous and exogenous indicators were identified that made it necessary to carry out the *impairment* test.

During the year, the allowance for doubtful accounts recognized in previous years was used for Euro 30,822 thousand for the disposal of subway trains no longer used in the transport service, with recognition of a capital loss, net of use of the allowance for doubtful accounts, recognized in the income statement under the component "*Other operating costs and charges*" (Note 36) for Euro 114 thousand and to use write-downs to adjust amortization for Euro 3,093 thousand relating to plant and equipment and Euro 26 thousand relating to land and buildings.

At December 31, 2019 the cumulative write-downs for loss in value

referred to:

- for Euro 21,463 thousand metro rolling stock materials for which early retirement from the production process against initial projections is expected. This is due to the progressive replacement of the trains following the supply contract signed in 2018 for additional "Leonardo" trains;
- for Euro 3,027 thousand some buildings, which for technical reasons were not utilised in the production process;
- for Euro 3,066 thousand the write-down of costs incurred for the engineering and construction of the Monza depot at via Pompei which currently comprises only office buildings.

The "Depreciation" recognized in the consolidated income statement for the year is adjusted by the grants received to cover investments, amounting to Euro 36,637 thousand.

The breakdown of these grants by contributing authorities is as follows:

- Euro 12,102 thousand by the State;
- Euro 13,639 thousand by the Lombardy Region;
- Euro 699 thousand by the Metropolitan City;
- Euro 10,192 thousand by the Municipality of Milan;
- Euro 5 thousand by private parties.

The net residual value of "*Property, plant and equipment*" held under lease agreements amounted to Euro 10,232 thousand (Euro 10,378 thousand as at December 31, 2018).

Taking into account that the properties are valued at the restated *fair value* criterion - criterion that involves the periodic restatement of the asset's value in order to align it with a value equal to the *fair value* on the restatement date, net of accumulated depreciation

and any losses of value - and that this criterion has been adapted by the Group for the year ended December 31, 2018, the Management has entrusted a primary independent third party operator with the task of carrying out an analysis aimed at providing - after 12 months from the adoption of the criterion restated at *fair value* - an update on the performance of the real estate market. The analysis carried out, highlighted the absence of significant changes in the individual reference markets, taking into account the intended uses to which the individual buildings of the Company belong. Therefore, it was not necessary to re-determine the value of the properties registered and likewise no indicators were identified that determine the need to activate the *impairment* test to verify the recoverability of the carrying value of the *assets*.

The "*Property, plant and equipment*" purchased with regional cofinancing are constrained by non-disposal restrictions pursuant to Regional Decree No. 14795/2003 and subsequent amendments and supplements. The details of the restrictions required by the regulation is as follows:

- urban buses: 8 years;
- suburban and intercity buses: 10 years;
- trolley buses: 15 years;
- metro trains and trams: 30 years;
- technologies: 7 years;
- infrastructure: 30 years.

For the automotive rolling stock material co-financed by the Lombardy Region with the 2009 relaunch plan, pursuant to Laws No. 296/2006 and 133/2008, the restrictions on disposal refer to the entire useful life of the buses fixed, where not otherwise established by the service contracts, as 15 years by Regional Decree No. IX/4619 of December 28, 2012.



10. Intangible assets

"Intangible assets" as at December 31, 2019 amount to Euro 3,928 thousand, broken down as follows:

	31.12.2019	31.12.2018
Goodwill	472	472
Software licenses	3,456	3,350
Intangible assets in progress	-	154
Total	3,928	3,976

The table below illustrates the movements during the year and in the previous year.

	Intangible assets					
Intangible assets	Goodwill	Software licenses	Intangible assets in progress	Total		
Historical cost	5,968	8,318	154	14,440		
Accumulated amortisation	(5,496)	(4,968)	-	(10,464)		
Net book value as at 31.12.2018	472	3,350	154	3,976		
Historical cost						
Investments and acquisitions in the year	-	-	1,288	1,288		
Transfers to intangible assets	-	1,468	(1,468)	-		
Disposals, sales and reclassifications	-	(7)	26	19		
Accumulated Amortisation						
Amortisation for the year	-	(1,361)	-	(1,361)		
Disposals, sales and reclassifications	-	6	-	6		
Historical cost	5,968	9,779	-	15,747		
Accumulated amortisation	(5,496)	(6,323)	-	(11,819)		
Net book value as at 31.12.2019	472	3,456	-	3,928		



			Intangible assets		
Intangible assets	Other intangible assets				
Historical cost	606	5,968	7,843	56	14,473
Accumulated amortisation	(606)	(5,496)	(5,233)		(11,335)
Net book value as at 01.01.2018	-	472	2,610	56	3,138
Historical cost					
Investments and acquisitions in the year				2,014	2,014
Transfers to intangible assets			1,926	(1,926)	-
Disposals, sales and reclassifications	(606)		(1,451)	10	(2,047)
Accumulated Amortisation					
Amortisation for the year			(1,188)		(1,188)
Disposals, sales and reclassifications	606		1,453		2,059
Historical cost		5,968	8,318	154	14,440
Accumulated amortisation		(5,496)	(4,968)		(10,464)
Net book value as at 31.12.2018	-	472	3,350	154	3,976

"Goodwill" recognized for Euro 472 thousand refers to the residual difference between the purchase cost and the present value of the identifiable assets and liabilities acquired with reference to Rail Diagnostics S.p.A. Pursuant to IAS 36, the Group carried out the *impairment* test which demonstrated the keeping of the goodwill's book value.

"Software licenses" equal to Euro 3,456 thousand relate to

operational management systems.

During the year, there were made investments in "*Intangible assets*" for Euro 1,288 thousand related to the software purchase.

Management has not identified indicators to undertake an *impairment* test for the recoverability of the carrying amount of intangible assets, other than goodwill.

11. Rights of use for leased assets

As of January 1, 2019, following the first application of IFRS 16 *Leases*, the Group recognizes for all leasing contracts, with the exception of those that have been disclosed Note 4 "Valuation criteria - IFRS 16 *Leases*", a right of use on the leasing start date, which corresponds to the date on which the underlying asset is available for use.

During the year, rights of use for leased assets were recorded for Euro 6,669 thousand, detailed below.

	31.12.2019	31.12.2018
Equipment	259	-
Buildings	797	-
Vehicles	4,887	-
IT equipment	434	-
Others	292	-
Total	6,669	-

The following table shows the changes that took place during the year.

	Rights of use for leased assets					
Rights of use for leased assets	Equipment	Other assets	Total			
Registration of rights of use for leased goods on 01.01.2019	332	1,262	198	448	101	2,341
Historical cost						
Rights of use acquired during the year	-	9	5,510	20	435	5,974
Accumulated Amortisation						
Amortisation for the year	(73)	(473)	(821)	(35)	(244)	(1,646)
Historical cost	332	1,271	5,708	468	535	8,315
Accumulated amortisation	(73)	(473)	(821)	(35)	(244)	(1,646)
Net book value as at 31.12.2019	259	797	4,887	434	292	6,669

The increase in the item that occurred during 2019 mainly refers to the registration of 217 company vehicles.

12. Investments

The item amounts to Euro 24,467 thousand and refers to the following investments:

	31.12.2019	31.12.2018
Consorzio SBE	48	48
Co.mo. Fun&Bus S.c.a r.l	4	4
Metro 5 S.p.A.	18,035	18,987
Brianza trasporti S.c.a r.l. in liquidation	-	15
Movibus S.r.I.	1,619	-
SPV Linea M4 S.p.A.	4,736	4,271
SPM4 S.c.p.A. in liquidation	25	25
Total	24,467	23,350

The table below illustrates the investments of the Group and changes in the year deriving from the measurement under equity of Metro 5 S.p.A. and SPV Linea M4 S.p.A.

	31.12.2018	Increases	Decreases	Valuation by equity	31.12.2019
Consorzio SBE	48				48
Co.mo. Fun&Bus S.c.a r.l	4				4
Metro 5 S.p.A.	18,987			(952)	18,035
Brianza trasporti S.c.a r.l. in liquidation	15		(15)	-	-
Movibus S.r.l.	-	1,619			1,619
SPV Linea M4 S.p.A.	4,271	882	-	(417)	4,736
SPM4 S.c.p.A. in liquidation	25				25
Total	23,350	2,501	(15)	(1,369)	24,467

The increases in the period refer to:

- for Movibus S.r.l. to the restoration, within the limits of the original cost, of the value of the equity investment to the representative value of the net equity owned by ATM S.p.A., based on the latest financial statements approved by the investee at December 31, 2019 and future profitability scenarios. It should be noted that during 2019 the associate fully repaid the debts towards its creditors which in 2013 were the subject of the debt restructuring agreement pursuant to art. 182-bis of the RD March 16, 1942 No. 267;
- for SPV Linea 4 S.p.A. to the capital increase subscribed on February 8, 2019.

Finally, it should be noted that on October 10, 2019 the Shareholders' Meeting of Brianza Trasporti S.c.a. S.r.l. in liquidation approved the definitive liquidation of the company as well as the allotment plan and the simultaneous reimbursement of the paid-up share capital.

The 2019 adjustment share of the book value of equity investments

that was recognized in the consolidated comprehensive income statement is negative and equal to Euro 2,728 thousand while the one recognized in the income statement is positive and equal to Euro 1,359 thousand, gross of tax effects.

The Management has not identified indicators that determine the need to activate the impairment test to verify the recoverability of the carrying value of the investments. In particular, for the company SPV Linea M4 S.p.A., the reduction in the net equity is not considered to be representative of a lasting loss in value of the investee taking into account the economic and financial results that emerged from the "Financial model of economic rebalancing" that the same company has presented to the lending banks in September 2019.

As regards the information relating to the investee companies, whose balance sheet data refer to the latest available financial statements prepared in accordance with Italian accounting principles, please refer to the information contained in Note 10 of the Explanatory Note of the separate financial statements of ATM S.p.A.

13. Non-current financial assets

	31.12.2019	31.12.2018
Loans and receivables	24,912	22,978
Metro 5 S.p.A.	17,262	16,474
SPV Linea M4 S.p.A.	5,845	4,788
Coop S.E.D. ATM/S.C.C.A.T.I.	1,162	1,238
Financial receivables from third parties	643	478
Total	24,912	22,978

"Loans and receivables" as at December 31, 2019 are broken down as follows:

- subordinated shareholders' loan for Euro 17,262 thousand granted to Metro 5 S.p.A., of which Euro 15,271 thousand in principal and Euro 2,056 thousand in interest and Euro 64 thousand of cumulative negative effect connected to the measurement at *fair value*. The interest accrued during the year 2019 amounts to Euro 959 thousand and the effect connected to the *fair value* measurement was negative and equal to Euro 171 thousand.
- subordinated shareholders' loan for Euro 5,845 thousand, granted to SPV Linea M4 S.p.A., of which Euro 4,946 thousand in principal, Euro 673 thousand in interest and 226 thousand euro of cumulative positive effect connected to the *fair value* measurement. In 2019 the interest accrued is equal to Euro

290 thousand and the effect connected to the *fair value* measurement was positive and equal to Euro 186 thousand. Interest on the subordinated loan will be collected, as agreed contractually, based on the project economic and financial plan approved in September 2019.

- Ioan of Euro 1,162 thousand paid to SED-ATM and SCCATI construction cooperatives for the construction of social housing, of which Euro 1,332 thousand in principal and Euro 170 thousand of cumulative negative effect connected to the *fair value* measurement. In 2019 the effect on the valuation at *fair value* was negative and equal to Euro 24 thousand;
- advances paid to suppliers for Euro 643 thousand requested pursuant to Article 35 of the Legislative Decree 50/2016

The following are the movements of the year:

	31.12.2018	Repayments	Payments	Accrued interests	IFRS 9	31.12.2019
Metro 5 S.p.A.	16,474	-	-	959	(171)	17,262
SPV Linea M4 S.p.A.	4,788	-	581	290	186	5,845
Coop S.E.D. ATM/S.C.C.A.T.I.	1,238	(100)	-	-	24	1,162
Third parties	478	-	165	-	-	643
Total	22,978	(100)	746	1,249	39	24,912



The effects, related to the impairment test of the "Non-current financial assets", gross of the tax effect, are shown below.

	Equity as at 01.01.2018	Economic result 2018	Total
Metro 5 S.p.A.	(335)	442	107
SPV Linea M4 S.p.A.	84	(44)	40
Coop S.E.D. ATM/S.C.C.A.T.I.	(220)	26	(194)
Total	(471)	424	(47)

	Equity as at 01.01.2019	Economic result 2019	Total
Metro 5 S.p.A.	107	(171)	(64)
SPV Linea M4 S.p.A.	40	186	226
Coop S.E.D. ATM/S.C.C.A.T.I.	(194)	24	(170)
Total	(47)	39	(8)

14. Deferred tax assets

	31.12.2019	31.12.2018
Deferred tax assets	73,595	74,740
Total	73,595	74,740

Deferred tax assets of Euro 73,595 thousand are calculated in relation to the amount of the temporary differences (relating in particular to taxed funds) and to tax losses carried forward, calculated with reference to a timeframe limited to the end of 2020. As illustrated and justified in the Management Report, the recording of the deferred tax assets on the tax losses of the Parent Company took place by taking as reference the realization of the

taxable profits in the least favorable of the result alternatives of the evolution of the procedure managed by the Basin Authority, but in any case with respect to a specific time horizon to 2022, also prudently considering the risk of reducing the taxable income for the year 2020 due to the spread of the COVID 19 pandemic.

The nature of the temporary differences, which generated the deferred tax assets, are illustrated below:

	Deferred tax assets as at 31.12.2018	Recognized in P&L	Recognized in Equity	Deferred tax assets as at 31.12.2019
Tax Losses	5,880	7,730	-	13,610
Provisions for risks	65,080	(8,682)	-	56,397
Employee termination indemnities valuation	1,204	289	608	2,101
Fair Value Financial Assets	711	103	(853)	(39)
Impairment Financial Assets	725	33	(853)	(95)
Impairment Financial Receivables	80	(65)	-	15
Impairment Commitments and Securities	5	-	-	5
Impairment Cash and Cash Equivalents	60	(24)	-	36
Impairment Trade Receivables	(159)	159	-	-
Plant and Machinery	1,865	(339)	-	1,526
Total	74,740	(899)	(245)	73,595

IRES corporate tax losses in the ATM Consolidated financial statements resulting from the last declaration presented - 2018 tax year - amount to Euro 658,556 thousand deductible to a limited extent.

They would amount to Euro 691,578 thousand, deductible to a limited extent, following the deduction of 2019 income taxes.

15. Other receivables and current assets

The component includes the receivable account, over 12 months, for state grants for assets of Euro 7,251 thousand regarding the purchase of trains on the metro line 1 as part of the *"Fiera Milano Accessibility"* project. The receivable maturing in 2021 is a guarantee of the loan granted by Cassa Depositi e Prestiti, registered for an equal amount among the liabilities; the change in the component is connected to the collection of the expiring credit related to the payment of the related expiring debt (Note 24).

16. Inventory

The balance of "Inventory" as at December 31, 2019 is as follows:

31.12.2019	31.12.2018			
116,004	111,000			
767	555			
946	928			
117,717	112,483			
(29,916)	(30,308)			
87,801	82,175			
977	2,439			
88,778	84,614			
	116,004 767 946 117,717 (29,916) 87,801 977			

Inventory, gross of "Supplier advances" and the "Obsolescence provision", increased compared to December 31, 2018 by Euro 5,234 thousand; the change is mainly due to the increase in metro and tramway material and automotive diesel. Consumable materials mainly concern supplies required for maintenance and repair interventions on the rolling stock.

Following the process of recognition of the assets in stock, obsolete assets were disposed of for Euro 6,112 thousand and the *"Inventory obsolescence provision"*, established in previous years for this purpose, was utilized for the same amount. At December

31, 2019, an adjustment was made to the obsolescence provision amounting to Euro 5,720 thousand, considering assets with a low turnover rate and the analysis for obsolete stock for disposal.

The movements in the "Inventory obsolescence provision", are shown below.

	31.12.2018	Increases	Decreases	31.12.2019
Inventory obsolescence provision	30,308	5,720	(6,112)	29,916
Total	30,308	5,720	(6,112)	29,916

The allocation to "Inventory obsolescence provision" is included in the account "Purchases of goods and changes in inventory" (Note 32).



17. Current financial assets

	31.12.2019	31.12.2018
Current financial assets	251,819	260,690
Total	251,819	260,690

Current financial assets at December 31, 2019 are as follows:

- "Held to Collect & Sell" government securities classified as FVTOCI for Euro 7,729 thousand, whose changes in *fair value* continue to be recognized with a contra-entry to the net equity reserve (recognized in the OCI) until they are realized or reclassified;
- "Held to Collect & Sell" corporate bonds classified as FVTOCI for Euro 91,857 thousand, whose changes in *fair value* continue to be recognized with a contra-entry to the net equity reserve (recognized in the OCI) until they are realized or reclassified;
- "Other" corporate bonds classified as FVTPL for Euro 12,342 thousand, whose changes in *fair value* are recognized in the income statement and contribute to the formation of the

consolidated economic result;

 "Other" quotas of UCIs classified as FVTPL for Euro 139,891 thousand, whose changes in *fair value* are recognized in the income statement and contribute to the formation of the consolidated economic result.

Please refer to paragraph 4 *Risk deriving from exposure to* fluctuations in interest rates, exchange rates, fluctuations in the price of commodities and the downgrading of the rating on the medium/long-term debt of the Note 6 Management of financial risks in relation to the effects on financial assets which occurred after the closing date of the consolidated financial statements due to the significant turbulence attributable to the growing global health emergency caused by the pandemic of COVID-19.

18. Current tax assets

	31.12.2019	31.12.2018
Withholding taxes	15,822	14,493
IRAP receivable from IRES Legislative Decree 211/2011	563	563
Receivables for advanced taxes (IRAP)	2,269	2,328
Total	18,654	17,384

"Withholding taxes" amount to Euro 15,822 thousand and is related to withholding taxes incurred by ATM S.p.A. and by companies within the scope of tax consolidation.

The *"IRAP receivable from IRES Leg. Decree 201/2011"* equal to Euro 563 thousand refers to the recognition of the deductibility for IRES purposes of the IRAP relating expenses for employees and similar

personnel, pursuant to Legislative Decree No. 201/2011, and the relative reimbursement requested for the years 2007/2011.

"Receivables for advanced taxes (IRAP)" equal Euro 2,269 thousand, refer to the amount of payments on account exceeding the income tax matured in the year 2019.

19. Trade receivables

"Trade receivables" at December 31, 2019 amount to Euro 191,822 thousand and are broken down as follows:

	31.12.2019	31.12.2018
Receivables from third parties	61,063	51,991
Receivables from related parties	130,759	139,634
Receivables from parent	126,042	123,342
Receivables from associates	4,063	16,080
Receivables from subsidiaries of parent	654	212
Total	191,822	191,625

"Trade receivables from third parties" mainly refers to receivables in Italy and in the European Union and refer to services provided for advertising, sponsorship and commercial leases in the metro stations. The increase that equal to Euro 9,072, refers mainly to the Metro Service A/ S relating to the *mobilization* and the subsequent start of operation of the M3 metro line in Copenhagen (Cityringen). provision which at December 31, 2019 amounts to Euro 13,427 thousand (Euro 13,429 thousand at December 31, 2018), set up to cover specific doubtful receivables and receivables for which currently legal actions have been undertaken.

The movement of doubtful debt provision during the year was as follows:

The receivables are recognized net of the specific doubtful debt

	31.12.2018	Increases	Releases	Uses	31.12.2019
Doubtful debt provision	13,429	579	(64)	(517)	13,427
Total	13,429	579	(64)	(517)	13,427

During the year, the provision was adjusted for Euro 579 thousand, released for Euro 64 thousand in order to adjust its value and used for Euro 517 thousand for the change in expected losses, with the recognition of these amounts under the component "Other operating costs and charges" (Note 36).

"Receivables from related parties" refer to:

"Receivables from the Parent Company" for Euro 126,042 thousand (Euro 123,342 thousand euro at December 31, 2018) net of the specific doubtful debt provision, which, at December 31, 2019, amounted to Euro 3,486 thousand. The item in question refers to receivables due from the Municipality of Milan for invoices issued for the Local Public Transport Service Contract (LPT) in December (Euro 52,970 thousand) and to withholding guarantees of the aforementioned contract equal to 5% of the fee for monthly payment for June 2019 (Euro 2,788 thousand) and for invoices to be issued for the same case for monthly payments from July to December 2019 (Euro 16,727 thousand). Receivables for invoices issued or to be issued relating to works performed on metropolitan and tram infrastructures and to various services are also included, along with the implementation of the traffic control system. The increase during the year 2019 is mainly due to the greater maintenance activities carried out on infrastructures owned by the Municipality of Milan.

At the date of preparation of this financial report, the receivable from the Municipality of Milan relating to the consideration of the LPT Service Contract was collected for the amount of 55,758 thousand euro.

The movements in the bad debt provision towards parent companies are shown below:

	31.12.2018	Increases	Releases	Utilizations	31.12.2019
Bad debt provision to parent company	4,817	14	(1,142)	(203)	3,486
Total	4,817	14	(1,142)	(203)	3,486

During the year, the provision was adjusted for Euro 14 thousand, released for Euro 1,142 thousand in order to adjust its value and used for Euro 203 thousand for the change in expected losses, with the recognition of these amounts under the item "Other operating costs and charges" (Note 36).

"Receivables from associates" for Euro 4,063 thousand (Euro 16,080 thousand at December 31, 2018), relating to services in accordance to the existing contracts. Receivables decrease significantly towards Metro 5 S.p.A. following the definition of the penalties on the Management Contract of line M5 (Note 26). This event allowed the collection of the receivables related to the consideration of the Service Contract for the second half of 2019 equal to Euro 10,688 thousand net of the definition

of the kilometric adjustments and, for the remaining part, of receivables relating to extraordinary maintenance services recognized by the grantor. It should also be noted, that the total collection of the outstanding past due receivables from Movibus S.r.l. which, in 2013, were the subject of the debt restructuring agreement pursuant to art. 182-bis of the RD March 16, 1942 No. 267 between the associated company Movibus and ATM. Details of *"Receivables from associates"* are shown below:

	31.12.2019	31.12.2018
Brianza Trasporti S.c.a r.l.	-	124
Co.Mo. Fun&Bus S.c.a r.l.	261	197
Consorzio SBE	7	-
Metro 5 S.p.A.	3,757	15,793
Movibus S.r.I.	67	656
Total	4,092	16,770
Bad debt provision	(29)	(690)
Total	4,063	16,080

During the year, the "Bad debt provision to associates" was adjusted by setting aside the amount of Euro 21 thousand, releasing the amount of Euro 674 thousand against the collections received by Movibus S.r.l. and using it for Euro 8 thousand to cover losses on bad debts of the same amount entered under the component "Other operating costs and charges" (Note 36). The movements of the year are shown below:

	31.12.2018	Increases	Releases	Usses	31.12.2019
Bad debt provision to associates	690	21	(674)	(8)	29
Total	690	21	(674)	(8)	29

"Receivables from subsidiaries", for Euro 654 thousand (Euro 212 thousand at December 31, 2018) net of the specific bad debt provision which at December 31, 2019 was equal to Euro 6 thousand. Receivables refer to services under existing contracts and the increase compared to the previous year is

connected with higher services rendered. In order to adjust the value of the allowance for doubtful accounts with subsidiaries of the parent company, the amount of Euro 6 thousand was set aside with a contra entry in the income statement under the item *"Other operating costs and charges"* (Note 36).

	31.12.2019	31.12.2018
VAT Receivable	60	-
Grants	54,252	58,357
Other tax receivables	2,853	3,143
Prepayments	2,266	2,376
Other receivables	2,750	2,043
Total	62,181	65,919

20. Other receivables and current assets

The most significant reduction, compared to December, 31 2018, relates to the item "*VAT Receivables*" following the collection of the grants for the 2018 CCNL renewals as well as a more timely management of payments by the Basin Agency on 2019 competence.

"Receivables for grants" refer to:

- for Euro 33,456 thousand (Euro 30,111 thousand at December 31, 2018) to grants by public institutions requested for investments. Grants for Euro 21,955 thousand refer to receivables for investments financed by the State, including Euro 7,191 thousand in rolling stock, Euro 6,849 thousand for safety projects and Euro 7,915 thousand for infrastructure; for Euro 11,436 thousand to loans financed by the Lombardy Region for the purchase of buses and for Euro 74 thousand to the bike sharing project financed by the Municipality of Milan;
- for Euro 13,770 thousand (Euro 21,456 thousand at December 31, 2018) to grants on reimbursements as per the renewal of CCNL ex Law 47/2004, Law 58/2005 and Law 296/2006. The decrease is due to the compliance with the payment

deadlines by the Basin Agency;

for Euro 7,017 thousand (Euro 6.790 thousand at December 31, 2018) to the current quota regarding the state capital plant grant for the purchase of trains on the metro line 1, within the *"Milan Trade Fair Accessibility"* project.

"Other tax receivables" refer mainly to the receivable for diesel excise tax still to be collected for the 3rd and 4th quarter of 2019. The collection for the third quarter of 2019 took place in January 2020.

"Prepayments" refer to insurance premiums and fee-based maintenance services pertaining to the following year, whose financial manifestation took place in the 2019 financial year.

"Other receivables" refer to advances paid for injuries on behalf of INAIL, receivables from employees for subscriptions issued to family members and deposits paid to various entities. During the year, against doubtful receivables, the amount of Euro 481 thousand was set aside in the specific bad debt provision with a contra entry in the income statement under the component "Other operating costs and charges" (Note 36).

21. Cash and cash equivalents

	31.12.2019	31.12.2018
Cash and cash equivalents	182,152	239,661
Total	182,152	239,661

The balance includes the current account balances, cash funds, balances of the prepaid company credit cards, as well as the endowments to the tellers and ticketing machines.

All the accounts are denominated in Euro, with the exception of the Danish Crown current account held by the subsidiary Metro Service A/S for a total value of Euro 9,353 thousand (Euro 10,569 thousand as at December 31, 2018).

The item "Cash and cash equivalents" is entered net of the related

provision to cover losses totalling Euro 153 thousand. In 2019, the fund was released for Euro 100 thousand.

The decrease in cash and cash equivalents occurred in 2019 is a consequence of the investments made in 2019 as well as the adjustment of the installments of the loan with the European Investment Bank and the payment of dividends to the Municipality of Milan for Euro 12,000 thousand approved by the Shareholders' Meeting on December 21, 2017.

22. Discontinued Operations

	31.12.2019	31.12.2018
Discontinued Operations	-	444
Total	-	444

The amount recognized on December 31 2018 refers for Euro 430 thousand to the value of vehicles no longer used by the subsidiary ATM Servizi Diversificati S.r.l. in the context of the *"Rental with Driver"* and intended for disposal and disposed during 2019.

When preparing the Financial Statements as at December 31, 2018, the value of the equity investment in the minority interest held by ATM in Guidami S.r.l. had been adjusted to the sale value and to reclassify the amount under the item "*Discontinued operations*" for the amount of Euro 14 thousand. On January 18, 2019, the sale of the equity investment was completed at the previously recorded value and therefore there were no effects on the Income Statement during the year.

23. Equity

"Share Capital" amounts to Euro 700,000 thousand and consists of n. 70,000,000 ordinary shares with a nominal value of 10 euros each. It is fully subscribed and paid and no changes occurred during the year and in the previous one. The Municipality of Milan is the sole shareholder of the Parent Company ATM S.p.A.

The "Other Reserves" component includes the "Actuarial gains/ (losses) reserve of defined benefit plans" which includes the effects of accounting for the "Other components of the comprehensive income" of the profits/(losses) of defined benefit plans at net of the related tax effect.

The changes indicated in the statement of the other components of the consolidated income statement are detailed and described in the "Statement of Changes in Consolidated Equity".

The quota of the First Time Adoption reserve made available amounts to Euro 124,616 thousand.

The reconciliation statement of consolidated equity and of the parent company is shown below:

	Capital and reserves as at 31.12.2018	Result as at December 31, 2019	Change in OCI components	IFRS 9 Impacts	Dividends Distribut.	Capital and reserves as at 31.12.2019
ATM S.p.A. Equity	1,179,963	960	1,495	138	-	1,182,556
Investments elimination	(29,937)					(29,937)
Reserve for actuarial losses of consolidated companies	(247)		(85)			(332)
Equity and profit by consolidated companies	83,258	10,141				93,399
Financial activities impairment	(10)					(10)
Dividends	(35,805)	(3,294)			(980)	(40,079)
Equity valuation of investments	7,976	1,346	(2,695)			6,627
Consolidation adjustments	14,460	44		1		14,505
Total equity	1,219,658	9,197	(1,285)	139	(980)	1,226,729
Group equity	1,204,959	6,091	(1,285)	139		1,209,904
Equity of third parties	14,699	3,106	-	-	(980)	16,825

24. Non-current and current financial liabilities

	31.12.2019	31.12.2018
Non-current financial liabilities	294,820	307,697
Current financial liabilities	20,811	17,957
Total	315,631	325,654

The amount of Euro 315,631 thousand refers to:

- Euro 224,336 thousand to the drawdowns, net of reimbursements, activated pursuant to the loan agreement for a total of Euro 250,000 thousand underwritten by the European Investment Bank for the financing of the new metro trains of lines 1 and 2. The loan contract establishes under the responsibility of the Parent Company ATM S.p.A. the obligation to comply with certain *covenants* of an equity and financial nature. At December 31, 2019, as in previous years, the covenants contractually set by the loan agreement were fully respected. The 2020 budget projections, confirm compliance with the covenants, also regarding the next measurement deadlines for the reference period. The debt expires entirely on June 30, 2038 and is therefore recorded under the "Non-current financial liabilities".
- Euro 69,771 thousand for the bond issued on 8 August 2017 by the Parent Company ATM S.p.A. (of which Euro 69,247 thousand in principal of the bond and Euro 524 thousand in interest accrued in the period that will be paid at the maturity date), not secured by collateral and intended only for qualified investors for a total nominal value of Euro 70,000 thousand. The bond expires on 8 August 2024 and interest is calculated at the annual fixed rate of 1.875%. It is listed on the Dublin Stock Exchange (ISIN code XS1653969953). On July 4, 2019, the international agency Fitch Ratings confirmed the longterm rating of ATM - Azienda Trasporti Milanesi to "BBB" with a negative outlook and a short-term rating of "F2". The assessment reflects, in identical measure, the level of the Sovereign rating. The assessment therefore reflects ATM's credit link with the national public sector and in particular with

the Municipality of Milan. The bond loan is valued at amortized cost and has therefore taken into account the costs incurred and the issue discounts. The effective and fixed interest rate for the entire duration of the loan is considered representative of market conditions at December 31, 2019. As it can be detected from the balance of the cash and securities items, at the end of the year, the Group has the financial resources necessary for the full repayment of the loan. At the end of the year, the Group has the financial resources necessary for the full repayment of the loan, as can be seen from the balance of the cash and securities items;

- Euro 14,268 thousand to the loan from Cassa Depositi e Prestiti for the purpose of acquiring metro line 1 trains within the "Fiera Milano Accessibility" project (of which Euro 7,017 thousand current and Euro 7,251 thousand non-current). The loan, maturing in 2021, is fully guaranteed by the State; therefore, a receivable of the same amount is recorded under "Assets" which, based on maturity, is divided into "Other receivables and current assets" for the quota due within 12 months.
- Euro 7,256 thousand at the value of the lease liability recorded following the entry into force of IFRS 16 *Leases* (of which Euro 2,488 thousand due within 12 months and Euro 4,768 thousand beyond 12 months). The application of IFRS 16 *Leases* resulted in the recognition, at the date of first application, of a financial liability of Euro 2,341 thousand as a result of the discounting of payments for future guaranteed minimum rents outstanding at January 1, 2019. During the year, the item changed due to the registration of new contracts for Euro 5,974 thousand, the recognition of the implicit interests for Euro 78 thousand and the payment of fees in the amount of Euro 1,137 thousand.

The breakdown by maturity is shown below:

	Within 12 months	Over 12 months within 5 years	Over 5 years	Total
Non-current and current financial liabilities	20,811	125,828	168,992	315,631

With reference to the loans disbursed by the European Investment Bank (EIB), the Group subscribed loans for a total of 250,000 thousand euros, of which 235,367 thousand euros at fixed rates.

The details of EIB drawdowns are shown below:

	Drawdown date	Currency	Initial amount of debt	Amount of repayable debt as at 31.12.2019	Interest rate as at 31.12.2019	Maturity
Withdraw 1	11/29/2013	Eur	14,633	12,591	0.566% (*)	06/30/2038
Withdraw 2	11/28/2014	Eur	40,000	35,387	1.99%	06/30/2038
Withdraw 3	04/23/2015	Eur	55,367	48,310	0.96%	06/30/2038
Withdraw 4	03/15/2017	Eur	70,000	64,046	1.45%	06/30/2038
Withdraw 5	01/31/2018	Eur	40,000	36,572	1.37%	06/30/2038
Withdraw 6	01/31/2018	Eur	30,000	27,429	1.37%	06/30/2038
Total			250,000	224,335		

(*) Withdraws indexed to variable interest rate

The drawdowns are recognized at amortised cost representative of the nominal value as there are no contractual transaction costs, and the effective interest rate was considered for each drawdown, fixed for the entire duration of the loan, representative of the market conditions at December 31, 2019. Similarly, the variable interest rate tranche was recognized for the nominal value as with reference to the *forward* interest rates, in the medium-term the rate is considered representative of the market conditions.

25. Employee benefits

The defined benefit plans are calculated estimating, with technical actuaries, the amount of the future benefit which the employees matured in the current period and in previous years. The calculation is made by an independent actuary utilizing the *"Projected Unit Credit Method"*. For the purposes of the calculation of the interest rate or discounting utilised this was taken from

the prices at December 31 of each year of the benchmark iBoxx Corporate EUR index with 7-10 year duration and AA rating.

"Employee benefits" include the "Employee Termination Indemnities" ("TFR") and the "War Veterans Provision":

	31.12.2019	31.12.2018
Employee termination indemnitites (TFR)	125,694	131,160
War Veterans Provision	-	552
Total	125,694	131,712

The "TFR", governed by Article 2120 of the Civil Code, refers to the estimate of the liability, relating to the amount to be paid to employees on the termination of employment. The indemnity, paid in the form of capital, is equal to the sum of the provisions calculated on the remuneration salary accounts based on the employment contract and revalued until the termination of service. Due to the legislative amendments introduced from January 1, 2007 for companies with more than 50 employees, the employee termination indemnity maturing is classified as a defined contribution plan as the obligation of the company is exclusively represented by the payment of the contributions to the pension fund or to the INPS fund. The liability relating to the employee termination indemnities prior to January 1, 2007 represents a defined benefit plan measured based on actuarial techniques. The "TFR" is an unfunded defined benefit plan and therefore there are no assets to service the plan.

The following changes took place in the "TFR" during the year:

	Change
Opening balance	131,160
Service cost	26
Interest cost	1,429
Actuarial (gains)/losses	2,577
Paid benefits	(9,498)
Closing balance	125,694

The amount of employee termination indemnities calculated according to the provisions of Article 2120 of the Civil Code is equal to Euro 118,016 thousand.

The actuarial loss in the year, equal to Euro 2,577 thousand, was recorded under other items in the Comprehensive income statement, adjusting the balance of the Employee Termination Indemnities with a contra-entry in an equity reserve and broken down as follows:

	Change
Actuarial gains due to changes in the financial assumptions	2,235
Actuarial gains due to experience	342
Closing balance	2,577

With reference to "TFR", the valuations undertaken by the actuary were made based on the economic/financial and demographic assumptions summarised in the table below:

31.12.2019	ATM S.p.A.	ATM Servizi Diversificati S.r.I.	Gesam S.r.I.	NET S.r.I.	Rail Diagnostics S.p.A.
Mortality rate	IPS55 Tables	IPS55 Tables	IPS55 Tables	IPS55 Tables	IPS55 Tables
Invalidity rates	INPS-2000 Tables	INPS-2000 Tables	INPS-2000 Tables	INPS-2000 Tables	INPS-2000 Tables
Employee turnover rate	5.07%	3.60%	3.68%	6.89%	4.65%
Discount rate *	0.37%	0.37%	0.37%	0.37%	0.37%
Increase in salaries	1.50%	1.50%	1.50%	1.50%	1.50%
Rate of advances	1.32%	0.00%	4.87%	1.00%	2.91%
Annual inflation rate	0.80%	0.80%	0.80%	0.80%	0.80%

* Listing on 12/31/2019 and on 12/31/2018 of the iBoxx Corporate EUR benchmark index with duration 7-10 and AA rating

The "War veterans provision", equal to Euro 552 thousand at December 31, 2108, was fully paid to those entitled in the year in question, this choice was made in consideration of the small number of beneficiaries and the commitment to its administrative management. In December 2019 the Group paid each beneficiary the sums due for the definitive closure of any future financial claim. Therefore, upon payment of Euro 96 thousand, was made a contextual use for the same amount and the release for the residual part of the "War veterans provision" for a total of Euro 552 thousand. The economic effects of the transaction have been recognized in the income statement under the component "Employee benefits".

With regard to the War veterans' provision, the following changes occurred during the year:

	Change
Opening balance	552
Actuarial (gains)/losses	(41)
Benefits paid	(296)
Fund release	(215)
Closing balance	-

The sensitivity analysis on the discount rate represents the change in the value of the actuarial liability that is obtained with the year-end valuation data, varying the discount rate, without prejudice to the other hypotheses:

	0.50%	-0.50%
Employee Termination Indemnities	(3,531)	3,719

26. Provisions for risks and charges

	31.12.2019	31.12.2018
Provision for disputes and environmental risks	48,003	64,522
Damages/claims settlement provision	17,775	18,389
Other provisions	3,574	2,280
Total	69,352	85,191

The most relevant items that contribute to the formation of the balance are represented:

from the "Provision for disputes and environmental risk" for Euro 48,003 thousand, referring to potential liabilities towards suppliers, customers, third parties, workers, related parties and the environment, deriving from ordinary business management.

During the year, the size of the provision was updated based on the assumed repercussions of the disputes in progress and the outcome of those concluded, as well as based on of the revision of estimates of future environmental charges, resulting in provisions for Euro 3,488 thousand, utilizations for Euro 8,364 thousand and releases for Euro 10,963 thousand, as specified below.

Provisions of Euro 125 thousand were made in 2019 mainly for disputes pending with staff.

The main movements in the use of the fund refer to:

- Euro 2,371 thousand, for use against the settlement of the dispute with Metro 5 S.p.A. with reference to the Management Contract of the M5 Line;
- Euro 2,052 thousand, to be used against the payment made for the same amount against Caronte following the first instance sentence n.8098 of September 11, 2019. As set out in the Management Report, the Group immediately filed an appeal before the Court of Milan obtaining the suspension of the enforceability of the contested sentence and in the interim procedure obtained the partial payment of the sums owed to the extent of the amount referred to above;
- Euro 512 thousand used for specific maintenance interventions managed in some corporate sites and plants;
- Euro 489 thousand used to settle disputes with personnel;
- Euro 365 thousandused to settle disputes with suppliers;
- Euro 25 thousand used to settle penalties and mileage

adjustments for the service contract of the subsidiary Nord Est Trasporti S.r.l..

In addition, in view of the settlement of the above disputes and the estimates of future environmental charges, the provision was provided for:

- Euro 10,000 thousand e for the non-recurring release of a specific provision for environmental risks, established in previous years to cover specific interventions on the M2 metro line. These works, initially carried out by the Group, will form part of the works specifically financed by the relevant bodies as part of the project to upgrade the systems for signalling and reinforcement of the M2 underground line;
- Euro 430 thousand for the litigation with Metro 5 S.p.A.;
- Euro 252 thousand for the settlement of disputes with various suppliers.

The disclosures were made following a reassessment of the estimates for the year and in line with new and more complete information than that provided at the time the original estimates were made;

- the "Claims settlement provision" for Euro 17,775 thousand, the value of which is commensurate with the estimate of compensation to be paid in the coming years for damages/ claims connected with the circulation of scheduled vehicles, limited to the risk range not covered by the insurance policies taken out with the various Companies. The valuation of nonperforming claims was carried out by examining the individual outstanding cases at December 31, 2019.
- The item "Other provisions" refers to the "Provision for restoration costs" and is mainly attributable to the costs that Metro Service A / S will incur, as required by the Service Contract, to return the goods received at the start of management of the Copenhagen metro at their state of use. The fund was subject to revision in relation to updated contractual provisions.

These provisions include the best estimates of the legal expenses related to the disputes.

The following table shows changes in the provisions for risks and charges:

	31.12.2018	Increases	Utilisations	Release	31.12.2019
Provision for disputes and environmental risks	64,522	125	(5,814)	(10,830)	48,003
Damages/claims settlement provision	18,389	1,692	(2,292)	(14)	17,775
Other provisions	2,280	1,671	(258)	(119)	3,574
Total	85,191	3,488	(8,364)	(10,963)	69,352

For considerations on the estimation processes underlying the uncertain valuation of disputes and contingent liabilities, reference should be made to Note 5 "Use of estimates".

27. Deferred tax liabilities

	31.12.2019	31.12.2018
Deferred tax liabilities	47,664	48,758
Total	47,664	48,758

The temporary differences giving rise to deferred tax liabilities are summarised below:

	Deferred tax as at 31.12.2018 Restated values	Recognized in P&L	Recognized in Equity	Deferred tax as at 31.12.2019 Restated values
Fair Value Buildings-IAS 16	41,211	(716)	-	40,495
Fair value Rolling Stock	7,288	(404)	-	6,884
Fair Value Securities	159	46	-	205
Investments	100	13	(33)	80
Total	48,758	(1,061)	(33)	47,664



28. Current income tax liabilities

	31.12.2019	31.12.2018
IRES	127	39
IRAP	68	-
Income taxes Metro Service A/S	615	731
Total	810	770

The account relates to current income taxes.

29. Trade payables

	31.12.2019	31.12.2018
Payables - third parties	232,144	235,615
Payables to related parties	62,500	50,423
Payables to parent	60,901	49,277
Payables to associates	781	736
Payables to subsidiaries	818	410
Total	294,644	286,038

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The amount of Euro 232,144 thousand for "Payables to third parties" (Euro 235,615 thousand at December, 31 2018) includes payables for outstanding invoices and invoices to be received originating from the purchase of materials, services and capitalised goods, mainly from Italian and European Union suppliers. The decrease of Euro 3,471 thousand is related to the completion of the supply of metropolitan rolling stock, considering that the amount of payables related to investment suppliers is Euro 39,378 thousand, down compared to Euro 69,062 thousand at December, 31 2018. On the other hand, additional payables were recorded as a result of the start of operations on the M3 line of the Copenhagen (Cityringen) metro.

"Payables to related parties" mainly include "Payables to parent company", which at December 31, 2019 present a balance of Euro 60,901 thousand and are entirely referable to the Municipality of Milan. These payables include the following:

Euro 49,025 thousand (Euro 43,188 thousand at December

31, 2018) the repayment to the Municipality of Milan of the revenues deriving from the sale of tickets in December 2019;

- repayment of income from onstreet parking to the Municipality as defined in the "Street Parking Agreement" of April 27, 2017 of which Euro 4,878 thousand referred to 2018 and Euro 4,830 thousand referred to 2019
- for Euro 988 thousand income to be paid relating to the management of Area B and Area C in December 2019.
- for Euro 241 thousand to penalties of 2018 and Euro 704 thousand of 2019 on the ATM S.p.A. Service Contract. The penalties, calculated annually, refer to the failure to meet certain contractual quality standards;
- for Euro 212 thousand in payables for the fee on parking management in the fourth quarter of 2018;
- for Euro 23 thousand to the sponsorship of the Mi Emob event.

"Payables to related parties" are broken down as follows:

	31.12.2019	31.12.2018
Brianza Trasporti S.c.a r.l.	-	20
Co.Mo. Fun&Bus S.c.a r.l.	16	18
Consorzio SBE	10	-
Metro 5 S.p.A.	14	130
Movibus S.r.I.	741	568
Total	781	736

"Payables to subsidiaries of the parent" amounting to Euro 818 thousand and mainly refer to the payable for the provision of services by MM S.p.A. for Euro 799 thousand.

	31.12.2019	31.12.2018
Employee payables	48,619	46,224
Payables to parent - Dividends	-	12,000
Payables to social security institutions	38,752	40,168
Vacation days not taken	22,748	20,580
Other tax liabilities	11,852	12,479
Other payables	3,165	9,186
Tarsu	277	4,247
VAT payable	1,494	1,122
Accruals and deferred income	1,343	1,759
Other current liabilities	3,922	5,078
Total	132,172	152,843

30. Other payables and current liabilities

The "Other payables and current liabilities" amount to Euro 132,172 thousand. The main changes are related to the payment in April 2019 of the residual payable for dividends of Euro 12,000 thousand to the only shareholder Municipality of Milan, the distribution of which was approved by the Shareholders' Meeting of December 21, 2017, and the definition of the adjustments by the Parent Company regarding payables for travel tickets, including IVOL and IVOP, paid to counterparties during 2019 following the definition and application of STIBM.

Following are the main components of this account:

- for Euro 48,619 thousand from payables to employees, whose change is a consequence of the increase in the number of employees;
- for Euro 38,752 thousand from payables to INPS, Previndai, INAIL as well as to the pension funds that are regulated according to the law deadline in the first months of 2020;
- for Euro 22,748 thousand from the valuation of holidays not taken by employees, as well as overtime hours worked, utilisable as leave, not yet taken;

- for Euro 11,852 thousand from the IRPEF withholdings made by the group as substitute taxes on employee income;
- for Euro 3,165 thousand in miscellaneous payables including security deposits of Euro 2,152 thousand and the payable to the ATM Foundation for contributions and payments of services provided for Euro 708 thousand . The change compared to the previous year, amounting to Euro 6,021 thousand , is due to the settlement of adjustments relating to payables for travel tickets, including IVOL and IVOP, to be refunded to counterparties following the definition and application of the STIBM.
- for Euro 1,343 thousand from deferred income relating to revenues invoiced during the year and pertaining to 2020;
- for Euro 3,922 thousand from grants related to plants for which there is a determination of allocation of the contributionsby the Entity. At the balance sheet date, they have not yet been collected and the related investment has not yet shown any equity.



Notes to the consolidated income statement

31. Revenues and other income

The value of *"Revenues and other operating income"* consists mainly of:

"Core business revenue", which refer to revenues generated by the Service Contract for the management of the Local Public Transport (LPT) service stipulated with the Municipality of Milan, including revenues for the management of the Copenhagen metro lines, the consideration for the contract for the management of the M5 metro line with Metro 5 S .p.A., revenues related to the management of parking, and revenues related to other transport services, including the management of the Como - Brunate funicular railway and the POMA 2000 light metro service;

- "Other revenues", which include revenues from advertising, property rentals, revenues for work carried out on municipal property, including maintenance services on infrastructure, Area C and Area B (active since February 25, 2019);
- "Other income", which mainly includes operating grants, refunds for damages and penalties charged to suppliers.

Revenues are realized in Italy and in the European Union.

	2019	2018
Core business revenue	837,741	819,387
Other revenue	66,809	60,511
Other income	76,197	82,765
Total	980,747	962,663

The details of "Core business revenues" are shown below:

	2019	2018
Revenues from TPL	807,938	789,787
Corresponding Service Contract Municiality of Milan	668,483	669.340
Corresponding Service Contract Copenaghen	80,376	56,734
Corresponding Service Contract Interurban area	19,028	17,458
Corresponding Management Contract line 5	23,881	30,311
Income from fees - interurban area	13,593	12,391
Special/ dedicated transport services	2,577	3,553
Revenues from management of on – street parking services	18,490	18,490
Revenues from parking management	8,630	8,439
Revenues from car removal management	2,632	2,586
Other revenues	51	85
Total	837,741	819,387

"Revenues from TPL" amounted to Euro 807,938 thousand, an increase of Euro 18,151 thousand compared with the previous year, which amounted to Euro 789,787 thousand.

The change is mainly attributable to the following items:

- "Corresponding Service Municiality of Milan's Contract" a decrease in revenues of Euros 857 thousand, as a result of the definition of penalties, calculated annually and referring to the non-compliance with certain quality standards provided for in the contract, and the adjustments for additional services carried out in 2019;
- "Corresponding Service Contract of Copenaghen" an increase in revenues of 23,642 thousand euros as a result of mobilisation activities and the start of Copenhagen metro line called "Cityring", from the end of September 2019 and commercial activities on the new light ring metro with an extension of more than 15 kilometres and two interchange stations with the existing M1 and M2 lines

- "Corresponding Service Contract Interurban area" additional revenues of Euro 1,570 thousand, due to the recognition by the Basin agency of the inflation adjustment for 2019, while 2018 was affected by penalties related to the quality of service and mileage for 2009-2016;
- "Income from fees interurban area" increase in revenues for Euro 1,202 thousand, due to the ticket price increase following the introduction of the STIBM;
- "Corresponding Management Contract line 5" decrease in revenues for Euro 6,430 thousand. With regard to this change, it should be noted that the 2018 financial year was mainly characterised by the non-recurring effect linked to the release of provisions for risks set aside against the estimated contractual penalties with reference to the Metro 5 management contract, for an amount of Euro 7,212 thousand, following the recalculation of the estimated revenue adjustments linked to the penalties of the line management contract;

Special/dedicated transport services", a decrease in revenues of Euro 976 thousand following the strategic decision to abandon the business lines relating to the "Rental with driver", "Tourist Tours" and the "Centrale - Linate" airport shuttle service as it is of low profitability.

"Other revenues" are comprised of:

	2019	2018
Service revenues	34,673	29,778
Advertising and sponsorship revenues	18,590	18,849
Commercial leases metro stations	6,353	6,241
Other revenues	7,193	5,643
Total	66,809	60,511

"Other Revenues" increased by Euro 6,298 thousand compared to the previous year. A positive contribution to the change is "Service revenues" of Euro 4,895 thousand, which relates to maintenance activities on infrastructures owned by the municipality, the construction and management of the Area B and C payment system and the Traffic and Territory Control system, as well as the extraordinary maintenance activities on Line M5. Other changes relate to "Other revenues" including the sale of materials for Euro 434 thousand and income from magnetic cards for Euro 694 thousand as a result of the transfer of tickets from paper to magnetic ones for the issue of subscriptions. On the other hand, revenues from advertising and rental of commercial spaces tended to remain stable.

The breakdown of the "Other income" is as follows:

	2019	2018
Insurance receivables and costs undertaken for third parties	11,331	9,646
Adjustments to liabilities and release of funds	-	254
Income for penalties invoiced to suppliers	4,963	5,192
Gains on fixed asset sales	145	431
Grants	51,831	53,147
Other income	7,927	14,095
Total	76,197	82,765

The item *"Insurance receivables and costs undertaken for third parties"* refers to insurance reimbursements related to damages on vehicles and recoveries from third parties for costs already incurred which increased by 1,685 thousand euros.

The item "Gains on fixed assets sales" mainly refers to the capital gain of Euro 145 thousand deriving from the sale of decommissioned buses (Note 9).

The item *"Grants"* includes Euro 50,190 thousand related to contributions for CCNL for the year, in accordance with Law No. 47 of February 27, 2004 to cover the charges deriving from the renewal of the collective labour contract for the two-year period 2002/2003, with Law No. 58 of April 22, 2005 to cover the charges deriving from the renewal of the CCNL two-year 2004/2005 and with Law No. 296 of December 27, 2006 (2007 Finance Law) to cover the renewal charges of the CCNL two-year

2006/2007. The residual part, amounting to Euro 1,641 thousand (Euro 2,957 thousand in the previous year), refers to contribitions on investments made in previous years, contributions for the production of electricity through photovoltaic plants and grants for personnel training. It is noted that in the previous year were exceptionally collected contributions of Euro 2,177 thousand on investments made in previous years in order to justify the change between the two years.

The item "Other income" mainly refers to fines imposed on passengers for a total of Euro 6,728 thousand. The decrease of Euro 6,168 thousand shows that 2018 was characterised by the non-recurring effect of Euro 5,206 thousand, already described in the Management report, related to the forced collection by the subsidiary Metro Service A/S of fines issued and not collected in previous years from users of the Copenhagen metro line.

32. Costs for the purchase of goods and changes in inventories

	2019	2018
Purchases of goods	84,153	82,641
Changes in inventories	(5,630)	(3,780)
Raw materials consumption internal works	(6,888)	(4,934)
Total	71,635	73,927

The item, amounting to a total of Euro 71,635 thousand, includes the purchase of materials necessary for the maintenance of vehicles and equipment, fuel for transportation and travel and parking tickets, as well as the change in inventories net of utilisations and provisions made to the the *"Inventory obsolescence provision"*.

The value was adjusted for consumable materials for internal works relating to extraordinary maintenance interventions on the metro and tram fleet for Euro 6,888 thousand (Euro 4,934 thousand in 2018).

33. Service Costs

	2019	2018
Maintenance and cleaning costs	101,657	86,147
Electric traction power	48,690	44,924
Subcontracted transport services	24,599	23,746
Utilities	18,685	17,518
Production & distribution travel tickets	11,940	11,669
Insurance	6,508	7,541
Customer services, advertising and marketing	4,638	4,453
Personnel services	4,163	4,450
Miscellaneous services	7,390	6,059
Professional services	7,165	6,048
Security costs	5,901	2,082
Total	241,336	214,637

The item "Maintenance and cleaning costs" refers to the interventions of third parties for ordinary and extraordinary maintenance for Euro 73,609 thousand (Euro 60,913 thousand in 2018) and cleaning interventions for Euro 28,048 thousand (Euro 25,234 thousand in 2018) effected on plants, depots, offices and vehicles during the year. In 2019, as already mentioned above among the non-recurring items, the specific environmental provision set aside in previous years for €10,000 thousand was released in order to cover interventions on the M2 metro line. These works initially planned for the Company will be included among the specific works financed by the competent bodies as part of the project to renovate the signalling and equipping systems of the M2 metro line. In addition, with regard to specific maintenance works carried out, it was decided to use the specific provision for environmental risks set up in previous years, amounting to Euro 512 thousand. The increase in maintenance costs incurred during the year, amounting to a total of Euro 12,696 thousand, is, however, related to the additional costs incurred for the maintenance of rolling stock, as a consequent to the expiry of the full service maintenance contracts with vehicle suppliers, as well as the works carried out on the company's plant and depots. It is to be noted that during the year, an amount of Euro 1,671 thousand was used from the provision for restoration costs of the Danish subsidiary Metro Service A/S.

The increased charges for *"Electric traction power"*, also for *"Utilities"*, are mainly due to higher supply costs. It should also be noted that, with regard to Metro Service A/S, the increase in costs is due to the beginning of operations in September of the new Cityring metro line.

The item "Subcontracted transport services" includes the fees paid to subcontractors for transport and removal services in the urban area of Milan, the increase is attributable to the additional services required in line with the operational plan.

The item "Production & distribution travel tickets" refers to the remuneration paid to resellers for the sale of travel and parking

tickets and Area C tickets. The increase is due to the change made to the tariff system during the year and the different types of tickets sold. However, there is an increasing trend in other sales chains, other than the traditional ones such as resellers and Atm Points, which suggest future savings on this item.

The item *"Insurance"* refers to the costs related to the insurance branch, the savings achieved are the result of the reductions achieved during the bidding process.

The item *"Personnel services"* mainly refers to medical expenses incurred for legal obligations and health checks for Euro 1,667 thousand and training expenses of Euro 1,543 thousand.

"Miscellaneous services" mainly refers to transport and material handling and waste disposal services for Euro 1,841 thousand (Euro 1,808 thousand in 2018) and bank commission charges of

Euro 4,374 thousand (Euro 3,229 thousand in 2018), the change is significant due to the dematerialisation of sales securities following the transition to sales instruments based on banking circuits.

The item *"Professional services"* refers to services provided by third parties in the IT, legal, corporate and engineering fields.

The item "Security costs" refers to security services incurred to prevent acts of vandalism and ensure the safety of passengers on board of vehicles. The values are increasing compared to the previous year as the Group pays the utmost attention to this issue.

34. Operating leasing costs

	2019	2018
Rental charges	1,452	2,827
Vehicle hire	890	1,488
Plant and equipment hire	1,263	1,211
Total	3,605	5,526

The significant reduction in this item, amounting to Euro 1,921 thousand, is mainly due to the effects of the IFRS 16 application, which led to the exclusion of costs related to operating leases falling within the scope of the new standard as of January 1, 2019, which is represented on the one hand by depreciation on the right of use for leased assets and on the other by implicit financial charges on liabilities for leased assets.



35. Personnel expenses

	2019	2018
Wages and salaries	398,198	379,754
Social security charges	103,437	101,997
Post-employment benefits	22,829	23,275
Other costs	20,979	16,748
Personnel costs for internal works	(4,154)	(4,495)
Total	541,289	517,279

The "Costs for employee benefits" amounting to Euro 541,289 thousand, include the costs incurred for salaries and social charges, legal provisions in accordance with the category contracts, as well as the costs for vacation and hours at the time accrued, but not used in theyear. The increase is due to the staff hiring increase, the postponement of the contractual renewal (expired on December 31, 2017), as well as provisions for the period relating to unused vacation, partly compensated by the reimbursement of sickness expenses for 2013, already commented on in the Management Report. With particular reference to the Danish subsidiary Metro Service A/S, it should be noted that the increase relates to the staff hired for the start-up of operations on the Cityringen metro

line at the end of September 2019.

The costs are recognised net of capitalised personnel costs for internal work of Euro 4,154 thousand (Euro 4,495 thousand in 2018) and refer to the portion of capitalised personnel costs for extraordinary maintenance work carried out on the fleet of metro trains and trams.

The staff at December 31, 2019 was 10,275 resources (9,884 at December, 31 2018).

Breakdown by contract type	31.12.2018	Hires	Departures	Other changes	31.12.2019
Executives	35	3	(3)	2	37
Managers	350	12	(10)	1	353
Clerks	863	53	(35)	33	914
Operational workers	8,636	748	(384)	(29)	8,971
Totale	9,884	816	(432)	7	10,275

In 2019, the workforce recorded an overall increase of 391 employees, the net increase in the period of normal turnover refers to the Parent Company ATM S.p.A.'s employees (+252 employees) in the operating segments: among these, bus, tram and trolley bus drivers, station agents, security staff and other operational support staff, while the increase in the Danish subsidiary Metro Service A/S (+130 employees) refers to staff hired following the opening of Cityringen.

36. Other operating costs and charges

2019	2018
5,776	5,594
2,116	2,806
92	39
633	678
1,438	2,256
744	485
(1,508)	3,594
23	11,746
9,314	27,198
	5,776 2,116 92 633 1,438 744 (1,508) 23

The "Other operating costs and charges" decreased significantly compared to the previous year by Euro 17,884 thousand due to the effects of the non-recurring items explained in the Management Report; in particular, in the previous year a specific provision of Euro 15,353 thousand was accrued for contractual guarantees relating to future investment projects.

The most significant cost items include:

- "Municipal taxes" which mainly refer to the Tarsu waste collection charge for Euro 3,935 thousand and IMU for Euro 1,724 thousand;
- "LPT claims management", amounting to Euro 2,545 thousand refers to the charges incurred for the settlement of damages relating to the circulation of vehicles and of Euro 185 thousand for automative practices, as well as Euro 1,692 thousand for provisions, Euro 2,292 thousand for utilisations and Euro 14 thousand for the specific provision recognised under "provision for risks and charges";
- "Other operating expenses" mainly relate to capital losses realised of the subway trains no longer used for Euro 114

thousand and the remaining part to penalties from suppliers, membership fees, representation expenses and miscellaneous expenses;

- "Accruals (release) for doubtful debt provision" refers to Euro 1,880 thousand to the release of bad debt provisions, Euro 729 thousand to the use of provisions to cover losses on receivables (equal to Euro 744 thousand) and Euro 1,101 thousand to provisions made to cover risks on receivables recorded in the financial statements, of which Euro 579 thousand for "Receivables from third parties", Euro 14 thousand for "Receivables from parent company", Euro 21 thousand for "Receivables from associates", Euro 6 thousand for "Receivables from subsidiaries" and Euro 481 thousand for "Other receivables". Please see Note 19 - Trade receivables for description comments in relation to this items;
- "Accrual/(release) provisions for risks and charges" refers to accruals made to adjust the provision to the current risk assessment.

Please refer to the Management Report for a description of the non-recurring components that affect this item.



	2019	2018
Depreciation – Property, plant and equipment	118,319	123,865
Plant and machinery	104,812	109,584
Buildings	6,673	6,821
Industrial and commercial equipment	3,734	3,801
Other assets	3,100	3,659
Plant capital grants	(36,637)	(37,949)
Amortisation	1,361	1,188
Software licenses	1,361	1,188
Amortisation of the right of use for leased assets	1,646	-
Equipment	73	-
Buildings	473	-
Vehicles	821	-
IT Equipment	35	-
Others	244	-
Write-down of fixed assets	22,615	112
Total	107,304	87,216

37. Amortisation, depreciation and impairments

The "Amortization, depreciation and impairment losses" for a total of Euro 107,304 thousand are charged to the financial year, an amount adjusted for the portion pertaining to the year of Euro 36,637 thousand relating to grants received for investments made.

The write-downs recognised in the period under review were recognised on the residual value of certain assets, more

specifically: 6 trains on the M2 line following the acknowledgement that these rolling stock had been removed from service due to technological obsolescence and no longer used in the transport service (Euro 21,393 thousand), a bus dedicated to the "*Centrale - Linate*" service owned by ATM Servizi Diversificati S.r.l. (for a total of Euro 70 thousand) and lastly the value of the deposit in Via Pompei, owned by NET S.r.l. (for a total of Euro 1,152 thousand).

38. Financial income and expenses

	2019	2018
Financial income	12,689	5,590
Interest income	2,649	2,716
Gains on securities	4,746	1,464
Income from fair value adjustment	3,314	605
Other	1,980	805
Financial expenses	(8,988)	(14,032)
Interest on employee defined benefits	(1,429)	(1,197)
Interest expense on loans and bond issues	(4,470)	(4,535)
Other interest expense	(86)	(156)
Losses on securities	(1,183)	(1,188)
Fair value adjustments	(1,326)	(6,434)
Impairment of financial assets/activity	(36)	(68)
Other	(380)	(454)
Interest expense IFRS 16	(78)	-
Total	3,701	(8,442)

Interest income item consists of:

	2019	2018
Interest on deposits and current accounts	24	32
Interest income on securities	1,376	1,526
Interest on loans to associates	959	953
Interest income from parent's subsidiaries	290	205
Total	2,649	2,716

"Interest income on securities" amounts to Euro 1,376 thousand (Euro 1,526 thousand as at December, 31 2018) refers to interest on government securities and bonds.

"Interest on loans to associates" amounts to Euro 959 thousand (Euro 953 thousand as at December, 31 2018) refers to interest accrued on loans granted to Metro 5 S.p.A..

"Interest on loans to subsidiaries of the parent" amount to Euro 290 thousand (Euro 205 thousand as at December, 31 2018) refers to interest accrued on loans granted to the company SPV Linea M4 S.p.A.

"Gains on securities" equal to Euro 4,746 thousand (Euro 1,464 thousand as at December, 31 2018) refers to gains realized on the sale of securities.

The "Income from fair value adjustment" refers for Euro 468 211 thousand to the fair value measurement of financial receivables from the subsidiary of the parent company SPV Linea 4 S.p.A. and the cooperatives SED-ATM and SCCATI and for Euro 3,103 thousand to income from the fair value measurement of designated financial instruments FVTPL. It should be noted that the net effect on the

income statement of FVTPL-designated securities was positive and equal to Euro 1,988 thousand (negative and equal to Euro 5,829 thousand in 2018).

The item "*Other*" mainly refers to the restoring, within the limits of the original cost, of the value of the investment in Movibus S.r.l. to the value representing ATM S.p.A.'s portion of shareholders' equity for Euro 1,619 thousand.

"Financial expenses" mainly refer to "Interest on defined benefit plans for employees" amounting to Euro 1,429 thousand, "Interest expense on loans and bond issues" posted to payables of Euro 4,470 thousand and "Losses on securities" of Euro 1,183 thousand.

The item *"Fair value adjustment expenses"* refers to Euro 171 thousand to the fair value measurement of financial receivables due from the associate Metro 5 S.p.A. and Euro 1,155 thousand to the fair value measurement of designated financial instruments FVTPL.

"Interest expense" deriving from the implementation of IFRS 16 Leases amounts to euro 78 thousand.

39. Net result of companies valuated under the equity method

The economic effect of the investment valuation of Metro 5 S.p.A. under the equity method was positive and amounted to Euro 1,368 thousand. The economic effect of the valuation of the investment in SPV Linea M4 S.p.A. under the equity method was negative and amounted to Euro 9 thousand.



40. Income taxes

	2019	2018
Current income taxes	2,330	3,103
Ires	634	204
Irap	170	136
Income tax Metro Service A/S	2,033	2,928
Income (charges) from tax consolidation	(507)	(165)
Prior year taxes	(41)	(718)
Ires	(39)	(332)
Irap	(2)	(386)
Deferred tax charge	(162)	9,789
Total	2,127	12,174

The Group has adhered to the National Tax Consolidation; it follows that the Group's taxable income is determined as the algebraic sum of the results of the individual member companies, deducted from the reported tax losses, within the limit of 80%.

"Tax consolidation revenues" refer to the transfer to the parent company of the IRES of the individual companies that adhered to the tax consolidation, within the limit of 80%.

"Deferred-tax" refers mainly to the release of deferred-tax receivables

recognized in respect of deferred-tax assets recognized in connection with provisions for risks that were released during the year, taking into account new and more updated information (Note 26) and with regard to deferred-tax assets recognized for prior-period losses (Note 14). The detail of prepaid taxes (Euro 899 thousand) and deferred taxes(Euro 1,061 thousand) recognized in the income statement is reported in Note 14 and Note 27.

The following table shows the reconciliation between the theoretical tax and the effective tax.

THEORETICAL TAX CHARGE	ATM Group		
	IRES	IRAP	FOREIGN TAXES
VALUE OF PRODUCTION		891,733	89,014
COST OF PRODUCTION		(894,774)	(79,709)
DIFFERENCE BETWEEN VALUE AND COST OF PRODUCTION		(3,041)	9,305
PERSONNEL EXPENSES (NOT DEDUCTIBLE FOR IRAP PURPOSES)		496,637	-
PRE-TAX PROFIT/ LOSS	3,082		8,176
THEORETICAL TAX RATE	24.00%	4.20%	22.00%
THEORETICAL TAX BASE	3,082	493,596	8,176
THEORETICAL TAX CHARGE	740	20,731	1,799
NON-DEDUCTIBLE COSTS - EXEMPT REVENUES	IRES	IRAP	FOREIGN TAXES
NON- DEDUCTIBLE TAXES	884	1,726	
PHONES	109	109	
OTHER NON-DEDUCTIBLE COSTS			
- personnel	21,883	1	-
- amortisation/depreciation	9,122	10,686	
- provisions non required by Tuir/L.446/97	7,944	8,542	
- extraordinary impairment/doubtful debt provision	22,620	23,341	
- other non-deductible costs	9,519	8,965	1,065
EXEMPT REVENUES			
- release/utilisation non-deductible provisions	(59,556)	(60,317)	-
- personnel	(26,067)	-	
- other exempt income	(12,384)	(7,237)	
TOTAL INCREASES (+)	(25,926)	(14,184)	1,065
DEDUCTED COSTS – IRAP DIFFERENT ASSESSABLE BASE	IRES	IRAP	FOREIGN TAXES
INAIL		87	-
CIRCULAR TAX AUTHORITY NO. 22/E OF 09/06/2015 AND VARIOUS		468,732	
TAX BURDEN		294	
ADDITIONAL DEDUCTION / EMPLOYMENT INCREASE		8	
SUPER DEPRECIATION	122		
DEDUCTION OF PAYMENT FOR SUPPLEMENTARY PENSION SCHEMES	677		
ECONOMIC GROWTH HELP (ACE)	169		
PREVIOUS YEARS' COSTS ADMITTED AS A DEDUCTION	11,245	7,442	
TAX FUND ROUNDING	(22)	(77)	
IRES DEDUCTION FOR IRAP PAID ON PERSONNEL COSTS	26		
TOTAL DECREASES (-)	12,217	476,486	
EFFECTIVE TAX CHARGE	IRES	IRAP	FOREIGN TAXES
ASSESSABLE EFFECTIVE TAX CHARGE/INCOME	(70,704)	2,926	9,241
EFFECTIVE TAX CHARGE	633	170	2,033
EFFECTIVE TAX CHARGE RATE	20.54%	0.03%	24.87%



41. Remuneration of directors and Audit Committee Board

In accordance with current legislation we report Directors and Statutory Auditors remuneration below.

	2019	2018
Directors fees	205	207
Audit Committee Board fees	241	244
Total	446	451

42. Statutory Auditor fees

The fees paid by ATM S.p.A. and its subsidiaries to the independent auditors Deloitte & Touche S.p.A. and its subsidiaries resident in Italy for 2019 amount in total to Euro 497 thousand for activities relating to the statutory audit and Euro 30 thousand for audit services aimed at issuing other certifications. In addition, fees for the audit of the financial statements of Metro Service A/S amount in total to Euro 59 thousand and Euro 36 thousand for other verification activities. Deloitte & Touche S.p.A. and companies belonging to its network, have not rendered services other than auditing or certifications.

Type of services	Subject that provided the service	Recipient/ Receiver	Fees
Audit			497
Statutory audit of the financial statements and the consolidated financial statements, periodic checks on the regular bookkeeping of the accounts	Auditor of the Parent Company	Parent Company	145
Limited audit of the consolidated half-year report, prepared on a voluntary basis, of ATM Group companies from 30.06.2018 to 30.06.2025	Auditor of the Parent Company	Parent Company	37
Statutory audit of the financial statements, periodic checks on the regular bookkeeping of accounts	Auditor of the Parent Company	Subsidiaries	60
Statutory audit of the financial statements	Network of the Parent Company's auditor	Subsidiary Metro Service A/S	59
Limited audit of the consolidated half-year report	Network of the Parent Company's auditor	Subsidiary Metro Service A/S	36
Integration of audit fees for activities related to the financial statement	Auditor of the Parent Company	Parent Company	160
Certification services			30
Annual and semi-annual certification of Covenants to the European Investment Bank	Auditor of the Parent Company	Parent Company	13
Signing of the certificates / certifications required by regulations currently in force. Medical contributions	Auditor of the Parent Company	Parent Company	9
Signing of the certificates / certifications required by regulations currently in force. Medical contributions and tax credit compensation	Auditor of the Parent Company	Subsidiaries	8
Total			527

43. Intercompany transactions and transactions with related parties

ATM S.p.A., as the Parent Company, carries out operations with the subsidiaries that essentially concern the provision of services and the provision and use of financial resources. The relationships are strictly of a commercial and financial nature, so they do not include atypical and/ or unusual transactions and are regulated by contracts at conditions in line with those of the market.

ATM S.p.A. adheres to the tax consolidation together with the following subsidiaries: ATM Servizi Diversificati S.r.I., Gesam S.r.I., International Metro Service S.r.I., NET S.r.I., Rail Diagnostics S.p.A.

The contract provides, in the case of transfer of positive taxable income, that the consolidated company is debtor to the consolidating company

of an amount equal to the results of the application of the IRES tax rate to the transferred taxable amount. On the other hand, in the event of a negative taxable transfer, the consolidating company will be recognized as a debtor to the consolidated company for an amount equal to the results of the IRES rate appliance to the transferred tax loss.

ATM S.p.A. also opted to apply the application of the Group VAT system with the following subsidiaries: ATM Services Diversified srl, Gesam srl, NET srl, Rail Diagnostics S.p.A.

This agreement provides for the transfer of the monthly VAT balance to the Parent Company, which is therefore the only company debtor to the Tax Authority.

RECEIVABLES	Trade	Financial	Dividends	31.12.2019
- Parent				
Municipality of Milan	126,042		74	126,116
- Associates				
Consorzio SBE	7			7
Co.mo. Fun&Bus S.c.a r.l.	258			258
Metro 5 S.p.A.	3,752	17,262		21,014
Movibus S.r.I.	46			46
- Subsidiaries				
Agenzia TPL del Bacino Città Metropolitana	306			306
Scuole Civiche Milano	3			3
Metropolitana Milanese S.p.A.	302			302
Sea S.p.A.	13			13
SPV Linea M4 S.p.A.	24	5,845		5,869
MilanoSport S.p.A.	3			3
Fondazione Piccolo Teatro di Milano	3			3
- Other transactions with Related Parties				
Coop S.E.D. ATM/S.C.C.A.T.I.		1,162		1,162
Total	130,759	24,269	74	155,102

PAYABLES	Trade	Financial	31.12.2019
- Parent			
Municipality of Milan	60,901		60,901
- Associates			
Co.mo. Fun&Bus S.c.a r.l.	16		16
Consorzio SBE	10		10
Metro 5 S.p.A.	14		14
Movibus S.r.l.	741		741
- Subsidiaries			
Metropolitana Milanese S.p.A.	797		797
SPV Linea M4 S.p.A.	21		21
Total	62,500	-	62,500

INCOME STATEMENT TRANSACTIONS	Core Business Revenue	Other revenue	Other Income	Financial Income
- Parent				
Municipality of Milan	668,905	23,067	4,223	
- Subisidiaries				
Agenzia Mobilità Ambiente e Territorio S.r.l.		2		
Metropolitana Milanese S.p.A.	27	96		
Fondazione Piccolo Teatro di Milano - Teatro d'Europa		69		
SPV Linea M4 S.p.A.		67		289
- Associates				
CO.MO. Fun&Bus S.c.a r.l.	543	38	6	
Metro 5 S.p.A.	21,167	732	123	1,207
Movibus S.r.I.		65	480	
Consorzio SBE			13	
Total	690,642	24,136	4,845	1,496

INCOME STATEMENT TRANSACTIONS	Service costs	Operating lease costs	Employee benefits costs	Other operating costs and charges	Financial charges
- Parent					
Municipality of Milan	(54)	(1,275)		(221)	
- Subsidiaries					
Agenzia Mobilità Ambiente e Territorio S.r.l.	(2)				
Metropolitana Milanese S.p.A.	(1,611)	(11)			
Fondazione Piccolo Teatro di Milano - Teatro d'Europa	(72)		(2)	(3)	
SPV Linea M4 S.p.A.	(13)				
- Associates					
CO.MO. Fun&Bus S.c.a r.l.		(197)			
Metro 5 S.p.A.		(254)			
Movibus S.r.l.	(270)			(29)	
Consorzio SBE	(205)			(18)	
Total	(2,227)	(1,737)	(2)	(271)	-



44. Commitments, guarantees and potential liabilities not recognized in the Financial Statements

The breakdown of the item, which as at December 31, 2019 shows a balance of Euro 5,335,707 thousand, is reported below:

	31.12.2019	31.12.2018
Assets in use	4,973,234	4,964,159
Guarantees of which:	362,473	387,369
- Guarantees in favour of third parties	58,344	83,950
- Guarantees given to third parties	265,665	260,906
- Guarantees to investees	38,464	42,513
Total	5,335,707	5,351,528

The item includes guarantees, commitments and third-party assets held by the Group and Group assets held by third parties.

The guarantees are recognized for a value equal to that of the guarantee given or, if not determined, to the best estimate of the risk taken in consideration of the existing situation. Commitments are recognized for a value equal to the nominal value while any non-quantifiable commitments are commented on the Explanatory Note. Third-party assets held by the Group are recognized at nominal value, current market value or value derived from existing documentation depending on the type of assets.

The adequacy of the amounts recognized for commitments and guarantees in the Explanatory Note is revalued at the end of each year.

The amount of Euro 4,973,234 thousand relating to "assets in use" mainly refers to:

- Euro 4,817,241 thousand for the value of assets in use by the Municipality of Milan for the operation of the LPT service;
- Euro 152,563 thousand for the value on-street parking and parking areas in use pursuant to the Service Contracts;
- Euro 3,220 thousand for materials owned by Metro 5 S.p.A.

received for maintenance activities under warranty.

"Guarantees on behalf of third parties", amounting to Euro 58,344 thousand, refer to guarantees issued in favor of third parties.

"Guarantees to third parties", amounting to Euro 265,665 thousand, refer to guarantees or cautions issued by third parties in favor of the Group.

The "guarantees to investees" equal to Euro 38,464 thousand refers to:

- a total of Euro 12,032 thousand for the pledge registered on 106,600 shares of the company Metro 5 S.p.A. and the pledge registered on 13,720 shares of the company SPV Linea M4 S.p.A. in favor of a pool of financing banks as part of the related projects for the construction and management of the new M5 and M4 lines;
- for Euro 22,558 thousand in co-obligations and guarantees given to the subsidiary company Metro 5 S.p.A. and in favor of SPV Linea M4 S.p.A.;
- for Euro 3,874 thousand for commitments made in favor of SPV Linea M4 S.p.A.

Contractual commitments for supply contracts for investments amount to Euro 224,874 thousand.

45. Information on public disbursements - article 1, paragraphs from 125 to 129 of law n. 124/2017

The amounts of contributions collected in the 2019 financial year by nature and entity are displayed below;

- CCNL contributions, disbursed by the Lombardy Region through the LPT Agency for Euro 57,851 thousand, of which Euro 20,905 thousand pertaining to 2018 and Euro 36,946 thousand pertaining to the 2019 financial year, gross of 4% withholding tax;
- Contributions for the purchase of subway trains, disbursed by the State for Euro 4,515 thousand;
- Contributions for the purchase of buses, disbursed by the

State for Euro 5,499;

- Contributions for the purchase of buses, disbursed by the Lombardy Region for Euro 8,322;
- Contributions for the purchase of the new SBE Company Control Centre system, paid by the Lombardy Region for Euro 9 thousand;
- Contributions for the bike sharing system, issued by the Municipality of Milan for Euro 1,285 thousand;
- Reimbursement of sickness charges for 2013, paid by the Ministry of Labor for Euro 5,603 thousand.





Separate Financial Statements of ATM S.p.A.

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Financial Statements of ATM S.p.A.

FINANCIAL POSITION OF ATM S.P.A.

	Note	31.12.2019*	31.12.2018
Assets			
Property, plant and equipment	7	1,258,154,245	1,232,417,325
Intangible assets	8	2,281,602	2,574,341
Right of use for leased assets	9	6,501,972	-
Investments	10	31,949,393	29,448,431
Non-current financial assets	11	24,911,555	22,978,430
Of which: Related Parties	40	24,268,995	22,500,079
Deferred tax assets	12	70,621,406	72,224,200
Other receivables and non-current assets	13	7,251,054	14,267,756
Non-current assets		1,401,671,227	1,373,910,483
Inventory	14	84,171,513	80,255,932
Current financial assets	15	247,989,974	255,527,937
Of which: Related Parties	40	3,067,179	1,737,561
Tax receivables	16	16,935,745	17,302,147
Trade receivables	17	165,322,075	173,289,136
Of which: Related Parties	40	136,937,208	145,932,441
Other receivables and current assets	18	57,641,813	62,280,571
Cash and cash equivalents	19	169,715,005	225,641,181
Current assets		741,776,125	814,296,904
Assets held for sale	20		14,001
Totals assets		2,143,447,352	2,188,221,388

(*) The first time adoption starting from January 1, 2019 of IFRS 16, a new international accounting standard that defines the recognition of operating and financial leasing contracts, has determined the recognition of the rights of use registered for a total of Euro 2,160,007. Please refer to Note 3 of the Explanatory Note for more details on how to determine the value of the rights of use regarding the lease payments still to be settled at January 1, 2019 on the lease contracts that fall within the scope of application of the new standard. At December 31, 2019 the amount of the rights of use increased to Euro 6,501,972 due to the signing of new contracts in 2019 for the rental of auxiliary vehicles (Note 9).

Note	31.12.2019*	31.12.2018
Equity		
Share Capital	700,000,000	700,000,000
Legal reserve	140,000,000	140,000,000
Other Reserves	288,687,647	287,054,949
Retained earnings	52,907,983	50,568,663
Net profit for the year	960,407	2,339,320
Total Equity 2	1,182,556,037	1,179,962,932
Liabilities		
Non-current financial liabilities 2	294,761,252	307,697,350
Employee benefits 23	121,436,919	127,367,367
Provision for risk and charges 24	64,190,455	81,309,301
Deferred tax liabilities 25	47,310,480	48,396,562
Non-current liabilities	527,699,106	564,770,580
Current financial liabilities 2	28,604,082	24,648,401
Of which: Related Parties 40	7,903,714	6,691,181
Current income tax liabilities 26	126,800	39,300
Trade payables 2	283,349,899	275,535,596
Of which: Related Parties 40	68,215,438	54,860,217
Other Payables and current liabilities 28	121,111,428	143,264,579
Of which: Related Parties 40		12,000,000
Current liabilities	433,192,209	443,487,876
Liabilities held-for-sale		-
Total liabilities	960,891,315	1,008,258,456
Total equity & liabilities	2,143,447,352	2,188,221,388

(*) The first time adoption starting from January 1, 2019 of IFRS 16, a new international accounting standard that defines the recognition of operating and financial leasing contracts, has resulted in the recognition of financial payables recorded among the financial liabilities for a total of Euro 2,160,007 (of which Euro 646.376 falling due within the year and Euro 1,513,631 falling due after the year). Please refer to Note 3 of the Explanatory Note for more details on how to determine the value of financial liabilities in relation to the rights of use and lease contracts that fall within the scope of application of the new standard. At December 31, 2019, the amount of financial payables increased to Euro 7,087,942 (of which Euro 2,378,540 falling due within the year and Euro 4,709,402 expiring beyond the year) due to the signing in 2019 of new contracts for the rental of auxiliary vehicles as well as the payment of the rental fees for the year. The effect of the adoption of IFRS 16 on the profit for the year and on equity as of December 31, 2019 is equal to Euro 30,463.

INCOME STATEMENT OF ATM S.P.A.

	Note	2019*	of which related parties	2018	of which related parties
Revenues and other operating income					
Core Business Revenue	29	735,265,305	696,370,162	743,215,608	706,491,402
Other revenue	29	60,651,483	24,934,391	55,627,699	21,772,291
Other Income	29	72,487,120	5,482,004	74,057,596	4,932,161
Total revenues and other operating income		868,403,908	726,786,553	872,900,903	733,195,854
Costs and other operating charges					
Purchases of goods and changes in inventory	30	(63,958,258)		(67,612,939)	(8,875)
Service costs	31	(213,340,558)	(9,814,949)	(199,338,023)	(8,983,089)
Operating leasing costs	32	(3,421,309)	(1,856,147)	(5,258,234)	(1,855,896)
Personnel expenses	33	(480,465,568)	(1,750)	(470,955,017)	(8,328)
Other costs and operating charges	34	(8,534,856)	(272,623)	(26,677,407)	(3,438,471)
Total costs and other operating charges		(769,720,549)	(11,945,469)	(769,841,620)	(14,294,659)
Ebitda		98,683,359		103,059,283	
Ammortisation, depreciation and write-downs	35	(102,966,282)		(86,459,781)	
Depreciation - Property, plant and machinery		(114,613,492)		(122,589,956)	
Plant capital grants		35,581,284		37,079,269	
Amortization - Intangible assets		(998,275)		(949,094)	
Depreciation of right of use for leased assets		(1,542,536)			
Write down of fixed assets		(21,393,263)			-
Ebit		(4,282,923)		16,599,502	
Financial Income		13,663,419	2,577,266	7,552,951	3,210,525
Financial Expenses		(8,685,953)		(13,783,906)	(37)
Net financial income (Expenses)	36	4,977,466	2,577,266	(6,230,955)	3,210,488
Pre-tax profit		694,543		10,368,547	
Income taxes	37	265,864		(8,029,227)	
Net profit		960,407		2,339,320	

(*) The first time adoption starting from January 1, 2019 of IFRS 16, a new international accounting standard that defines the recognition of operating and financial leasing contracts, has resulted in the recognition of depreciation during the year, on the rights of use recorded in the assets for Euro 1,542,536, in addition to the interest on financial payables recorded in current and non-current liabilities for a total of Euro 76,304; the recognition of these economic components replaces that of the rent, which would have amounted to Euro 1,588,377. Please refer to Note 3 of the Explanatory Note for more details. The effect of the adoption of IFRS 16 on the profit for the year and on the equity as of December 31, 2019 is therefore equal to Euro 30,463.

STATEMENT OF COMPREHENSIVE INCOME OF ATM S.P.A.

	Note	2019	of which 2018 related parties	of which related parties
Net profit		960,407	2,339,320	
Consolidated other comprehensive income statement items				
Items which may not be reclassified subsequently in the P&L account				
Revaluations of net liabilities for defined benefits	21	(2,426,133)	(1,093,294)	
Income taxes on items which may not be reclassified subsequently in the P&L account	21	582,272	262,391	
Total items which may not be reclassified subsequently in the P&L account		(1,843,861)	(830,903)	
Items which may be reclassified subsequently in the P&L account				
Financial Assets Held to Collect and Sale	21	4,191,359	(3,114,584)	
Income taxes on items which may be reclassified subsequently in the P&L account	21	(852,675)	747,500	
Total items which may be reclassified subsequently in the P&L account		3,338,684	(2,367,084)	
Total consolidated other comprehensive income statement items		1,494,823	(3,197,987)	
Total comprehensive profit (loss)		2,455,230	(858,667)	

STATEMENT OF CHANGES IN EQUITY OF ATM S.P.A.

Equity	31.12.2017	Allocation of Profit	Fusion	FTA IFRS 9 impacts	Other changes	Other comprehensiv income items	Net Profit	31.12.2018
Share Capital	700,000,000							700,000,000
Legal Reserve	140,000,000							140,000,000
Other Reserves	269,455,633		20,460,365	330,538	6,400	(3,197,987)	-	287,054,949
Conferment reserve	19,689,557							19,689,557
Extraordinary reserve	5,763,772							5,763,772
Rounding reserve	1		(1)		(2)			(2)
FTA reserve	133,683,325		22,026,921					155,710,246
Actuarial Losses reserve	(489,804)		(1,566,555)			(830,903)		(2,887,262)
Available For Sale reserve	210,137			(210,137)				-
Property Fair value revaluation reserve	110,598,645			-		-		110,598,645
Held to Collect and Sell reserve	-			278,190		(2,367,084)		(2,088,894)
OCI reserve	-			262,485	6.402			268,887
Retained earnings (loss)	(12,575,458)	12,597,718	50,400,154	146,249				50,568,663
Net profit for the year	12,597,718	(12,597,718)					2,339,320	2,339,320
Total Equity	1,109,477,893	-	70,860,519	476,787	6.400	(3,197,987)	2,339,320	1,179,962,932

Equity	31.12.2018	Allocation of Profit	Other changes	Other comprehensiv Net Profi income items.	t 31.12.2019
Share Capital	700,000,000				700,000,000
Legal Reserve	140,000,000				140,000,000
Other Reserves	287,054,949		137,875	1,494,823	288,687,647
Conferment reserve	19,689,557				19,689,557
Extraordinary reserve	5,763,772				5,763,772
Rounding reserve	(2)		1		(1)
FTA reserve	155,710,246				155,710,246
Actuarial Losses reserve	(2,887,262)			(1,843,861)	(4,731,123)
Property Fair value revaluation reserve	110,598,645				110,598,645
Held to Collect and Sell reserve	(2,088,894)			3,338,684	1,249,790
OCI reserve	268,887		137,874		406,761
Retained earnings (loss)	50,568,663	2,339,320			52,907,983
Net profit for the year	2,339,320	(2,339,320)		960,40	960,407
Total Equity	1,179,962,932	-	137,875	1,494,823 960,40	7 1,182,556,037

CASH FLOW STATEMENT OF ATM S.P.A.

		2019	2018	
A	Cash flow from operating activities			
	Net Profit	960,407		2,339,320
	Income taxes	(265,864)	8,029,227	
	Interest income/expense net of impairment of financial activities as per IFRS 9 and dividends and interest expense as per IFRS 16	(4,070,654)	8,195,641	
	Dividends	(1,020,000)	(2,040,000)	
	(gains)/losses on sale of assets	(34,390)	448,184	
	1. Profit/(loss) for the year before taxes, interest, dividends and gains/(losses) from disposals	(4,430,501)		16,972,37
	Non-cash adjustments not impacting working capital			
	changes in provisions for risk and charges	(9,094,457)	1,038,245	
	changes in employee benefits	2,211,408	1,093,295	
	changes in the provision for impairment on cash and cash equivalents	(99,315)	246,021	
	amortisation	81,573,019	86,459,781	
	adjustmets to fixed asset values	21,393,263	-	
	impairment on financial assets	36,884	75,314	
	other changes	(3,218,061)	(625,837)	
	Total non-cash adjustments	92,802,741		88,286,81
	2. Cash flow before working capital changes	88,372,240		105,259,19
	change in net working capital:	28,054,011		16,499,88
	Inventory	(3,915,581)	(4,038,645)	
	trade receivables	(4,173,789)	(41,765,923)	
	intercompany trade receivables	12,271,127	(1,252,829)	
	other receivables	9,268,227	45,916,991	
	other receivables intercompany	(130,277)	401,428	
	accrued income and prepaid expenses	(375,223)	(123,892)	
	trade payables	35,342,764	24,066,193	
	Short-term payables for IFRS 16 leasing	(327,696)	-	
	intercompany trade payables	2,094,352	637,412	
	other payables	(9,278,760)	9,068,888	
	other payables intercompany	(535,213)	(810,576)	
	accrued expenses and deferred income	(185,920)	(1,599,167)	
	Payables due to shareholders for dividends	(12,000,000)	(14,000,000)	
	Changes in assets not included in the net working capital			
	3. Cash flow after after net working capital changes	116,426,251		121,759,07
	Other adjustments	(15,934,323)		(16,332,08
	interest collected / (paid)	668,915	(701,852)	
	interest collected / (paid) on leased assets	(76,304)	-	
	(paid income taxes)	-	(1,594,960)	

		2019	2018	
	dividends collected	1,020,000	2,040,000	
	(utilisation of provision for risk and charges)	(8,024,389)	(3,718,175)	
	(utilisation of provision for employee benefits)	(9,522,545)	(12,357,096)	
	Cash flow of income management (A)	100,491,928	105	,426,988
в	Cash flow deriving from investment / divestment activities			
	Property,plant & equipment			
	(Investments)	(147,715,553)	(162,711,853)	
	Sales price of disposals	4,179,282	456,460	
	Intangible assets			
	(Investments)	(678,216)	(1,325,793)	
	Sales price of disposals	(27,320)	(10,567)	
	Increase/(decrease in trade payables for fixed assets	(27,171,526)	11,889,124	
	Financial fixed assets			
	(Investments)	(1,627,609)	(2,469,938)	
	Sales price of disposals	114,001	3,413,138	
	Current financial assets			
	(Investments)	(94,610,897)	(67,756,522)	
	Sales price of disposals	108,862,952	107,622,009	
	Changes in plant capital grants	13,928,642	8,613,220	
	Acquisition or disposal of subsidiaries or branches net of cash and equivalents			
	Cash flow from investment/divestment activities (B)	(144,746,244)	(102,	,280,722)
)	Cash flow from financing activities			
	Third party funds			
	New loans	-	70,000,000	
	Repayment of loans	(10,642,128)	(10,504,722)	
	Reimbursement of share capital loans on IFRS 16 leased assets	(1,032,869)	-	
	Increase(decrease) of Cash Pooling	(117,085)	(395,001)	
	Own funds			
	Paid Dividends (and advances in dividends)	-	-	
	Cash flow from financing activities (C)	(11,792,082)	5	9,100,27
	Exchange rate effect	20,907	71,578	
	Increase/(decrease) in cash and cash equivalents and current securities	(56,025,491)	6	62,318,12 ⁻
	Cash and cash equivalents at the beginning of the year *	225,887,202	163	8,569,081
	Cash and cash equivalents at year end *	169,861,711	225	i,887,202



Explanatory Notes ATM S.p.A.

1. General Information

ATM S.p.A. (hereinafter also the "Company", the "Parent Company" or "ATM") is a limited liability company incorporated and domiciled in Milan and organized under the laws of the Italian Republic. The Company has its registered office in Milan - Foro Buonaparte, 61.

The Company manages the urban and interurban public transport service of Milan and Monza, the management of car parks, onstreet parking and towing, Area B and C, as well as integrated maintenance of and fleet maintenance.

The publication of these Financial Statements was authorised by the Directors on March 30, 2020 and they will be submitted to the Shareholders' Meeting for approval and subsequent filing within the terms required by law. The Shareholders' Meeting has the power to make amendments to these Financial Statements. Deloitte & Touche S.p.A. was appointed to audit the Company.

In the preparation of these Financial Statements, the same accounting standards were applied as those adopted in the preparation of the Financial Statements at December 31, 2018, supplemented by the information described in the paragraph "Accounting standards, amendments and interpretations of IFRS and IFRIC approved by the European Union, applied by the Company from January 1, 2019" with the exception related to the application of IFRS 16 Leases which came into force on January 1, 2019. In this regard, the Company opted to apply the new standard by adopting the amended retrospective method as better described in the paragraph "IFRS 16 - Leases" in Note 3 - Valuation Criteria.

2. Basis of Presentation of the Financial Statements

These Financial Statements for the year ended December 31, 2019 have been prepared in accordance with International Accounting Standards (International Accounting Standards - IAS and International Financial Reporting Standards - IFRS) issued by the International Accounting Standards Board (IASB), and interpretations issued by the IFRS Interpretations Committee (IFRIC) and the Standing Interpretations Committee (SIC), endorsed by the European Union pursuant to European Regulation (EC) n. 1606/2002 of July 19, 2002 and in force at the reporting date (together these standards and interpretations defined hereafter as "IAS/IFRS Standards". In particular, Legislative Decree no. 38 of February 28, 2005, which governs this regulation in Italy, introduced the mandatory application to apply the IAS-IFRS Standards for the preparation of the separate and consolidated financial statements to the companies issuing financial instruments admitted for trading on regulated markets in any Member State of the European Union.

These financial statements were prepared based on the best information on the IAS/IFRS Standards and taking into account best practice; any further orientations and interpretative updates will be reflected in subsequent years, in accordance with the provisions of the accounting standards.

The financial statements have been prepared on a going concern basis, in accordance with paragraphs 24 and 25 of IAS 1, since the Directors have verified that there are no financial, management, operating or other factors that could indicate critical issues regarding the Company's ability to meet its obligations in the foreseeable future and in particular in the next 12 months, taking into account the high levels of capitalization, cash and cash equivalents and access to the financial market. This assessment also takes into account what is described in the Management Report in the section "Going concern and contractual framework" which illustrates the existence of a time period after the end of the current expiry date for the extension of the Service Contract with the Municipality of Milan (October 31, 2020), and also considering the possible impacts resulting from the COVID-19 pandemic, against which measures will be implemented to rationalise and increase the efficiency of variable costs in the presence of a fee reduction due to restrictions on the mobility of individuals. A description of the ways in which the Company manages financial risks is illustrated in Note 5 below - Financial risk management.

The Financial Statements consist of the Statement of Financial Position, the Income Statement, the Statement of Comprehensive Income, the Statement of Changes in Equity, the Cash Flow Statement and the related Explanatory Notes.

In particular, the Statement of Financial Position has been prepared in accordance with the format that shows the breakdown of "current/non-current" assets and liabilities as permitted by IAS 1. An asset/liability is classified as current when it meets one of the following criteria:

- it is expected to be realised/settled to be sold or utilised in the normal operating cycle; or
- is principally held to be traded; or
- it is expected to be realised/settled within twelve months from the reporting date.

Where none of these conditions applies, the assets/liabilities are classified as non-current. The receivable and payable balances also disclose the amounts with related parties.

The Income Statement was prepared in accordance with the format used to classify revenues and costs by nature, indicating the interim results relating to EBITDA, EBIT and profit before taxes, in order to provide a better representation of normal operating performance. The form chosen complies with internal reporting and business management methods, is in line with international practice and is therefore considered more representative than presentation by destination, providing more reliable and relevant performance indicators for the sector. Revenues and costs also include details of transactions with related parties. Costs and revenues from related parties are also detailed by counterparty in the table in Note 40.

The statement of comprehensive income includes the changes during the year generated by transactions other than those with the Shareholders and based on specific IAS/IFRS Standards. The changes to "other comprehensive profits (losses)" are presented separately from the related tax effects.

The statement of comprehensive income was prepared as per IAS 1 and outlines the changes to the equity accounts concerning:

- allocation of the consolidated result for the year;
- each profit and loss account, net of any tax effects which, as required by IAS/IFRS, are alternatively directly recognized to consolidated equity (actuarial profits and losses generated from the measurement of defined benefit plans, measurement of financial assets at *fair value*) or are recognized to an equity reserve, whose impact is therefore directly reflected in equity;
- the effect deriving from changes in accounting or introduction of new accounting standards.

The Statement of Cash Flows presents the cash flow movements during the year, classified as relating to operating, investing or financing activities; cash flows from operating activities are presented according to the indirect method.

The Financial Report also includes the Management Report which comprises the Financial Statements. Furthermore, in compliance with the requirements introduced by Legislative Decree no. 254 of December 30, 2016 enacting Directive 2014/95/EU, and in compliance with the *GRI Sustainability Reporting Standards* - published by the *Global Reporting Initiative (GRI)* - the Company prepared the Consolidated Non-Financial Report to ensure an understanding of the ATM Group's business, its performance, results and impact, covering the 5 relevant areas: environment, social aspects, personnel management, human rights and anti-corruption. The Company has therefore benefited from the exemption of the Non-Financial Declaration preparation relating to its activities in the presence of the publication of the Consolidated Declaration. For further information, please refer to the document

"Consolidated Non-Financial Report 2019" also available on the website www.atm.it.

The Company's functional currency is the euro, which is the basis for the presentation of the Financial Statements, representing the currency of the country in which the Company operates; the Financial Statements and all amounts included in the tables in the Notes to the Financial Statements, unless otherwise indicated, are expressed in units of euro.

The financial statements were prepared applying the historical cost method, taking in consideration where appropriate value adjustments, with the exception of the financial statements accounts which according to IAS-IFRS principles must be recognized at *fair value*, as indicated in the accounting policies and without prejudice to the cases in which the IAS-IFRS standards permit a different valuation criteria and this alternative criteria to the cost has been adopted (in this case the valuation of the real estate portfolio at *fair value*).

No events occurred after the end of the financial year that modify conditions already existing at the balance sheet date and that require changes in the values of assets and liabilities and in the economic result at the end of the financial year. For events occurring after the balance sheet date, for which there is no impact on the income statement, balance sheet and financial position, please refer to the specific paragraph in the Management Report.



3. Valuation Criteria

Property, plant and machinery

Property, consisting of land, warehouses and offices (excluding warehouses sold off from the production process and those for which restoration and upgrading are planned) are valued at fair value, which allows the value of the asset to be recalculated periodically so as to align it with its fair value at the date of recalculation, net of accumulated depreciation and any impairment losses.

Plant and machinery are recognised at purchase or production cost. The value is recorded net of accumulated depreciation and any impairment losses. The purchase or production cost includes the charges directly incurred to prepare the assets for use, as well as any dismantling and removal charges that will be incurred as a result of contractual obligations requiring the asset to be restored to its original condition.

The costs for improvements, modernization and transformation of an incremental nature of fixed assets are allocated as an asset. In particular, these improvements include the maintenance activity defined as "General revision" or "Ongoing general revision", with the objective to return the metro and tram rolling stock to conditions comparable with a corresponding purchase of a new vehicle, with its substantial reconstruction commencing from the carriage structure or, for revamping interventions, including significant technological modernization/upgrading. These interventions are based on the aging, type of rolling stock, deterioration of the stock and therefore its general usage and number of journeys and distances clocked and the need for technological modernization/ upgrading. The capitalization of the interventions described above relating to the expansion, modernization or improvement is made only when they satisfy the requirements to be separately classified as an asset or part of an asset in accordance with the component approach, in which case the useful life and the relative value of each component is measured separately.

The expenses incurred for the maintenance and repairs of an ordinary nature are directly charged to the income statement when incurred.

Depreciation is calculated on a straight-line basis based on depreciation rates representative of the economic-technical

life of the tangible assets. Depreciation is calculated starting from the asset is available for use, according to the intentions of Management. Land is not depreciated.

The estimated useful lives are as follows::

Property, plant and equipment	Useful life years
Buildings	50
Plant and machinery	
- Lines plant	
- Depot fixed plant	20
- Water supply plant	9
- Line switch plant	10
- Industrial plant	17
- Signalling plant	25
- Operating offices	17
- Substation power	17
- Localisation	17
- Magnetic-electronic ticketing	10
- Line rolling stock	
- Rail rolling stock	30
- Road rolling stock	7 ÷ 13
Industrial and commercial equipment	
- Ancillary vehicles	5 ÷ 13
- Other equipment	5 ÷ 10
Other assets	5 ÷ 8

The useful life of tangible assets and their residual value are reviewed and updated, where necessary, at least at the end of each year.

Tangible assets are also subject to verification to identify any reductions in value annually or whenever there is an indication that the asset may have suffered a reduction in value. Reference should be made to the contents of the following paragraph *"Impairment of assets"* for the criteria for determining any write-downs.

The Buildings also include properties owned that are not instrumental in nature. Similarly to land, deposits and offices, real estate investments are valued at the criteria of the cost recalculated at fair value, a criteria that allows periodically redetermining the value of the asset to align it with a value equal to the fair value on the revaluation date, at net of accumulated depreciation and any impairment losses.

In the event of the sale of the properties, any higher price collected with respect to the value of the property is recognized in the net equity under "Other reserves" which also includes the residual amount of OCI attributable to the property or land transferred.

Intangible Fixed Assets

An intangible asset is a non-monetary asset, identifiable and without physical substance, controllable and capable of generating future economic benefits. These assets are recognized at purchase and/or production cost, including the costs of bringing the asset to its current use, net of accumulated amortisation, and any loss in value.

Amortisation begins when the asset is available for use, according to the intentions of Management, and is recognized on a straightline basis in relation to the residual possibility of use and thus over the estimated useful life of the asset.

The cost of *software license*, including expenses incurred to make the *software* ready for use, are amortised on a straight-line basis over five years, while *software* programme maintenance costs are charged to the income statement when incurred.

Intangible assets with definite useful life are tested for losses in value when there is an indication that the asset may have incurred a loss in value. Reference should be made to the paragraph below

"Impairments of assets" for impairment criteria.

Assets held under lease agreements

Tangible assets held under lease contracts through which the control (*right of use*) of an asset is acquired, are recognised as assets of the Company through the registration of the *leased* asset in the assets with a counter-entry to a financial payable. The elements of the *leases* are the following: the identification of the asset, the right to replace it, the right to obtain substantially all the economic benefits deriving from the use of the asset and, lastly, the right to manage the use of the asset under the *lease* contract.

The right of use is systematically depreciated from the moment the asset is available for use, over the contractual term of the lease contract, according to Management's intentions.

The right of use is also submitted to an impairment test to identify any reduction in value annually or whenever there is an indication that the asset may have suffered an impairment loss as a result of the implementation of management conditions that make the lease contract onerous in accordance with IAS 37.

Investments in subsidiaries, associates and other companies

Investments in subsidiaries, associated companies and other companies are recognized at purchase price (including directly attributable related costs), less any impairment. Reference to the paragraph *"Impairment of assets"* below for the criteria to determine any write-downs.

Any positive difference, arising on acquisition from third parties, between the purchase cost and fair value of net assets acquired in an investee company is included in the carrying amount of the investment.

Investments in subsidiaries, associates and other companies are tested for impairment annually or more frequently if necessary. If there is evidence that these investments have incurred an impairment loss, the loss is recorded in the Income Statement. Where the share of losses pertaining to the Company in the investment exceeds the book value of the investment and the Company has an obligation to cover such loss, the value of the investment is written down and the share of further losses is recognized as a provision for risks and charges under liabilities in the statement of financial position. If an impairment loss is subsequently reversed, the increase in book value (up to a maximum of purchase cost) is recognized through the income statement.

Impairments of assets

 Tangible and intangible assets with definite useful lives

At each reporting date, an assessment is made to establish whether there are indicators that tangible, intangible assets (including rights of use, the impairment of which is linked to the emergence of terms of use on the basis of an onerous contract under IAS 37) and investments may be impaired and whether, with reference to the value of land and buildings, the fair value may be different from the cost restated at fair value at the reference date of the assessment (i.e. including accumulated depreciation recognised between the two fair value measurement dates). For this purpose, both internal and external sources of information are considered. With regard to the former (internal sources), the following are considered: the obsolescence or physical impairment of the asset, any significant changes in the use of the asset and the economic performance of the asset with respect to expectations. With regard to external sources, the following are considered: the trend in the market prices of the assets, any technological, market or regulatory discontinuity, the trend in market interest rates or the cost of capital used to evaluate investments.

If the presence of such indicators is identified, the recoverable value of the above mentioned assets is estimated (*Impairment test*) and subsequently imputed to the income statement. The recoverable value of an asset is represented by the higher of its *fair value*, net of accessory selling costs, and its value in use, the current value of estimated future cash flows for the asset. In determining value in use, the expected future cash flows are discounted to the present value using a discount rate that reflects current market value, compared to the investment period and the specific risks of the business. For an asset that does not generate largely independent cash flows, the recoverable value is determined in relation to the *cash generating unit* (CGU) to which the asset belongs.

A loss in value is recognized in the income statement when the book value of the asset, or of the relative *Cash Generating Unit* to which it is allocated, is higher than its recoverable value. Impairment of the *cash generating unit* is recognised as a reduction of the asset, in proportion to its book value and within the limits of its recoverable value, including rights of use. When the reasons for the write-down no longer exist, the book value of the asset is restated through the income statement, up to the value at which the asset would be recognized if no write-down had taken place and amortisation or depreciation had been recognized.

 Land and buildings valued at cost restated at fair value

In the fair value determination exercise, the positive difference between the restated fair value and the recognition value (previous recalculated fair value adjusted with amortization) is recognized in equity while, in the event of a negative differential, it is recognized in the shareholders' equity (OCI) up to the residual value of the fair value recalculation of each property and for the part exceeding the income statement.

Financial assets

In line with the provisions of IFRS 9, financial assets are classified into the following three categories: (i) financial assets measured at amortized cost; (ii) financial assets measured at fair value with recognition of the effects among the other components of comprehensive income (hereinafter also FVTOCI); (iii) financial assets measured at fair value with recognition of the effects in the income statement (hereinafter also FVTPL).

The financial assets are initially recognized at fair value.

(i) financial assets measured at amortized cost

After initial recognition, financial assets that generate contractual cash flows exclusively representing capital and interest payments are measured at amortized cost if held for the purpose of collecting contractual cash flows (so-called business model *held to collect*). According to the amortized cost method, the initial recognition value is subsequently adjusted to take into account capital repayments, any write-downs and the amortization of the difference between the repayment amount and the initial recognition value.

Amortization is based on the effective internal interest rate, which represents the rate that makes the present value of expected cash flows and the initial book value equal at the time of initial recognition. Receivables and other financial assets measured at amortized cost are presented in the balance sheet net of the related provision for bad debts.

(ii) financial assets measured at fair value with recognition of the effects among the other components of comprehensive income (hereinafter also FVTOCI)

The financial assets representing debt instruments whose business model provides both the possibility of collecting contractual cash flows and the possibility of realizing capital gains on disposal (so-called business model held to collect and sell), are valued at fair value with attribution of the effects to OCI (hereinafter also FVTOCI). In this case, changes in the fair value of the instrument are recognized under shareholders' equity among the other components of comprehensive income. The cumulative amount of changes in fair value, recognized in the shareholders' equity reserve that includes the other components of comprehensive income, is reversed to the income statement when the instrument is derecognized.

(iii) financial assets measured at fair value with the effects recognized in the income statement (hereinafter also FVTPL)

A financial asset that is not valued at amortized cost or at the FVTOCI is valued at fair value with the effects being recognized in the income statement (FVTPL); this category includes financial assets held for trading purposes as well as financial assets whose cash flows have characteristics that do not meet the conditions for valuation at amortized cost or at FVTOCI.

The assessment of the recoverability of financial assets not valued at fair value with effects on the income statement is made based on the so-called Expected Credit Losses.

Financial assets sold are derecognized when the contractual rights associated with obtaining the cash flows associated with the financial instrument expire or are transferred to third parties.

With regard to value adjustments ("impairment"), loans and debt securities classified as financial assets at amortized cost, financial

assets at fair value with an impact on comprehensive income and significant off-balance sheet exposures are subject to calculation of adjustments of value.

In this regard, these instruments are classified in stage 1, stage 2 or stage 3 depending on their absolute or relative credit quality with respect to the initial supply. In particular:

- Stage 1: includes (i) newly originated or acquired credit exposures, (ii) exposures that have not suffered a significant deterioration in credit risk with respect to the date of initial recognition and (iii) exposures with low credit risk ("Low credit risk exemption").
- Stage 2: includes credit exposures, which although not impaired, have undergone a significant deterioration in credit risk compared to the date of initial recognition.
- Stage 3: includes impaired credit exposures. For exposures belonging to stage 1 the total value adjustments are equal to the expected loss calculated over a time horizon of up to one year. For exposures belonging to stages 2 or 3 the total value adjustments are equal to the expected loss calculated over a time horizon equal to the entire duration of the relative exposure.

In order to respond to the requests of the principle, the Company has developed specific models for the calculation of the expected loss that rely on the parameters of probability of insolvency ("PD"), loss considered insolvency ("LGD") and exposure to the date of insolvency ("EAD") used for regulatory purposes and to which specific corrections are made in order to ensure full consistency with accounting regulations. In this context, (*"forward-looking"*) information was also included through the development of specific scenarios.

Inventory

Inventory - relating to materials for rolling stock maintenance, are recognized at the lower between purchase cost (including any accessory charges) and net realisable value. The cost is determined in accordance with the weighted average cost method. The net realisable value is represented by the replacement cost.

Obsolete and/or slow-moving inventory is written down in relation to it's expected future utilisation through the recognition

of an obsolescence provision. The write-downs made are restored in future years should the reason for the write-down no longer exist.

Trade and other receivables

Trade and other receivables are initially recognized at fair value and subsequently measured based on the amortised cost method net of the doubtful debt provision. When there is an indication of a reduction in value, the asset is reduced to the value of the discounted future cash flows obtainable. Indicators of loss in value include, among others, significant contractual non-compliance, significant financial difficulties, insolvency risk of the counterparty. Receivables are reported net of the provision for doubtful debts. When in subsequent periods the reduction in the value of the asset is confirmed, the doubtful debt provision is utilised; otherwise, where the reasons for the previous writedown no longer exist, the value of the asset is reversed up to the recoverable amount derived from applying the amortised cost method where no write down had been made.

Cash and cash equivalents

Cash and cash equivalents includes cash, bank deposits, and other short-term forms of investment, due within three months. Cash and cash equivalents are recognized at fair value.

Non-current assets held for sale

In accordance with the provisions of IFRS 5 "Non-current assets held for sale and discontinued operations" the non-current assets whose book value will be recovered principally through sale instead of continuous use, and where in accordance with the provisions of the specific standard and in particular the sale is considered highly probable, are classified as held for sale and measured at the lower between book value and fair value, net of selling costs. From the date in which these assets are classified under non-current assets held for sale, the relative depreciation is suspended.

Financial liabilities

Loans, trade payables and other financial liabilities are initially recognized at fair value, net of directly allocated accessory costs, and subsequently recognized at amortised cost, using the effective interest rate criteria. When there is a change in the expected cash flows, the value of the liabilities are recalculated to reflect this change, based on the new present value of the expected cash flows and on the effective internal rate initially determined. Loans, trade payables and other financial liabilities are classified under current liabilities, except where the contractual maturity is beyond 12 months compared to the reporting date and when the Group has an unconditional right to defer their payment for 12 months after the reporting date. Loans, trade payables and other financial liabilities are derecognized from the financial statements when they are settled and the Company has transferred all the risks and rewards relating to the instrument.

Employee Benefits

The Company has both defined contribution plans and defined benefit plans.

Third party fund operators, in relation to which there is no legal or other obligation to pay further contributions where the fund does not have sufficient assets to meet the obligations of the employees manages defined contribution plans. For the defined contribution plans, the Company pays contributions, voluntary or established contractually, to public and private pension funds. The contributions are recognized as personnel expense in accordance with the accruals principle. The advanced contributions are recognized as an asset which will be repaid or offset against future payments where due.

A defined benefit plan is a plan not classified as a defined contribution plan. In the defined benefit plans the amount of the benefit to be paid to the employee is quantifiable only after the termination of the employment service period, and is related to one or more factors such as age, years of service and remuneration. An independent actuary utilising the *"projected unit credit method"* therefore determines the obligations for the defined benefit plans. The present value of the defined benefit plan is determined discounting the future cash flows at an interest rate equal to the obligations (*high-quality corporate*) issued in the currency in which the liabilities will be settled and takes into



account the duration of the relative pension plan. The gains and losses deriving from the actuarial calculation are entirely recognized under equity in the year, taking into account the deferred tax effect.

In particular, we report that the company manages a defined benefit plan, represented by the Employment Termination Indemnities (Trattamento di Fine Rapporto "TFR"). "TFR" is obligatory for Italian companies in accordance with Article 2120 of the Italian Civil Code; it is a form of deferred remuneration and is based on the period of employment service and the remuneration received for this period. From January 1, 2007, Law No. 296 of December 27, 2006 ("2007 Finance Law") and subsequent decrees and regulations introduced important amendments in relation to the "TFR", including the choice of the employee to allocate maturing benefits to supplementary pension funds or the "Treasury Funds" managed by INPS. Therefore, the obligations with INPS and the complementary pension contributions, in accordance with IAS 19 "Employee benefits" are considered defined contribution plans, while the amounts recognized in the Employee Termination Indemnities at January 1, 2007 are considered defined benefit plans.

The Company until December 31, 2018 had also a defined benefit plan referring to the War Veterans Fund. The accounting treatment of the benefits from the War Veterans Fund and the effects deriving from the actuarial measurement are the same as those for the Employee Termination Indemnities. During the financial year 2019, this fund was fully distributed to the entitled parties by paying each beneficiary the sums due at the definitive closure of any future financial claims. This choice was made in view of the small number of beneficiaries and the commitment to its administrative management.

Provisions for risks and charges

Provisions for risks and charges are recognized to cover known or likely losses or liabilities, the timing and extent of which are not known with certainty at the reporting date. They are recognized only when there exists a current obligation (legal or implicit) for a future payment resulting from past events and it is probable that the obligation will be settled. This amount represents the best estimate of the costs required to settle the obligation. If the financial effect of the period is significant and the payment dates of the obligations can be reliably estimated, the provisions are valued at the present value of the expected payment, utilising a rate, which reflects market conditions, the change in the cost of money in the period, and the specific risk related to the obligation. The increase in the value of the provision from changes in the cost of money in the period is recognized as interest expense.

Possible risks that may result in a liability are disclosed in the notes on potential liabilities without any provision.

Revenue recognition

Revenues are recognized for the amount equal to the *fair value* of the consideration received or to be received, for the economic benefits accruing to the Company and where determined reliably.

The fee for Service Contracts relating to Local Public Transport services is recognized in the Income Statement based on the temporal competence of the distances and sections carried out in the reference year, net of penalties, discounts, allowances and premiums, as well as taxes connected.

Revenues from services (in particular, on-street parking, car parks, vehicle tow removing) are recognized on the completion of the service; sales revenue are recognized on the transfer of the risks and rewards related to the goods sold.

Rental income for commercial spaces, advertising and sponsorship are recognized in the period they mature, based on the contractual agreements underwritten.

Public Grants

Public grants, in the presence of a formal resolution, are recognized on an accrual basis in direct correlation to the costs incurred. In the case of uncertainty on their allocation, they are recognized in accordance with the cash criteria in the year in which they are received.

Capital grants

Public capital grants refer to sums paid for the acquisition of rolling stock or direct construction interventions, reconstruction and expansion of property, plant and equipment. The capital grants are recognized as a direct reduction of the assets to which they refer and contribute to the reduction in the calculation of the depreciation.

Operating grants

Operating grants refer to sums received from the Municipality of Milan or other Public Entities by the company as a reduction of costs and charges incurred. Operating grants are credited to the account "*Other income*" as an income item in the P&L.

Recognition of costs

Costs are recognized when relating to assets or services acquired or consumed in the year or by systematic allocation.

Dividends

They are recognized in the income statement when the right of the shareholders to receive the payment arises, which normally occurs at the shareholders' meeting for the distribution of dividends.

Financial income

Financial income is recognized on an accruals basis and includes interest income on financial assets invested, gains on the sale of financial assets and foreign currency gains. Interest income is recognized in the income statement at the moment of maturity, considering the effective yield.

Financial expenses

Financial expenses are recognized on an accruals basis and include interest on financial payables calculated using the effective interest method, losses on the sale of financial assets and currency losses.

Income taxes

Current income taxes are calculated based on the assessable income for the year, applying the current tax rates at the reporting date. Deferred taxes are calculated on all differences between the assessable income of an asset or liability and the relative book value.

Deferred tax assets are recognized only for those amounts for which it is probable there will be future assessable income to recover the amounts. The deferred taxes are calculated utilising the tax rates which are expected to be applied in the years when the temporary differences will be realised or settled. The recovery of the deferred tax asset is reviewed at each reporting date. Deferred tax assets not recognized in the financial statements are reanalysed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Current and deferred income taxes are recognized in the income statement, except those relating to accounts directly credited or debited to equity, in which case the fiscal effect is recognized directly to equity and to the consolidated comprehensive statement of income. Income taxes are offset when applied by the same fiscal authority, there is a legal right for offsetting and the payment of the net balance is expected.

The Company applied the National Tax Consolidation for the ATM Group which permits the IRES corporate tax calculation on the

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sum of the assessable amounts of the individual participants. The transactions, responsibilities and reciprocal obligations between the parent company and the companies of the ATM Group within the National Tax Consolidation are defined in the *"Agreement concerning the joint exercise of the option for the national consolidation by the companies belonging to the ATM Group"*.

Other taxes not related to income, such as taxes on property, are included under "Other operating costs and charges".

Conversion of Accounts in Foreign Currencies

Transactions in currencies other than the Euro are recognized at the exchange rate at the date of the transaction. Assets and liabilities denominated in currencies other than the Euro are subsequently adjusted to the exchange rate at the reporting date. Non-monetary assets and liabilities denominated in currencies other than the Euro are recognized at historical cost, utilising the exchange rate on the initial recognition of the transaction. Exchange differences are recognized to the income statement.

IFRS and IFRIC standards, amendments and interpretations approved by the European Union applied from the Company since January 1, 2019.

The following IFRS accounting standards, amendments and interpretations were applied for the first time by the Company as from 1 January 2019.

IFRS 16 - Leases

On January 13, 2016, the IASB published IFRS 16 - Leases replacing IAS 17 - Leases and IFRIC 4 Interpretations Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The standard provides a new definition of lease and introduces a criteria based on the control (*right of use*) of an asset to identify leases and service contracts, determining the following as discriminating factors: the identification of the asset, the right to replace it, the right

to obtain all the economic benefits deriving from the use of the asset and the right to control the use of the asset based on the contract. The principle establishes a unique model for the recognition and evaluation of lease contracts for the lessee, which provides for the recognition of the leased asset, including operating assets, with a counterpart financial liability. On the contrary, the Standard does not include significant changes for lessors.

The Company adopted IFRS 16 with the amended retrospective method, which provides for the right of use to be recognised at January 1, 2019 for an amount equal to the residual financial liability at that date, without revising the amounts for the previous year; consequently, the balances in the financial statements at December 31, 2019 are not comparable with the amounts for the year ended December 31, 2018. In particular, the company has recognised the amounts for leasing contracts previously classified as operating:

- a financial liability, equal to the present value of future payments remaining at the transition date, discounted using for each contract the *incremental borrowing rate* applicable at the transition date;
- b. a right of use equal to the value of the financial liability at the date of transition, net of any accrued income and prepayments relating to the *lease* and recognised in the balance sheet at the closing date of the financial Report.

The following table shows the effects of the adoption of IFRS 16 at the transition date:

	effects at the transition date (01.01.2019)
ASSETS	
Non-current assets	
Right of use of Buildings	1,080,721
Right of use of vehicles	197,647
Right of use of Industrial equipment	331,790
Right of use of IT equipment	448,824
Other rights of use	101,025
Total	2,160,007

	effects at the transition date (01.01.2019)
EQUITY AND LIABILITIES	
Non-current liabilities	1,513,631
Financial liabilities for non-current leases	1,513,631
Current liabilities	646,376
Financial liabilities for current leases	646,376
Total	2,160,007

It is noted that the weighted average *incremental borrowing rate* applied to financial liabilities recognised at 1 January 2019 was 1.45%.

In adopting IFRS 16, the company opted for the exemption provided in IFRS 16:5(a) in relation to *short-term leases* for the following classes of assets:

- buildings;
- company vehicles.

Similarly, the Company has made use of the exemption provided by IFRS 16:5(b) for *lease* contracts where the asset is a *low-value asset* (i.e. when the new assets subject to the lease agreement do not exceed Euro 5,000)

The contracts for which the exemption has been applied mainly are part of the following categories:

- computers, phones and tablets;
- printers;
- other electronic devices.

For these contracts, the introduction of IFRS 16 did not result in the recognition of the financial liability of the lease and the related right of use, but the lease payments have been recorded in the income statement on a straight-line basis for the duration of the related contracts under "*Operating lease costs*" in the income statement.

Furthermore, the Company has used the following practical expedient required by IFRS 16:

- Separation of non-lease components: the Company has made use of the exemption granted by IFRS 16:15 for the following categories of activities:
 - vehicles.

The *non-lease* components on these assets have not been separated and accounted from the lease components, but are considered together with the latter in the determination of the financial liability of the lease and the related right of use.

In addition, with reference to the transition rules, the Company made use of the following practical expedients available in the event of choosing the modified retrospective transition method:

- classification of contracts that expire within 12 months from the transition date as a short term lease. For these contracts, lease payments are recorded in the income statement on a linear basis;
- exclusion of the initial direct costs from the measurement of the right of use on 1 January 2019;
- use of the information present on the transition date for the determination of the lease term, with particular reference to the exercise of extension and early closing options.

In December 2019, the IFRS Interpretation Committee published its conclusions in an "Agenda Decision" regarding the Lease Terms and, in support, the useful life of the leasehold improvement (and freely transferable assets). At the date of preparation of these Financial Statements, the Company is evaluating the possible impacts deriving from the accurate interpretation on the estimate of the Lease term of its leasing contracts and also the useful life of the leasehold improvements. In light of the contents of the Decision Agenda, the Group does not foresee significant impacts on the determination of the Right of use for leased assets and the Financial Liabilities/Assets for leased assets and expects to complete this analysis by 2020.

Reconciliation with lease commitments

In order to provide an aid to understanding the impacts arising from the first application of the standard, the following table provides a reconciliation between future commitments relating to lease contracts, which was disclosed in the Notes to the financial statements at December, 31 2018, and the impact deriving from the adoption of IFRS 16 at 1 January 2019.

Reconciliation of lease commitments	01.01.2019
Commitments for operating leases at December, 31 2018	3,511,837
Short term lease fees (exemption)	(906,500)
Fees for low-value leases (exemption)	(417,638)
Financial liability not discounted for leases as of January 1, 2019	2,187,699
Discounting effect	27,692
Financial liability for leases as of January 1, 2019	2,160,007
Present value of financial lease liabilities at December, 31 2018	-
Financial liability for additional leases due to the transition to IFRS 16 on 1 January 2019	2,160,007

The transition to IFRS 16 has also introduced some elements of professional judgment which involve the definition of some accounting policies and the use of assumptions and estimates by the Directors. In this regard, the Company has decided on the following:

- not to apply IFRS 16 for leasing contracts that have an intangible asset as their underlying asset;
- for the purpose of determining the duration of the lease term, the Group has analyzed all the leasing contracts, defining for each of them *the lease term*, as the "non-cancellable" period considering the effects of any extension options or early closure, the exercise of which was deemed reasonably certain using the information available at the transition date;
- since for all leasing agreements entered into by the Group there is no implicit interest rate, the discounting rate to be applied to payments for future minimum rent fees for the determination of the financial liability was determined taking into account the bond loan repayment rate as well as the risk-free rate of Italy, with a maturity commensurate with the duration of the loan agreement with the European Investment Bank, increased by the specific credit spread attributable to the Group.

Annual Improvements to IFRSs 2015-2017 Cycle

On December 12, 2017, the IASB published the *document "Annual Improvements to IFRSs 2015-2017 Cycle*" which acknowledges the changes to some principles as part of the annual improvement process of the same. The main changes concern:

- IFRS 3 Business Combinations and IFRS 11 Joint Arrangements: the amendment clarifies that when an entity gains control of a business that represents a joint operation, it must re-measure the interest previously held in that business. This process however is not, planned if joint control is obtained.
- IAS 12 Income Taxes: the amendment clarifies that all tax effects related to dividends (including payments on financial instruments classified within equity) should be accounted for in consistency with the transaction that generated these profits (income statement, OCI or equity).
- IAS 23 Borrowing costs: the amendment clarifies that in the case of loans that remain in existence even after the qualifying asset of reference is ready for use or for sale, they become part of the set of loans used to calculate the financing costs.

The adoption of this amendment did not have any effects on the Company's financial statements as at December 31, 2019.

Plant Amendment, Curtailment or Settlement (Amendments to IAS 19)

On February 7, 2018 the IASB published the document "Plant Amendment, Curtailment or Settlement (Amendments to IAS 19)". The document clarifies how an entity must recognize a change (i.e. a curtailment or a settlement) of a defined benefit plan. The changes require the entity to update its assumptions and remeasure the liability or net asset arising from the plan. The amendments clarify that after this event occurs, an entity uses updated hypotheses to measure the current service cost and the interests for the rest of the reference period following the event. The adoption of this amendment did not have any effects on the Group's consolidated financial statements as at December 31, 2019.

Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)

On 12 October 2017, the IASB published the document "Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)". This document clarifies the need to apply IFRS 9, including the requirements related to impairment, to other long-term interests in associated companies and joint ventures for which the equity method does not apply. The adoption of this amendment did not have any effects on the Company's financial statements at December 31, 2019.

Uncertainty over Income Tax Treatments (IFRIC Interpretation 23)

On 7 June 2017, the IASB published the interpretation "Uncertainty over Income Tax Treatments (IFRIC Interpretation 23)". The interpretation addresses the issue of uncertainties on the tax treatment to be adopted on income taxes. In particular, the interpretation requires an entity to analyze the "uncertain tax treatments" (individually or as a whole, depending on the characteristics) always assuming that the tax authority examines the tax position in question, having full knowledge of all relevant information. In the event that the entity considers it unlikely that the tax authority will accept the tax treatment followed, the entity must reflect the effect of uncertainty in measuring its current and deferred income taxes. In addition, the document does not contain any new disclosure obligation but underlines that the entity will have to determine whether it will be necessary to provide information on the considerations made by the Management and relating to the uncertainty inherent in the accounting of taxes, in accordance with the provisions of IAS 1. The new interpretation applies from January 1, 2019, but early application is allowed. The adoption of this amendment did not have any effects on the Company's financial statements as at December 31, 2019.

Prepayment Features with Negative Compensation (Amendments to IFRS 9)

On October 12, 2017, the IASB published an amendment to IFRS 9 *"Prepayment Features with Negative Compensation"*. This document specifies that instruments that provide for an early repayment could comply with the Solely Payments of Principal and Interest ("SPPI") test even if the *"reasonable additional compensation"* to be paid in the event of early repayment is a *"negative compensation"* for the lender. The adoption of this amendment did not have any effects on the Company's financial statements as at December 31, 2019.

Accounting standards, amendments and interpretations IFRS and IFRIC approved by the European Union, not yet mandatory and not adopted in advance by the Company at December 31, 2019

Definition of Material (Amendments to IAS 1 and IAS 8)

On October 31, 2018, the IASB published the document "Definition of Material (Amendments to IAS 1 and IAS 8)". The document introduced a change in the definition of "relevant" contained in IAS 1 - Presentation of Financial Statements and IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors. This amendment has the aim of making the definition of "relevant" more specific and introducing the concept of "obscured information" alongside the concepts of omitted or incorrect information already present in the two principles subject to modification. The amendment clarifies that information is "obscured" if it has been described in such a way as to produce for the primary readers of a financial statement an effect similar to what would have been produced if such information had been omitted or incorrect. The changes introduced by the document apply to all transactions subsequent to January 1, 2020. The directors do not expect a significant effect in the Company's financial communications subsequent to the adoption of this amendment.

References to the Conceptual Framework in IFRS Standards

On March 29, 2018, the *IASB* published an amendment to the *"References to the Conceptual Framework in IFRS Standards"*. The amendment is effective for periods starting on January 1, 2020 or later, but early application is allowed. The Conceptual Framework defines the fundamental concepts for financial reporting and guides the Board in the development of IFRS standards. The document helps to ensure that the Standards are conceptually consistent and that similar transactions are treated the same way, in order to provide useful information to investors, lenders and other creditors. The Conceptual Framework supports companies in the development of accounting standards when no IFRS standard is applicable to a particular transaction and, more generally, helps interested parties to understand and interpret the Standards.

Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform

On September 26, 2019, the IASB published the amendment called "Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform". The same changes IFRS 9 - Financial Instruments and IAS 39 - Financial Instruments: Recognition and Measurement as well as IFRS 7 - Financial Instruments: Disclosures. In particular, the amendment modifies some of the requirements required for the application of hedge accounting, providing for temporary derogations from them, in order to mitigate the impact deriving from the uncertainty of the IBOR reform (still in progress) on the flows of future cash in the period preceding its completion. The amendment also requires companies to provide additional information in the financial statements regarding their hedging relationships which are directly affected by the uncertainties generated by the reform and to which the aforementioned exemptions apply. The changes take effect from January 1, 2020, but companies can choose early application. The Directors do not expect effects on the Company's financial statements from the adoption of this amendment.

Accounting standards, amendments and IFRS interpretations not yet approved by the European Union

At the reference date of this financial report, the competent bodies of the European Union have not yet completed the endorsement process necessary for the adoption of the amendments and principles described below.

Definition of a Business (Amendments to IFRS 3)

On 22 October 2018, the IASB published the document "Definition of a Business (Amendments to IFRS 3)". The document provides some clarifications regarding the definition of business for the purposes of the correct application of IFRS 3. In particular, the amendment clarifies that while a business usually produces an output, the presence of this output is not strictly necessary to identify the presence of an integrated set of activities/processes and assets. However, to meet the business definition, an integrated set of activities/processes and assets must include, at a minimum, an input and a substantial process which together significantly contribute to

the ability to create outputs. To this end, the IASB has replaced the term "ability to create output" with "ability to contribute to the creation of output" to clarify that a business can exist even without the presence of all the inputs and processes necessary to create an output.

The amendment also introduced a test (*"concentration test"*), optional for the entity, which allows to exclude the presence of a business if the price paid is substantially referable to a single activity or group of activities. The changes apply to all business combinations and acquisitions of activities subsequent to January 1, 2020, but early application is permitted.

Considering that this amendment will be applied on the new acquisition transactions which will be concluded starting from 1 January 2020, any effects will be recognized in the financial statements closed after that date.

Sales or Contribution of Assets between an Investor and its Associate or Joint Venture (IFRS 10 and IAS 28)

On 11 September 2014, the IASB published an amendment to IFRS 10 and *IAS 28 Sales or Contribution of Assets between an Investor and its Associate or Joint Venture.* The document was published in order to resolve the current conflict between IAS 28 and IFRS 10.

In accordance with IAS 28, the profit or loss resulting from the sale or transfer of a non-monetary asset to a joint venture or associate in exchange for a share in the latter's capital is limited to the share held in the joint venture or associate by other investors unrelated to the transaction. On the contrary, IFRS 10 provides for the recognition of the entire profit or loss in the event of loss of control of a subsidiary, even if the entity continues to hold a non-controlling share of it, therein, including in this case also the sale or transfer of a subsidiary to a joint venture or associate. The changes introduced provide that in a transfer/assignment of an asset or a subsidiary to a joint venture or associate, the measure of the profit or loss to be recognized in the financial statements of the transferor depends on whether the assets or subsidiary companies sold/assigned constitute or not a business, in accordance to what is envisaged by IFRS 3. In the event that the assets or the subsidiary company transferred / conferred represent a business, the entity must recognize the profit or loss on the entire share previously held; while, otherwise, the share of profit or loss relating to the share still held by the entity must

be eliminated. At the present moment, the IASB has suspended the application of this amendment.

Considering that this amendment will be applied to new

transactions which will be concluded starting from January 1, 2020, any effects will be recognized in the financial statements closed after that date.

4. Use of estimates

The application of IAS-IFRS for the preparation of the Financial Statements entails the making, by the Directors, of accounting estimates, often based on complex and/or subjective evaluations, based on past experience and hypotheses considered reasonable and realistic in relation to the information known at the time of the estimate, also with the support of experts. The use of these estimates is reflected in the book value of the assets and liabilities and in the information on potential assets and liabilities at the date of the financial statements, as well as on the amount of revenues and costs represented in the accounting period. Actual results may differ from those estimated due to the uncertainty that characterizes the assumptions and conditions on which the estimates are based. The estimates and assumptions are periodically reviewed and the effects of each change are reflected in the income statement.

Please note that in accordance with IAS 10, the impacts on the estimate uses of the COVID-19 pandemic will be reflected in the year 2020 as the event is of a "non-adjusting event" nature.

For a better understanding of the financial statements, the most significant estimates of the financial statements preparation process are indicated below because they involve a high use of subjective judgments, assumptions and estimates relating to issues which are by their nature uncertain. Changes in the conditions underlying the judgments and assumptions adopted could have a significant impact on subsequent results.

Cost restated to the fair value of land and buildings

The evaluation of the fair value of the land and buildings used as a reference for the periodic restatement of the cost is a complex estimation process which depends on the characteristics of the properties, on the identification criteria of the market parameters used for the evaluation, as well as on the methodological approach adopted in determining the portfolio discount.

Impairment of assets

Tangible and intangible assets with a finite useful life and equity investments are subject to verification in order to ascertain whether a reduction in value has occurred, which must be recognized through a write-down, when there are indicators that suggest difficulties in recovering the relative net value accountanting through use. The verification of the existence of the aforementioned indicators requires the Directors to carry out subjective assessments based on the information available within the Company and from the market, as well as historical experience. Furthermore, if it is determined that a potential reduction in value may have been generated, the Company proceeds to determine it using suitable valuation techniques. The correct identification of the indicators of existence of a potential reduction in value, as well as the estimates for their determination, depend on factors that may vary over time, influencing the assessments and estimates made by the Directors.

Useful life of tangible and intangible assets

Tangible and intangible assets with a finite useful life are amortized over the estimated useful life of the related assets. The economic useful life of the assets is determined by the Directors at the time the asset was purchased; it is based on historical experience for similar fixed assets, market conditions and forecasts regarding future events that could have an impact on the useful life. Therefore, the actual economic life may differ from the estimated useful life. The Company periodically evaluates technological and sector changes to update the residual useful life. This periodic update could lead to a change in the depreciation period and therefore also to the depreciation charge for future years. It should be noted that on the occasion of the first adoption of the IAS-IFRS Principles, the useful lives related to metropolitan and tram rolling stock had been updated, while last year, as part of the modification of the property valuation criterion, a new economic-technical life of the buildings subject to fair value measurement was defined.

It should also be noted that following the carrying out of an analysis of impairment on the metropolitan rolling stock, consequent to the acknowledgment of the exit from the production cycle of some rolling stock due to technological obsolescence, the write-down of 6 trains used on the M2 line was registered, that have no longer used in the transport service, the financial and economic effects of which are illustrated in Note 8. In addition to the above, no further endogenous and exogenous indicators have been detected that have made it necessary to carry out the impairment test.

Recovery of warehouse inventories

The evaluation of the warehouse is an estimative process subject to the uncertainty of the determination of the replacement value of the rolling stock components and consumable material that varies over time according to market conditions as well as the conditions of use of different types of automobiles that make up the fleet.

Recoverability of deferred tax assets

Deferred tax assets are recorded in the Financial Statements, mainly related to the recognition of tax losses usable in subsequent years and to deferred tax deductible income components, for an amount whose recovery in future years is considered highly probable. The recoverability of the aforementioned prepaid taxes is subject to the achievement of sufficiently large future taxable profits for the absorption of the aforementioned tax losses or to the competition of the deferred taxation connected to the other deferred tax assets. Significant judgments by the Directors are required to

determine the amount of prepaid taxes that can be recognized in the Financial Statements based on the timing and amount of future taxable income. In particular, it should be noted that in this financial report at December 31, 2019, deferred tax assets were recorded on previous tax losses for the portion that the Directors believe is recoverable against the future taxable income assumed having a time horizon exceeding the end of the current expiry of the Contract Service with the Municipality of Milan extended until October 31, 2020, taking into account the presentation of "Milano Next" which, as described in the Management Report, increases the probability of awarding the tender issued by the Basin Authority to the Company since, in the event of a favorable assessment, "Milano Next" will constitute the basis of tender, while in the case that potential competitors present better offers (both in economic and feasibility terms), "Milano Next", as a "promoter", may exercise - pursuant to the aforementioned art.183, paragraph 15, of Legislative Decree 50/2016 - the right of first refusal, thereby winning the prior concession, balancing the best offer presented.

In particular, as reported in the Management Report, the Directors believe it is highly probable that the Company generates taxable income whether it exercises the service under an extension regime, in the event that the tender is not called and assigned, or in the event that the tender is launched and has as its basis the "Milano Next" project submitted to the TPL Agency on 23 May 2019 or was lost, due to the aforementioned exercise of the right of first refusal, or the possibility that the Company operates, however, as the company owning the means and capital goods ("Rosco Management") which must be made available to the new manager if it is decided not to benefit from the exercise of the pre-emption right. Given the temporal uncertainty with which the events related to the examination of the "Milano Next" project will occur and consequent decisions to award the Company or not and to exercise the pre-emption or Management Rosco, - it is believed that the certain temporal scenario of prolongation of the activity it cannot be less than 3 years, therefore until 2022; therefore, the recognition of deferred tax assets on tax losses was done by taking this time horizon as a reference, assuming the realization of taxable profits in the least favorable of the result alternatives of the evolution of the procedure managed by the Basin Authority, also taking into account the foreseeable impact of reduction of the 2020 taxable income related to the effects of the COVID pandemic 19.

Processes for estimating funds for risks and charges

The Company is subject to legal and tax lawsuits as well as environmental risks that may arise from complex and difficult problems, which are subject to a different degree of uncertainty, including the facts and circumstances inherent in each case, the jurisdiction and the different applicable laws. Given the uncertainties inherent in these issues, it is difficult to predict with certainty the outlay that could result from these disputes. Consequently, the Directors, having heard the opinion of their consultants and experts in legal, tax and environmental matters, ascertain a liability against these disputes when they believe it is probable that a financial outlay will occur and when the amount of the losses that will derive from them can be reasonably esteemed. This estimate involves the adoption of assumptions that depend on factors that may change over time and which could therefore have significant effects compared to the current estimates made by the Directors for the preparation of the Company's Financial Statements. Demonstration of this uncertainty is represented by the significant impacts recorded in the 2019 financial statements due to the redefinition of certain estimates in light of new and relevant information.

Factors for assessing employee benefits

Liabilities for employee benefits are valued with an actuarial method that requires the use of estimates and assumptions to determine the value of the obligation. The estimates and assumptions inherent in the actuarial valuation concern exogenous factors such as the discount rate and subjective factors such as the rate of increase in future wages, mortality and resignations.

Determination of the fair value of financial assets

The *fair value* of certain financial assets that are not listed on active markets is determined using valuation techniques. The Company uses valuation techniques that use inputs directly or indirectly observable from the market on the closing date of the year, connected to the activities that have been assessed. While considering the estimates of the aforementioned *fair values* reasonable, possible changes in the estimation factors on which the calculation of the aforementioned values is based could produce different valuations.



5. Financial risk management

This section briefly describes the Company's policies for the management and control of financial risks to which it is exposed:

- credit risk deriving from the possibility of default of a counterparty;
- liquidity risk deriving from the lack of financial resources to meet short-term commitments;
- risk of non-compliance with debt *covenants* and possible default;
- risk deriving from exposure to fluctuations in interest rates, exchange rates, fluctuations in the price of commodities and the downgrading of the credit rating on medium/long-term debt.

During the 2019 financial year - as the previous one - the Company did not make use of derivative financial instruments to cover the effects of the aforementioned risks, with the exception of the associated companies Metro 5 S.p.A. and SPV Linea M4 S.p.A. Moreover, Metro 5 S.p.A. has early terminated a series of floor operations and SPV Linea M4 S.p.A. has remodeled derivative hedging transactions, aligning them with the underlying debt on the occasion of the rebalancing carried out on its Economic and Financial Plan.

1. Credit risk

The credit risk represents the Company's exposure to potential losses deriving from the non-fulfillment of the obligations assumed by commercial counterparties, mainly represented by the Municipality of Milan and its investee companies, as well as by financial counterparties in relation to the portfolio of financial assets, to deposits with banks and capital contributions also in the form of loans granted to investee.

For counterparty credit risk deriving from the use of financial

instruments, the Company adopts procedures and tools for the evaluation and selection of counterparties on the basis of *credit standing* (explicit rating assessments, monitoring of CDS - Credit Default Swaps), continuous monitoring exposure, and adoption of *stress test* scenarios.

In the management, the security of the investment is privileged before liquidity and liquidity before yield. The credit risk on liquidity and on financial instruments in the portfolio is limited as the Group only operates with counterparties with a high credit rating.

The Company is also exposed to credit risk in relation to financial guarantees (pledges on shares) issued in favor of lenders on *project finance* transactions for associated companies Metro 5 S.p.A. and SPV Linea M4 S.p.A. The maximum exposure of the Company is equal to the value of the shares of the two project companies pledged for a total of Euro 12,032,000 as at December 31, 2019.

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

With regard to commercial counterparties, ATM has adopted internal methods for selecting and assessing the economic and financial reliability of customers and suppliers, as well as external sources for monitoring their credit situation. The continuous monitoring of exposure to the various counterparties and the implementation of appropriate mitigation actions also include the adoption of credit collection measures.

The table below illustrates the credit risk of the company as at December 31, 2019 compared with December 31, 2018.

	31.12.2019	31.12.2018
Non-current financial assets	24,919,840	23,025,560
Doubtful debt provision	(8,285)	(47,130)
Non-current financial assets net of doubtful debt provision	24,911,555	22,978,430
Other receivables and non-current assets	7,251,054	14,267,756
Doubtful debt provision		
Other receivables and non-current assets net of doubtful debt provision	7,251,054	14,267,756
Current financial assets	248,396,735	255,796,824
Doubtful debt provision	(406,761)	(268,887)
Current financial assets net of doubtful debt provision	247,989,974	255,527,937
Current trade receivables	182,262,062	192,091,900
Doubtful debt provision	(16,939,987)	(18,802,764)
Current trade receivables net of doubtful debt provision	165,322,075	173,289,136
Other receivables and current assets	58,123,283	62,280,571
Doubtful debt provision	(481,470)	
Others receivables and current assets net of doubtful debt provision	57,641,813	62,280,571
Cash and cash equivalent	169,861,711	225,887,202
Doubtful debt provision	(146,706)	(246,021)
Cash and cash equivalents	169,715,005	225,641,181
Total exposure net of doubtful debt provison *	672,831,476	753,985,011

* The items exclude tax receivables and investments

The change in current financial assets and cash and cash equivalents reflects the effect of investment trends that have required liquidity, in addition to the resources allocated to the settlement of loan instalments with the European Investment Bank and the payment of dividends to the Municipality of Milan and Hitachi Rail STS SpA.

Non-current financial assets include loans and receivables from related parties and third parties, the increase in the year is due to payments made and interest accrued in 2019.

Other non-current receivables and assets include the receivable, over 12 months, for government grants for plant related to the purchase of trains on metro line 1 as part of the "Accessibility Fiera Milano" project. The credit, maturing in 2021, is to guarantee the loan granted by Cassa Deposits and Loans, recorded for an equal amount under liabilities. The change is related to the collection of the receivable maturing in connection with the payment of the related debt.

The decrease in the allowance for write downs of trade receivables is due to the dynamics related to the uses and releases made during the year (for further details, see Note 17 - *Trade receivables*), of which the main ones refer to the release of the write downs of trade receivables due from the parent company, the Municipality of Milan, for Euro 1,142,084 and the associated company Movibus S.r.I. for Euro 673,946 following the collection of receivables that had been specifically impaired. Specifically, receivables from Movibus S.r.I. in 2013 were subject of the debt restructuring agreement as per article 182-bis of Royal Decree no. 267 of March 16, 1942 between the associated company and ATM.

The following tables show the exposure to credit risk by counterparty, in absolute terms and as a percentage, excluding cash and cash equivalents as well as current and non-current financial assets:

	31.12.2019	31.12.2018
Receivables from subsidiaries	6,172,267	6,413,428
Receivables from tax authorities	2,495,818	2,674,835
Receivables from entities (State, Region, Province)	58,974,361	70,312,771
Receivables from third party customers	28,384,867	27,356,695
Receivables from associates	4,063,531	15,963,220
Receivables from other debtors	3,422,688	3,560,721
Municipality of Milan	126,042,010	123,342,317
Receivables from subsidiaries of parent companies	659,400	213,476
Total exposure of trade receivables, current and non current receivables	230,214,942	249,837,463

	Inc. % 2019	Inc. % 2018
Receivables from subsidiaries	2.7%	2.6%
Receivables from tax authorities	1.1%	1.1%
Receivables from entities (State, Region, Province)	25.6%	28.1%
Receivables from third party customers	12.3%	11%
Receivables from associates	1.8%	6.4%
Receivables from other debtors	1.5%	1.4%
Municipality of Milan	54.7%	49.3%
Receivables from subsidiaries of parent companies	0.3%	0.1%
Total exposure of trade receivables, current and non current receivables	100.0%	100.0%

It should be noted that a significant part of trade receivables and other current and non-current receivables is directly or indirectly attributable to the Municipality of Milan. The amount of financial assets considered to be of doubtful recoverability and of an insignificant amount is covered by appropriate provisions to the doubtful debt provision, which also takes into account expected losses, in compliance with the requirements of IFRS 9. The tables below provide a breakdown of financial assets at December 31, 2019 and at December 31, 2018, net of the doubtful debt provision, by overdue period and excluding cash and cash equivalents as well as current and non-current financial assets.



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	31.12.2019	Not expired	0-180	180-360	360-720	Over 720
Receivables from subsidiaries (gross)	6,172,267	6,104,528	1,186	31,631	34,922	-
Doubtful debt provision	-	-	-	-	-	-
Receivables from subsidiaries (Net)	6.172.267	6.104.528	1.186	31.631	34.922	-
Receivables from tax authorities (gross)	2,495,818	2,495,818	-	-	-	-
Doubtful debt provision	-	-	-	-	-	-
Receivables from tax authorities (Net)	2,495,818	2,495,818	-	-	-	-
Receivables from entities (gross)	58,974,361	51,723,307	-	-	7,251,054	-
Doubtful debt provision	-	-	-	-	-	-
Receivables from entities (net)	58,974,361	51,723,307	-	-	7,251,054	-
Receivables from third party customers (gross)	41,807,188	22,440,810	5,604,120	1,370,291	584,923	11,807,044
Doubtful debt provision	(13,422,321)	(404,256)	(451,483)	(422,697)	(379,353)	(11,764,532)
Receivables from third party customers (net)	28,384,867	22,036,554	5,152,637	947,594	205,570	42,512
Receivables from associates (gross)	4,093,327	2,362,319	174,111	190,780	1,336,207	29,910
Doubtful debt provision	(29,796)	(5,268)	(1,218)	(267)	(2,033)	(21,010)
Receivables from associates (net)	4,063,531	2,357,051	172,893	190,513	1,334,174	8,900
Receivables from other debtors (gross)	3,904,158	3,422,688	-	-	481,470	-
Doubtful debt provision	(481,470)	-	-	-	(481,470)	-
Receivables from other debtors (net)	3,422,688	3,422,688	-	-	-	-
Municipality of Milan (gross)	129,528,788	58,510,361	56,663,582	6,647,656	2,816,724	4,890,465
Doubtful debt provision	(3,486,778)	(81,797)	(79,216)	(9,293)	(2,591,585)	(724,887)
Municipality of Milan (net)	126,042,010	58,428,563	56,584,366	6,638,363	225,139	4,165,578
Receivables from subsidiaries of parent companies (gross)	660,491	403,671	188,762	5,561	12,785	49,712
Doubtful debt provision	(1,091)	(671)	(324)	(8)	(18)	(70)
Receivables from subsidiaries of parent companies (net)	659,400	403,000	188,438	5,553	12,767	49,642
Total exposure of trade receivables, current and non-current receivables net of doubtful debt provision	230,214,942	146,971,509	62,099,520	7,813,654	9,063,626	4,266,632

	31.12.2018	Not expired	0-180	180-360	360-720	Over 720
Receivables from subsidiaries (gross)	6,413,428	6,400,483	12,945	-	-	
Doubtful debt provision	-					
Receivables from subsidiaries (Net)	6,413,428	6,400,483	12,945	-	-	-
Receivables from tax authorities (gross)	2,674,835	2,674,835	-	-	-	-
Doubtful debt provision	-					
Receivables from tax authorities (Net)	2,674,835	2,674,835	-	-	-	-
Receivables from entities (gross)	70,312,771	56,045,015	-	-	14,267,756	
Doubtful debt provision	-					
Receivables from entities (net)	70,312,771	56,045,015	-	-	14,267,756	-
Receivables from third party customers (gross)	40,659,440	14,543,735	13,257,496	484,531	897,967	11,475,711
Doubtful debt provision	(13,302,745)	(280,819)	(709,986)	(340,507)	(495,722)	(11,475,711)
Receivables from third party customers (net)	27,356,695	14,262,916	12,547,510	144,024	402,245	-
Receivables from associates (gross)	16,645,567	1,800,995	529,975	914,449	12,769,965	630,183
Doubtful debt provision	(682,347)	(39,960)	(780)	(1,682)	(9,742)	(630,183)
Receivables from associates (net)	15,963,220	1,761,035	529,195	912,767	12,760,223	-
Receivables from other debtors (gross)	3,560,721	3,560,721	-	-	-	-
Doubtful debt provision	-					
Receivables from other debtors (net)	3,560,721	3,560,721	-	-	-	-
Municipality of Milan (gross)	128,159,669	34,975,494	79,821,169	1,983,331	4,391,820	6,987,855
Doubtful debt provision	(4,817,352)	(3,756,621)	(117,337)	(2,916)	(9,913)	(930,565)
Municipality of Milan (net)	123,342,317	31,218,873	79,703,832	1,980,415	4,381,907	6,057,290
Receivables from subsidiaries of parent companies (gross)	213,796	164,085	47,682	1,076	953	-
Doubtful debt provision	(320)	(320)	-	-	-	-
Receivables from subsidiaries of parent companies (net)	213,476	163,765	47,682	1,076	953	-
Total exposure of trade receivables, current and non-current receivables net of doubtful debt provision	249,837,463	116,087,643	92,841,164	3,038,282	31,813,084	6,057,290

During the year, the write-down provisions were adjusted according to the level of risk recognized for each type of credit. Please refer to the comment sections of the Explanatory Notes for details concerning the movement of funds.

Impairment of financial assets

At each reporting date, financial assets other than those measured at *fair value* through profit or loss (FVTPL) and equity securities through FVTOCI are subject to an assessment aimed at verifying the existence of events that may cause the carrying amount of the assets to become not fully recoverable. A similar analysis is also carried out for current and cash balances, trade receivables, commitments to lend to third parties, and for guarantees that fall within the scope of subjects to *impairment* pursuant to IFRS 9.

IFRS 9 calls for the valuation of the provision correlated to the presumable reduction in value of financial assets using a classification in three categories (*stage allocation*) based on the degree of deterioration of creditworthiness. The measurement of the expected loss for financial assets depends on the debtor's credit risk on the first reporting date, and on the change in the same observed between the initial recognition and the reporting date. In detail:

in Stage 1, financial assets that have not undergone a significant deterioration in creditworthiness with respect to that found at the time of initial recognition in the Financial Statements, except for a deteriorated financial asset at the time of purchase or origin, are classified. The retention of *investment grade* status, as defined by the ECB accredited rating agencies, is deemed a discriminating factor.Regarding the exposures included in this category, the Company assesses the provision of loss coverage in an amount equal to the expected losses on loans arising from a possible default event in the following 12 months (12-months expected credit-ECL);

- In Stage 2, financial assets for which a significant increase in credit risk has occurred with respect to the initial recognition date, regardless of whether a specific loss event has already occurred. Despite this, financial assets are considered *performing* but their quality is lower than those of stage 1. Regarding the exposures included in this category, the Company assesses the provision to the fund for an amount equal to the losses expected over the entire life of the financial instrument (expected losses on the residual life - *lifetime expected credit losses - ECL*). We therefore proceed from the estimate of the expected loss over a period of 12 months to an estimate that takes into consideration the entire residual life of the financial asset;
- in Stage 3, on the other hand, the *impaired* financial assets are classified, i.e. assets for which a loss event has occurred that definitively deteriorates the creditworthiness. Similarly to the assets classified in Stage 2, the Group assesses the provision to the fund for an amount equal to the losses expected over the entire life of the financial instrument (expected losses on the residual life *lifetime expected credit losses* ECL-).

The following table shows the ECL (*"Expected Credit Loss"*) values as at December 31, 2019 and December 31, 2018:



		Ex	pected Credit Loss	
	31.12.2019	Stage 1 - 12m ECL	Stage 2 ECL Lifetime	Stage 3 ECL Lifetime
Cash and cash equivalents	146,706	146,706		
Financial assets Held to Collect & Sell	406,761	406,761		
Loan commitments	5,415	5,415		
Financial Guarantees	16,821	16,821		
Tax receivables	788	788		
Trade receivables	16,939,986	16,939,986		
Other receivables	481,470	481,470		
Total	17,997,947	17,997,947	-	-

		Exp	ected Credit Loss	
	31.12.2018	Stage 1-12m ECL	Stage 2 ECL Lifetime	Stage 3 ECL Lifetime
Cash and cash equivalents	246,021	246,021		
Financial assets Held to Collect & Sell	268,887	268,887		
Loan commitments	6,548	6,548		
Financial Guarantees	17,363	17,363		
Tax receivables	828	828		
Trade receivables	18,802,764	18,802,764		
Total	19,342,411	19,342,411	-	-

In consideration of the credit risk identified, all financial assets other than trade receivables fall within stage 1, with a probability of default measured at 12 months.

2. Liquidity risk

The liquidity risk represents the risk that the financial resources are not sufficient to meet the financial and commercial obligations in the pre-established terms and deadlines, also due to the difficulty in finding funds or liquidating assets on the market.

The Company manages liquidity risk by maintaining adequate reserves, *committed* lines and has the capital capacity to obtain additional *funding*, both through access to the capital market and by leading financial institutions, including supranational ones. Risk management is carried out in the

first instance through continuous monitoring of expected and current cash flows and the correlation of the maturity profiles of financial assets and liabilities.

The following tables provide a detail of the residual maturity dates of financial liabilities based on non-discounted cash flows, based on the first maturity date to which the Company will be required to repay them. The amounts include both the cash flows relating to the repayment of the principal and the flows relating to the interest. In the case in which the interest flows are at a variable rate, the non-discounted value of the same is estimated by applying, for subsequent maturities, the last variable rate applied by the lending institution in 2019.

	31.12.2019	Contractual cash flow	0 -3 months	3-6 months	6-12 months	1-2 years	2-5 years	Over 5 years
Bonds	69,770,688	76,569,692	-	-	1,316,096	1,312,500	73,941,096	-
Bank loans	238,602,990	271,670,936	-	6,895,715	14,388,556	21,280,269	43,510,756	185,595,640
Total *	308,373,678	348,240,627	-	6,895,715	15,704,652	22,592,769	117,451,852	185,595,640

	31.12.2018	Contractual cash flow	0 -3 months	3-6 months	6-12 months	1-2 years	2-5 years	Over 5 years
Bonds	69,619,361	77,875,000	-	-	1,312,500	1,312,500	3,937,500	71,312,500
Bank loans	256,035,209	290,859,972	-	6,901,081	14,394,111	21,291,216	48,861,049	199,412,516
Total	325,654,570	368,734,972	-	6,901,081	15,706,611	22,603,716	52,798,549	270,725,016

* Financial liabilities resulting from the implementation of IFRS 16 are not included.

The Company expects to be able to meet its payment obligations through the generation of cash flows from operating activities and, alternatively, through the use of cash and/or financial instruments in its portfolio, which can be liquidated, despite the uncertainty of 2020 caused by the COVID-19 pandemic, as it believes it can implement cost efficiency actions, and therefore reduce disbursements, to avoid any impact on fees that cannot yet be definitively estimated. The Company also owns lines of committed credit for Euro 49.5 million, which were not utilised at December 31, 2019 and December 31, 2018.

3. Default risk and debt covenants

The risk of default consists in the possibility that, on the specific circumstances, included in the loan agreements or in the settlement of the bonds, the lenders are entitled to activate contractual protections that may go as far as the early repayment of the loan, thus generating a potential liquidity risk.

At December 31, 2019, the Company had loan agreements in place with the European Investment Bank and a bond loan in Eurobond format, whose repayment is expected to be repaid in a single installment in 2024.

The loan agreements, as well as the bond loan, in line with international practice for similar transactions, generally provide for the lender's right to request the repayment of his credit by terminating the relationship with the debtor in advance, in all cases in which the latter is declared insolvent and / or is subject to bankruptcy proceedings, or has started a liquidation procedure or another procedure with similar effects.

In particular, the loan agreements and the regulation of the bond loan, as normally happens on the market, contain a series of typical clauses whose violation causes the issuer of the obligation to immediately repay the issued bonds. These include the main: (i) *negative pledge* clauses, as a result of which the financed company undertakes not to constitute real guarantees on the assets of the ATM Group in favor of new lenders, beyond a specifically identified threshold; (ii) *cross default /cross acceleration* clauses that entail the obligation of immediate repayment of the debt upon the occurrence of serious non-fulfillment which find reason or title in other loan agreements; (iii) clauses that oblige ATM to reserve to lenders a treatment similar to that due to other unsecured creditors (*pari passu*).

Specifically, the contracts also provide for compliance with financial *covenants*:

the loans granted by the EIB provide for the obligation to respect, for the entire duration of the loans, pre-established levels of financial ratios such as (i) a ratio between consolidated net equity and Group debt greater than 2, (ii) a ratio between cash flows operating before changes in CCN and Annual Debt Service greater than 3 and (iii) a ratio between real and personal guarantees given and the Group's consolidated shareholders' equity less than or equal to 15%;

the bond involves the obligation to respect, for the entire duration of the debt, a ratio between consolidated net equity and debt of the Group greater than two.

ATM is also required to ensure, for the duration of the loans and the bond loan, that the debt of the Subsidiaries is less than 10% of the Group's debt.

Failure to comply with the clauses described above, after an observation period during which the violations can be remedied, would constitute a violation of the contractual obligations and the Company can be called upon to pay the residual debt.

The Company monitors the compliance with these covenants on a semi-annual basis. At present, the Company is not aware of the existence of any situation of default or non-compliance with the covenants, also following the introduction, as from January 1, 2019, of the new IFRS 16 Leases.

 Risk arising from exposure to fluctuations in interest rates, exchange rates, commodity price variations and the rating downgrade of medium/ long-term debt

Interest rate risk

The risk of interest rate fluctuations is related to interest rate fluctuations that affect the market value of the Company's financial assets and liabilities and the level of net financial charges. In particular, the Company is exposed to interest rate fluctuations (mainly Euribor) on financial assets indexed at a variable rate and marginally on loans, considering that approximately 96% of medium / long-term financial debt is indexed at a fixed rate.

The following table presents the variable rate and fixed rate loans.

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	31.12.2019	Contractual cash flows	Current portion	1 and 2 years	2 and 5 years	Over 5 years
Variable rate	12,591,189	13,261,041	750,306	746,304	2,216,210	9,548,221
Fixed rate	295,782,489	334,979,586	21,850,060	21,846,464	115,235,643	176,047,419
Total *	308,373,678	348,240,627	22,600,367	22,592,769	117,451,852	185,595,640

	31.12.2018	Contractual cash flows	Current portion	1 and 2 years	2 and 5 years	Over 5 years
Variable rate	13,271,794	14,089,011	761,228	757,251	2,245,985	10,324,547
Fixed rate	311,857,776	354,645,961	21,846,464	21,846,464	50,552,563	260,400,469
Total	325,129,570	368,734,972	22,607,692	22,603,716	52,798,549	270,725,016

* financial liabilities arising from the application of IFRS 16 are not included

The *sensitivity analysis* below illustrates the effects determined on the Income Statement by a hypothetical translation of the rate curves of +50 or -50 *basis points* with respect to the levels actually applied in 2019 and 2018:

2019	Shift + 50 bps	Shift - 50 bps
Higher/(lower) interest expense on variable interest loans	66,411	(66,411)
Total	66,411	(66,411)

2018	Shift + 50 bps	Shift - 50 bps
Higher/(lower) interest expense on variable interest loans	70,244	(70,244)
Total	70,244	(70,244)

With reference to financial assets, the following table shows the subdivision of government bonds and corporate bonds at a fixed rate and variable rate based on the discounted repayment flows of the nominal value of the instruments at the respective due dates:

	31.12.2019	Contractual cash flows	Current portion	1 and 2 years	2 and 5 years	Over 5 years
Variable rate	37,233,026	37,143,000	3,250,000	6,900,000	21,993,000	5,000,000
Fixed rate	67,798,395	66,073,950	3,452,711	2,235,232	29,475,387	30,910,620
Total	105,031,421	103,216,950	6,702,711	9,135,232	51,468,387	35,910,620

	31.12.2018	Contractual cash flows	Current portion	1 and 2 years	2 and 5 years	Over 5 years
Variable rate	43,199,941	44,645,441	4,200,000	8,156,441	25,289,000	7,000,000
Fixed rate	60,003,329	60,849,886	1,000,000	3,462,392	20,304,087	36,083,406
Total	103,203,270	105,495,327	5,200,000	11,618,833	45,593,087	43,083,406

To complete the analysis, we report the *sensitivity analysis* on the bond portfolio carried out using the *modified duration* of the individual securities in the portfolio as a reference parameter, assuming an increase of 50, 150 and 250 interest rates respectively. The analysis is based on the linear relationship between the prices of the securities and the related yields.

Coupon flows have not been taken into account, since, considering the significant component of floating-rate indexed securities and the expected slight change in future rate levels, as can be deduced from the projections of the market curves, any projections on these bases would be unreliable.

	31.12.2019	Se		
		0.50%	1.50%	2.50%
Bond Securities	105,031,421	(1,370,408)	(4,257,431)	(7,144,454)
Total	105,031,421	(1,370,408)	(4,257,431)	(7,144,454)

	31.12.2018	Sensitivity Analysis			
		0.50%	1.50%	2.50%	
Bond Securities	103,203,271	(1,312,732)	(3,937,506)	(6,562,279)	
Total	103,203,271	(1,312,732)	(3,937,506)	(6,562,279)	

Assets invested in OICR are subject to a parametric *sensitivity* against a hypothetical +/- 10% change in market value at December 31, 2019.

	31.12.2019	Sensitivity A	
	51.12.2019	+10%	-10%
OICR	139,891,374	13,989,137	(13,989,137)
Total	139,891,374	13,989,137	(13,989,137)

	31.12.2018	Sensitivity Ana	alysis	
	31.12.2010	+10%	-10%	
OICR	150,587,106	15,058,711	(15,058,711)	
Total	150,587,106	15,058,711	(15,058,711)	

The following are some considerations and the key qualitative impacts of post-balance sheet events on financial instruments outstanding at December 31, 2019.

After the reporting date, significant turbulence caused by the growing global health emergency due to the COVID-19 pandemic hit the financial markets. In March 2020, all markets suffered significant downward corrections, including traditional assets such as gold.

The turbulence mainly hit the market value of the assets despite a marginal change in the creditworthiness of issuers.

The limited risk profile of the portfolio, as well as the marginal changes in the creditworthiness of counterparties, made it

possible to mitigate the impact of downward trends, within the volatility ranges already subject to *sensitivity* analysis.

Moreover, in view of the information provided in the Management Report in the section "*Events Occurring After the End of the Year*", to which reference should be made, taking also into account readily available lines of credit, it is deemed that there is no need to dispose of invested positions in the short term.

ATM did not put in place derivative financial instruments on "interest rates" after the end of the reporting period, nor derivative financial instruments on "commodities".

Currency risk

The Company operates on the domestic market and holds financial assets denominated in foreign currencies and is therefore exposed to currency risk arising from fluctuations in exchange rates.

		31.12.2019			
Equivalent value in Euro	USD	AUD	TRY		
Bond Securities	9,266,278	-	-		
Total	9,266,278	-	-		

		31.12.2018			
Equivalent value in Euro	USD	AUD	TRY		
Bond Securities	6,714,223	489,682	-		
Total	6,714,223	489,682	-		

The following table details the Company's *sensitivity analysis* to a hypothetical change of +10 or -10 basis points in the exchange rates applied to financial assets at December 31, 2019 and December 31, 2018:

	31.12.2019	
	Shift + 10 bps	Shift - 10 bps
Variation in exchange rate	(757,414)	905,448
Total	(757,414)	905,448

	31.12.2018		
	Shift + 10 bps	Shift - 10 bps	
Variation in exchange rate	(567,732)	674,683	
Total	(567,732)	674,683	

There are no exchange risks for trade receivables and payables.

Commodity price risk

The Company is exposed to the price risk of energy commodities, that is to say electricity and petroleum products, since supplies are affected by fluctuations in the prices of these commodities directly or through indexing formulas. Furthermore, since some contracts contain the exchange rate with other currencies within the price indexing formulas, the Group is also exposed to exchange rate risk.

The Company's policy is aimed at minimizing the need to resort to financial markets for hedges, which are addressed only if the coverage is deemed appropriate and convenient, both for oil products and for the supply of electricity of traction.

For the latter, the Group completes the supply through tender procedures aimed at finalizing fixed-price contracts.

The tenders are called once a year for the following year.

The trend in *baseload* prices of electricity on the markets where futures contracts are traded and in the financial derivatives markets is followed on a daily basis and tenders are called in periods that are more favorable. The fixed price allows to stabilize the cost and to formulate a certain annual budget.

Downgrade of debt rating on medium/long-term

Except for the "credit linkage" with the State and Municipality of Milan, the only shareholder, ATM constantly monitors the performance of the indicators underlying the rating assessment, as well as the evolution of the Group's capital structure, in order to maintain the rating assigned by the rating company.

With increasing interest in ESG issues and taking into account the plan for the transition of the fleet to full electric, the Group will be able to assess, also with a view to transparency towards the market, the adoption of qualitative rating criteria linked with factors of environmental sustainability.

Financial assets and liabilities by category

As supplementary disclosure on the financial risks, the following table shows a reconciliation between financial assets and liabilities as reported in the statement of financial position and the categories of financial assets and liabilities identified based on the requirements of IFRS 7:

31.12.2019	Financial assets and liabilities at amortised cost	Financial assets and liabilities at <i>fair value</i>	Non-financial assets and liabilities	Total
Non-current financial assets	24,911,555			24,911,555
Other receivables and non-current assets	7,251,054			7,251,054
Current financial assets	3,067,179	244,922,795		247,989,974
Current trade receivables	165,322,075			165,322,075
Other receivables and current assets	57,641,813			57,641,813
Non-current financial liabilities	294,761,252			294,761,252
Current financial liabilities	28,604,082			28,604,082
Trade payables	283,349,899			283,349,899
Other payables and current liabilities	121,111,427			121,111,427

31.12.2018	Financial assets and liabilities at amortised cost	Financial assets and liabilities at <i>fair value</i>	Non-financial assets and liabilities	Total
Non-current financial assets	22,978,430			22,978,430
Other receivables and non-current assets	14,267,756			14,267,756
Current financial assets	1,737,561	253,790,376		255,527,937
Current trade receivables	173,289,136			173,289,136
Other receivables and current assets	62,280,572			62,280,572
Non-current financial liabilities	307,697,350			307,697,350
Current financial liabilities	24,648,401			24,648,401
Trade payables	275,500,596			275,500,596
Other payables and current liabilities	143,264,578			143,264,578

Determination of fair value

The *fair value* of financial assets and liabilities is determined in accordance with IFRS 13 which requires that these values be classified on the basis of a hierarchy of levels, which reflects the characteristics of the inputs used in determining *fair value*:

- Level 1: valuations made based on prices quoted on active markets for financial assets and liabilities identical to those being valued;
- Level 2: valuations made on the basis of inputs, different from the listed prices referred to in level 1, which for the financial asset or liability are observable either directly (prices) or indirectly (price derivatives);
- Level 3: assessments that refer to parameters that cannot be observed on the market.

Referring to the aforementioned classification, valuation procedures have been carried out for the *fair value* of the assets and liabilities outstanding at December 31, 2019 and December 31, 2018 with reference to observable market parameters:

the fair value of financial assets and liabilities with standard terms and conditions listed on an active market is measured with reference to the prices published on the market by leading market contributors (Bloomberg info provider);

- the fair value of other financial assets and liabilities is measured, where the conditions exist, by applying the discounted cash flow method, using the reference values for prices recognized for recent market transactions by leading market contributors for similar tools. In particular, for the valuation of some investments in bonds, in the absence of a regular functioning of the market, or of a sufficient and continuous number of transactions and a sufficiently low bid / offer spread, the determination of the fair value is carried out with reference to specific quotations of primary contributors issued at the Company's request;
- in the valuation of investments in funds, the *fair value* is determined on the basis of the NAV communicated by the relevant fund *administrators* at the reporting date. In the event that this information is not available at the date of preparation of the financial statements, the last available official communication is used, in any case not earlier than one month from the balance sheet date.

The following table shows the financial assets and liabilities measured at *fair value*, and classified according to the hierarchy of levels defined above:

	31.12.2019 -	Fair value	e at the reporting date	e	
		Level 1	Level 2	Level 3	
Financial assets HTC&S	99,585,564	99,585,564	-	-	
Government Securities	7,728,765	7,728,765	-	-	
Bond securities	91,856,799	91,856,799	-	-	
Other financial assets	145,337,231	137,267,073	8,070,158	-	
Bond securities	5,445,857	3,271,535	2,174,322	-	
OICR	139,891,374	133,995,538	5,895,836	-	
Total	244,922,795	236,852,637	8,070,158	-	

	31.12.2018 -	Fair valu	e at the reporting date	e
		Level 1	Level 2	Level 3
Financial assets HTC&S	98,658,541	98,658,541	-	-
Government Securities	8,179,336	8,179,336	-	-
Bond securities	90,479,205	90,479,205	-	-
Other financial assets	155,131,835	147,169,832	7,962,003	-
Bond securities	4,544,729	2,482,772	2,061,956	-
OICR	150,587,106	144,687,060	5,900,046	-
Total	253,790,376	245,828,373	7,962,003	-

In line with the provisions of IFRS 13, the *fair value* of financial liabilities at December 31, 2019 and December 31, 2018 is reported for information purposes, among which the bond is valued at amortized cost:

	31.12.2019	31.12.2018
Bonds	69,431,015	68,877,831
Bank loans	221,353,311	234,894,955
Total	290,784,326	303,772,786

6. Workforce

The workforce at the end of the year registered the following changes:

	2019	2018	Changes
Executives	28	24	4
Managers	314	298	16
Clerks	785	689	96
Operational workers	8,205	6,530	1,675
Total	9,332	7,541	1,791

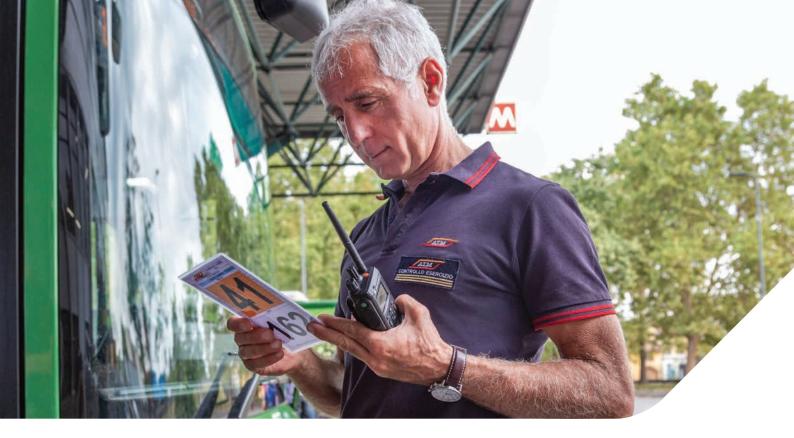
The following changes in the workforce were recorded at the end of the year:

	31.12.2018	Hires (+)	Leaves	Intercompany Trasfers	Other changes	31.12.2019
workforce	9,130	593	(342)	14	1	9,396

The workforce at December 31, 2019 numbered 9,396 employees compared to 9,130 as of Dicember 31, 2018. The net change is mainly attributable to 593 new hires and 342 departures. The number of departures is in line with the norm in recent years

and includes all the reasons for termination employment; among these, the most frequent are retirements and spontaneous resignations.





Notes to the Statement of Financial Position Assets

7. Property, plant and equipment

The value of "*Property, plant and equipment*" amounted to Euro 1,258,154,245 at December 31, 2019 net of accumulated depreciation, capital grants and accumulated write-downs.

	31.12.2019	31.12.2018
Plant and machinery	795,627,043	774,714,746
Land and buildings	364,849,758	368,800,290
Industrial and commercial equipment	10,082,726	10,309,728
Other assets	2,241,019	2,190,347
Assets in progress	85,353,699	76,402,214
Total	1,258,154,245	1,232,417,325

This item refers to:

- "Plant and machinery", for Euro 795,627,043 relating to rolling stock and transport service equipment owned by the Company;
- "Land and buildings", for Euro 364,849,758, mainly relating to rolling stock depots and office buildings;
- "Industrial and commercial equipment", for Euro 10,082,726 mainly relating to auxiliary vehicles;
- "Other assets", for Euro 2,241,019;
- *"Assets in progress"*, for Euro 85,353,699.

The item "Assets in progress" refers to advances paid to suppliers for materials and to investments in tangible assets that at the balance sheet date have not yet been completed ready to be operational among which:

- purchase of Leonardo trains for the M1 and M2 lines for Euro 55,050,852;
- purchase of trolley buses, for Euro 15,456,900;
- revamping of "4900" tramway carriages and general overhaul of "1928" and "4700" cars, for Euro 3,321,330;

- purchase of diesel-electric hybrid buses for Euro 2,976,190;
- general overhaul and transformation of M3 line trains, for Euro 2,357,335;
- maintenance to increase the value of the various company depots, for Euro 1,332,346;
- purchase of electric buses, for Euro 999,800;
- new bike-sharing stations for the "P.O.N. Metro" project for Euro 508,500;
- configuration and extension of the IP-MPLS network for Euro 493,297;
- upgrade of single-mode optical fibre circuits in the metro for Euro 309,186;
- magnetic-electronic ticketing system for Euro 223,249;
- other tangible fixed assets in progress, for Euro 1,295,253.

The significant increase compared to last year (Euro 8,951,485) is due to the Company's investment plan.

"Land and Buildings" include "Investment property", represented by non-core owned buildings subject to commercial leases. The net book value of investment property is reported below:

	31.12.2019	31.12.2018
Property Investment	12,174,593	12,332,203

Starting from December 31, 2018, ATM has decided to change the measurement method for Land and Buildings, adopting the measurement at *fair value* instead of historical cost, in accordance with the options granted by IAS 16 Property, plant and equipment.

The table below illustrates the movements during the year and in the previous year.

	Property, plant and equipment					
Property, plant and equipment	Plant & machinery	Land & buildings	Industrial and commercial equipment	Other assets	Assets in progress and advances	Total
Historical cost	2,865,016,241	497,225,616	56,998,754	39,464,390	76,402,214	3,535,107,215
Accumulated depreciation	(1,573,226,996)	(109,010,177)	(46,689,025)	(32,919,299)	-	(1,761,845,497)
Cumulative grants	(483,159,454)	(18,194,852)	-	(4,354,744)	-	(505,709,050)
Cumulative impairment	(33,915,049)	(1,220,298)	-	-	-	(35,135,347)
Net book value as at 01.01.2018	774,714,746	368,800,290	10,309,728	2,190,347	76,402,214	1,232,417,325
Historical cost						
Investments and acquisitions in the year					147,715,553	147,715,553
Transfers to finished plant	131,399,552	2,304,800	2,927,631	2,085,072	(138,717,055)	-
Disposals, sales and reclassifications	(168,610,798)		(1,049,632)	(427,213)	(27,320)	(170,114,963)
Accumulated Depreciation						
Depreciation for the year (Note 35)	(105,427,192)	(6,672,624)	(2,885,390)	(2,732,237)		(117,717,443)
Disposals, sales and reclassifications	133,929,569		780,388	423,420		135,133,377
Grants						
Increases	(20,599,362)				(19,693)	(20,619,055)
Amount accrued in the year (Note 35)	33,661,246	391,692		1,528,346		35,581,284
Disposals, sales and reclassifications	4,037,500			(826,716)		3,210,784
Impairment						
Increases	(21,393,263)					(21,393,263)
Cumulative impairment on disposal	30,836,697					30,836,697
Utilizations of accumulated depreciation	3,078,352	25,600				3,103,952
Historical cost	2,827,804,995	499,530,416	58,876,753	41,122,249	85,373,392	3,512,707,805
Accumulated amortisation	(1,544,724,619)	(115,682,801)	(48,794,027)	(35,228,116)	-	(1,744,429,563)
Cumulative grants	(466,060,070)	(17,803,159)	-	(3,653,114)	(19,693)	(487,536,036)
Cumulative impairment	(21,393,263)	(1,194,698)	-	-	-	(22,587,961)
Net book value as at 31.12.2019	795,627,043	364,849,758	10,082,726	2,241,019	85,353,699	1,258,154,245

Property, plant and equipment						
Property, plant and equipment	Plant & machinery	Property, plant and equipment	Plant & machinery	Property, plant and equipment	Plant & machinery	Tota
Historical cost	2,772,900,463	496,775,616	57,203,890	37,488,949	75,262,427	3,439,631,345
Accumulated depreciation	(1,557,712,339)	(99,994,812)	(45,706,632)	(29,571,269)	-	(1,732,985,052)
Grants	(466,765,734)	(18,586,544)	-	(5,549,472)	-	(490,901,750)
Cumulative impairment	(68,187,228)	(1,245,898)	-	-	-	(69,433,126)
Net book value as at 31.12.2017	680,235,162	376,948,363	11,497,258	2,368,208	75,262,427	1,146,311,418
Fusion with Atm Servizi S.p.A.						
Historical cost	92,088,406		582,102	180,905	5,902,804	98,754,217
Accumulated depreciation	(36,297,701)		(581,245)	(179,320)		(37,058,266)
Grants	(18,801,970)					(18,801,970)
Cumulative impairment						-
Net book value as at 01.01.2018	717,223,897	376,948,363	11,498,115	2,369,793	81,165,231	1,189,205,399
Historical cost						
Investments and acquisitions in the year					162,711,853	162,711,853
Transfers to finished plant	163,200,699	450,000	1,828,613	1,961,181	(167,440,493)	-
Disposals, sales and reclassifications	(163,173,327)		(2,615,851)	(166,645)	(34,377)	(165,990,200)
Accumulated Depreciation						-
Depreciation for the year (Note 35)	(109,073,840)	(9,015,365)	(3,016,998)	(3,327,727)		(124,433,930)
Disposals, sales and reclassifications	129,856,884		2,615,850	159,017		132,631,751
Grants						
Increases	(32,675,076)			(499,499)		(33,174,575)
Amount accrued in the year (Note 35)	34,993,350	391,692		1,694,227		37,079,269
Disposals, sales and reclassifications	89,976					89,976
Impairment						
Cumulative impairment on disposal	32,453,805					32,453,805
Utilizations of accumulated depreciation	1,818,374	25,600				1,843,974
Historical cost	2,865,016,241	497,225,616	56,998,754	39,464,390	76,402,214	3,535,107,215
Accumulated depreciation	(1,573,226,996)	(109,010,177)	(46,689,025)	(32,919,299)	-	(1,761,845,497)
Cumulative Grants	(483,159,454)	(18,194,852)	-	(4,354,744)	-	(505,709,050)
Cumulative impairment	(33,915,049)	(1,220,298)	-	-	-	(35,135,347)
Net book value as at 31.12.2018	774,714,746	368,800,290	10,309,728	2,190,347	76,402,214	1,232,417,325

As illustrated in the table above, investments were undertaken in the year relating to *"Property, Plant and Equipment"* for Euro 147,715,553 and assets sold/disposed of with an historical cost equal to Euro 170,114,963, an accumulated depreciation of Euro 135,133,377 and accumulated write-downs of Euro 30,836,697. Capital gains realized during the period amounted to Euro 114,460 and mainly relate to the sale of 30 buses.

The main investments of the year include:

- purchase of diesel-electric hybrid buses for Euro 46,663,580, of which Euro 4,740,000 financed through regional public tenders;
- purchase of "Leonardo" trains for the M1 and M2 underground lines, for Euro 44,871,631;
- purchase of trolley buses, for Euro 13,149,900;
- revamping "4900" tramway carriages and general overhaul of "1928" and "4700" tramway carriages, for Euro 7,140,093;
- general overhaul of metro cars, for Euro 6,997,062;
- purchase of electric buses, for Euro 6,893,600 of which Euro 4,419,498 funded through ministerial resources;
- upgrading of the M2 metro line refurbishment of power supply and electric traction systems, for Euro 4,720,540 of which Euro 2,660,373 funded through ministerial resources;
- extraordinary maintenance interventions of the depots, for Euro 3,511,036;
- Modernisation of TVCC and AVM systems installed on board ground vehicles, for Euro 2,592,018 of which Euro 782,421 funded through ministerial resources;
- signalling/cbct systems for Leonardo M1 trains, for Euro 1,434,225;
- expansion of the bike sharing cities system "P.O.N. Metro" project, for Euro 1,301,219 of which Euro 1,301,219 funded through ministerial resources;
- modernisation of the surveillance system (SV) and ATS-RTTD interface M3 line, for Euro 1,018,167;
- new equipment for the magnetic-electronic ticketing system, for Euro 858,854;
- construction of power supply/recharging systems for electric vehicles, for Euro 823,173;
- new car washing plants on tyres and rails, for Euro 690,628;

 conclusion of works to improve safety on the underground, for Euro 679,425.

During the year, the allowance for doubtful accounts recognized in previous years of Euro 30,836,697 was used to cover the sale of underground trains no longer used in transport services, with a loss recognized in the Income Statement under *"Other costs and operating charges"* (Note 34) of Euro 80,070, and write-downs to adjust depreciation of Euro 3,078,352 relating to plant and machinery and Euro 25,600 relating to land and buildings.

Furthermore, an *impairment* analysis was carried out on the metro rolling stock, following the removal of some rolling stock from the production cycle due to technological obsolescence, which resulted in the recognition of a write-down of 6 trains used on the M2 metro line, no longer used in the transport service, for a total of Euro 21,393,263. These vehicles will be out of service and consequently replaced during the year 2020 due to the supply of new *"Leonardo"* model trains provided by the fourth application contract. The effect of the allowances was recognised in the Income Statement under *"* Ammortisation, depreciation and writedowns *"* (Note 35).

In addition to this impairment factor, no other external or internal indicators were found that would have made it necessary to perform an *impairment* test.

The "*Depreciation*" recorded in the Income Statement is adjusted by the portion of grants to cover investments for the year, amounting to Euro 35,581,284.

The plant grants per financing body are detailed as follows:

- Euro 13,281,972 from the Lombardy Region;
- Euro 12,101,829 from the State;
- Euro 10,191,993 from the Municipality of Milan;
- Euro 5,490 from private parties.

The net residual value of *"Property, plant and equipment"* held under finance leases is Euro 10,231,683 (Euro 10,377,850 at December 31, 2018).

Considering that property is measured at *fair value* - a criteria that involves periodically recalculating the value of the asset so as to match it to a value equal to its *fair value* at the date of recalculation, net of accumulated depreciation and any impairment losses and that this criteria has been adapted by the Company for the year ended December 31, 2018, the Management has entrusted a leading independent third party operator with the task of carrying out an analysis to provide - 12 months after the application of the criteria redetermined at *fair value* - an update on the performance of the real estate market. The analysis carried out showed that there were no significant changes in the individual reference markets, considering the uses to which the Company's individual properties belong. It was therefore not necessary to recalculate the value of the properties recorded and no indicators were identified to determine the need to perform an *impairment* test to verify the recoverability of the book *value of the assets*.

The "Property, plant and equipment" purchased with regional cofinancing are subject to requirements of inalienability pursuant to Presidential Decree 14795/2003 and subsequent amendments and additions. The following is a detail of the restrictions provided by the legislation:

- city buses: 8 years;
- suburban and interurban buses: 10 years;
- trolleybuses: 15 years;
- underground trains and trams: 30 years;
- technologies: 7 years;
- infrastructure: 30 years.

For the automotive rolling stock co-financed by the Lombardy Region with the 2009 allocation plan, pursuant to Laws no. 296/2006 and no. 133/2008, the inalienability requirements refer to the entire useful life of the bus set, unless otherwise stated in the Service Contracts, in 15 years as specified by D.G.R. no. IX/4619 of December 28, 2012.

8. Intangible assets

The value of "Intangible assets" at December 31, 2019 amounts to Euro 2,281,602 and is detailed as follows:

	31.12.2019	31.12.2018
Software licenses	2,281,602	2,420,147
Intangible assets in progress	-	154,194
Total	2,281,602	2,574,341

The following table shows the changes during the year and in the previous year.

Intangible assets	Software licenses	Intangible assets in progress	Total
Historical cost	5,543,869	154,194	5,698,063
Accumulated amortisation	(3,123,723)	-	(3,123,723)
Net book value as at 31.12.2018	2,420,147	154,194	2,574,341
Historical cost			
Investments and acquisitions in the year		678,216	678,216
Transfers to intangible assets	859,730	(859,730)	-
Disposals, sales and reclassifications		27,320	27,320
Accumulated Amortisation			
Amortisation for the year (Note 35)	(998,275)		(998,275)
Historical cost	6,403,599	-	6,403,599
Accumulated amortisation	(4,121,998)	-	(4,121,998)
Net book value as at 31.12.2019	2,281,602	-	2,281,602

Intangible assets	Software licenses	Intangible assets in progress	Total
Historical cost	5,747,699	56,000	5,803,699
Accumulated amortisation	(3,616,625)		(3,616,625)
Net book value as at 31.12.2017	2,131,074	56,000	2,187,074
Historical cost			-
Investments and acquisitions in the year		1,325,793	1,325,793
Transfers to intangible assets	1,238,166	(1,238,166)	-
Disposals, sales and reclassifications	(1,441,996)	10,567	(1,431,429)
Accumulated Amortisation			-
Amortisation for the year (Note 35)	(949,094)		(949,094)
Disposals, sales and reclassifications	1,441,996		1,441,996
Historical cost	5,543,869	154,194	5,698,063
Accumulated amortisation	(3,123,723)	-	(3,123,723)
Net book value as at 31.12.2018	2,420,147	154,194	2,574,341



Software licenses amounting to Euro 2,281,602 relate to operational management systems.

During the year, investments were made in "Intangible assets" for Euro 678,216 and related entirely to the purchase of software.

Management has not identified any indicators that would determine the need to activate the impairment test to verify the recoverability of the book value of intangible assets.

9. Right of use for leased assets

From January 1, 2019, following the first-time application of IFRS 16 Leases, the Company recognizes for all *leases*, with the exception of those disclosed in Note 3 *"Measurement Criteria - IFRS 16 Leases"*, a right of use at the lease start date, which corresponds to the date when the underlying asset is available for use.

During the year, rights of use for leased assets were recorded for Euro 6,501,972, as detailed below.

	31.12.2019	31.12.2018
Equipment	258,616	-
Buildings	706,659	-
Vehicles	4,811,074	-
IT equipment	434,570	-
Others	291,053	-
Total	6,501,972	-

The following table shows the changes that occurred during the year.

	Right of use for leased assets					
Right of use for leased assets	Equipment	Buildings	Vehicles	IT equipment	Others	Total
Recording of rights of use for leased assets as at 01.01.2019	331,790	1,080,721	197,647	448,824	101,025	2,160,007
Historical cost						
Right of use acquisitions in the year		8,921	5,421,275	19,866	434,440	5,884,502
Accumulated Amortisation						-
Amortisation for the year (Note 35)	(73,174)	(382,983)	(807,848)	(34,120)	(244,412)	(1,542,537)
Disposals, sales and reclassifications						-
Historical cost	331,790	1,089,642	5,618,922	468,690	535,465	8,044,509
Accumulated Amortisation	(73,174)	(382,983)	(807,848)	(34,120)	(244,412)	(1,542,537)
Net book value as at 31.12.2019	258,616	706,659	4,811,074	434,570	291,053	6,501,972

The increase in this account during 2019 mainly refers to the registration of 213 company vehicles.



10. Investments

The "investments" amounts to Euro 31,949,393 as at December 31, 2019 and are detailed as follows:

	31.12.2018	Increases	Decreases	31.12.2019
Subsidiaries				
ATM Servizi Diversificati S.r.l.	100,000			100,000
Ge.SAM S.r.I.	20,000			20,000
International Metro Service S.r.l.	357,000			357,000
Nord Est Trasporti S.r.I.	715,631			715,631
Rail Diagnostics S.p.A.	13,000,000			13,000,000
Total Subsidiaries	14,192,631	-		14,192,631
Associates				
Consorzio SBE	45,000			45,000
Co.mo. Fun&Bus S.c.a r.l	4,000			4,000
Metro 5 S.p.A.	10,660,000			10,660,000
Movibus S.r.l.	-	1,618,562		1,618,562
Total Associates	10,709,000	1,618,562		12,327,562
Other				
SPV Linea M4 S.p.A.	4,521,600	882,400		5,404,000
SPM4 S.c.p.A. in liquidazione	25,200			25,200
Total Other	4,546,800	882,400		5,429,200
Total	29,448,431	2,500,962	-	31,949,393

The increases for the period refer to the following:

- for Movibus S.r.l. to the restoration, within the limits of the original cost, of the value of the investment to the value representing the share of equity owned by ATM S.p.A., based on the latest financial statements approved by the investee company at December 31, 2019 and future profitability scenarios. During 2019, the associate fully repaid to its creditors the debts that in 2013 were subject of the debt restructuring agreement pursuant to article 182-bis of Royal Decree no. 267 of 16 March 1942;
- of r SPV Linea 4 S.p.A. to the capital increase subscribed on February 8, 2019.

The book value at cost of the investments is lower than that resulting from the adoption of the net equity method, adopted for the preparation of the consolidated financial statements, except for;

- Rail Diagnostics S.p.A., whose higher value recorded with respect to the portion of shareholders' equity held is not considered to be representative of a permanent loss in value of the subsidiary as it is representative of the higher value recognised to the seller at the time of acquisition, as confirmed by the results of the analyses carried out for the benefit of the *impairment test*;
- SPV Linea M4 S.p.A., whose higher value recorded with respect to the portion of shareholders' equity held is not considered representative of a permanent loss of value of the

subsidiary, taking into account the economic and financial results that emerged from the *"Financial model of economic rebalancing"* that the company presented to the lending banks in September 2019.

With reference to Metro 5 S.p.A., the equity resulting from the application of IAS/IFRS as at December 31, 2019 amounted to Euro 90,176 thousand and ATM S.p.A.'s share amounted to Euro 18,035 thousand, which is higher than the book value of Euro 10,660 thousand.

The following is information on the investee companies, whose financial statements figures refer to the latest available financial statements prepared in accordance with Italian accounting standards (in thousands of euros):

Group company	Registered Office	Group holding %	Book value	Equity share	Equity	Profit/Loss	Equity share pertaining to the group
ATM Servizi Diversificati S.r.I.	Milano, Foro Bonaparte, 61	100	100	100	712	413	712
Gesam S.r.l.	Milano, Foro Bonaparte, 61	100	20	20	474	26	474
International Metro Service S.r.I.	Milano, Via Monte Rosa, 89	51	357	700	4,869	2,195	2,483
Nord Est Trasporti S.r.l.	Milano, Via Monte Rosa, 89	100	716	925	5,909	527	5,909
Rail Dignostics S.p.A.	Milano, via Teodosio, 125	97.27	13,000	5,500	12,568	521	12,225
Metro 5 S.p.A.	Milano, Via Adige, 19	20	10,660	53,300	(5,838)	(6,137)	(1,168)
SPV Linea M4 S.p.A. (Valori al 31.12.2018)	Milano, Piazza Castello, 3	2,33	5,404	49,346	181,644	(984)	4,232
CO.MO. Fun&Bus S.c.a r.l.	Como, Via Asiago, 16/18	20	4	20	20	-	4
Consorzio SBE	Milano, Piazzale Cadorna, 14	45	45	100	100	-	45
Metrofil S.c.a r.l. (Valori al 31.12.2018)	Roma, Via Genova, 23	25.44	-	10	10	-	2
Movibus S.r.l.	Milano, Piazza Castello, 1	26.18	-	780	6,182	1,767	1,619
SPM4 S.c.p.A. in liquidazione	Milano, Via dei Missaglia, 97	7	25	-	-	-	-

Considering what is already reported with reference to Rail Diagnostics, S.p.A., SPV Linea M4 S.p.A. and Metro 5 S.p.A., the Management has not identified any indicators that would determine the need to perform an *impairment* test to verify the recoverability of the book value of the investments.

ATM Servizi Diversificati S.r.l.

The company is responsible for the management of transport services for people and goods both by road and by rail in the rental and diversified services sectors such as restaurant trams and tourist services.

Partners			Book Value	Income Statement		
ATM S.p.A.	Ownership Percentage	100%	Euro 100,000	Profit of the year	Euro 413,485	
Balance state	ement					
Assets			Equity	& liabilities		
Non-current a	assets	330,506	Equity		711,943	
Inventory		-	Funds		4,367	
Credits		330,784	Employ indemr	ee termination hities	115,006	
Current financ	cial assets	1,477,807	Payable	es	1,219,740	
Cash and cas equivalents	h	1,129				
Accruals and	Deferrals	-	Accrua	ls and Deferrals	89,170	
Total Assets		2,140,226	Total ed	quity & liabilities	2,140,226	

Gesam S.r.l.

The company offers consulting services in the insurance sector, including all related specialist assistance intended for the investigation and settlement of claims, excluding insurance brokerage activities.

Partners

Book Value

Income Statement

Profit for the year

ATM S.p.A. Ownership Percentage

100% Euro 20.000

income state

Euro 25,841

	Equity & liabilities	
-	Equity	473,658
-	Funds	-
484,501	Employee termination indemnities	179,867
351,052	Payables	186,070
500		
3,542	Accruals and Deferrals	-
839,595	Total equity & liabilities	839,595
	- 484,501 351,052 500 3,542	- Equity - Funds 484,501 Employee termination indemnities 351,052 Payables 500 3,542

International Metro Service S.r.l.

The company is responsible for the management of transport services for people and goods with the related planning and operational organization activities, all in order to execute contracts for the operation and maintenance of metro systems.

Partners			Book Value	Income Statemer	nt
ATM S.p.A.	Ownership Percentage	51%	Euro 357,000	Profit for the year	Euro 2,195,038
Hitachi Rail STS S.p.A.	Ownership Percentage	49%			
Balance staten	nent				
Assets			Equi	ty & liabilities	
Non-current as	sets	4,260,854	Equi	ty	4,868,630
Inventory		-	Fund	ds	-
Credits		2,434		loyee termination mnities	-
Current financia	al assets	-	Рауа	ables	64.139
Cash and cash equivalents		666,489			
Accruals and D	eferrals	2,992	Асси	ruals and Deferrals	-
Total Assets		4,932,769	Tota	l equity & liabilities	4,932,769

NET S.r.l.

The company is responsible for the management of transport services for people, goods and information with the related planning and operative organization activities, as well as the services related and connected to the transport activity and mobility in general.

Partners			Book Value	Income Statement	Income Statement	
ATM S.p.A.	Ownership Percentage	100%	Euro 715,631	Profit for the year	Euro 526,828	
Balance state	ement					
Assets			Eq	uity & liabilities		
Non-current a	assets	12,543,746	Eq	uity	5,909,330	
Inventory		68,844	Fu	nds	1,592,463	
Credits		13,303,338		nployee termination demnities	2,955,347	
Current finan	cial assets	-	Ра	yables	15,808,959	
Cash and cas equivalents	sh	351,530	Ac	cruals and Deferrals	1,359	
Total Assets		26,267,458	То	tal equity & liabilities	26,267,458	

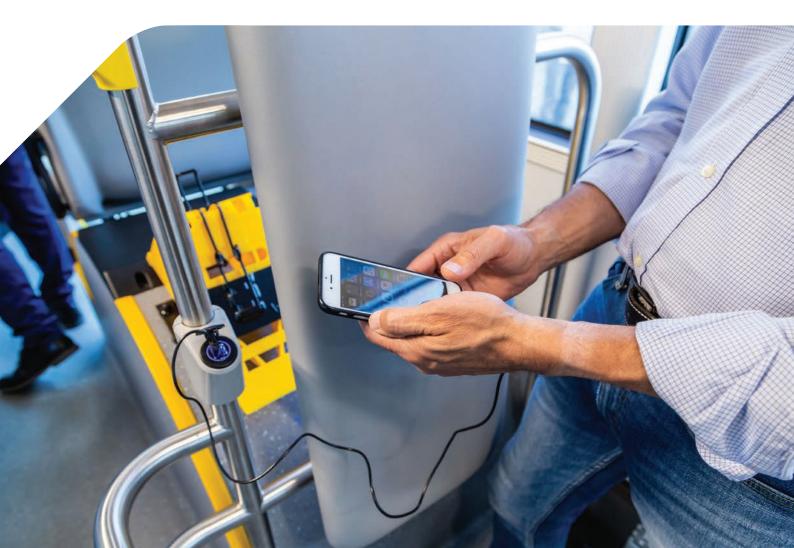
Rail Diagnostics S.p.A.

The Company's main activity is the design, construction, maintenance and integrated diagnostics of plants and tramway control systems.

Partners			Book Value	Income Statement	
ATM S.p.A.	Ownership Percentage	97.27%	Euro 13,000,000	Profit for the year	Euro 521,373
SIAI Servizi Immobiliari Agricoli e Ittici S.r.l.	Ownership Percentage	2.73%			

Balance statement			
Assets		Equity & liabilities	
Non-current assets	3,633,934	Equity	12,568,266
Inventory	-	Funds	13,867
Credits	2,902,943	Employee termination indemnities	680,370
Current financial assets	6,074,855	Payables	1,413,245
Cash and cash equivalents	2,064,016		
Accruals and Deferrals	-	Accruals and Deferrals	-
Total Assets	14,675,748	Total equity & liabilities	14,675,748

As previously mentioned, the book value of the subsidiary is higher than its share of equity in view of the profitability prospects of the subsidiary and is based on the results of the *impairment* test carried out.



11. Non-current financial assets

"Non-current financial assets" amounts to Euro 24,911,555 as at December 31, 2019 and are entirely represented by "Loans and receivables":

	31.12.2019	31.12.2018
Loans and receivables	24,911,555	22,978,430
Metro 5 S.p.A.	17,261,985	16,474,235
SPV Linea M4 S.p.A.	5,845,227	4,788,310
Coop S.E.D. ATM/S.C.C.A.T.I.	1,161,783	1,237,534
Financial receivables from third parties	642,560	478,351
Total	24,911,555	22,978,430

"Loans and receivables" at December 31, 2019 are comprised as follows:

- subordinated shareholders' loan of Euro 17,261,985 granted to Metro 5 S.p.A., of which Euro 15,270,600 in principal, Euro 2,055,668 in interest and Euro 64,283 in cumulative negative effect related to the *fair value* measurement. In 2019 the interest accrued amounted to Euro 959,497 and the effect related to the *fair value* measurement was negative and equal to Euro 171,747.
- subordinated shareholders' loan of Euro 5,845,227, granted to SPV Linea M4 S.p.A., of which Euro 4,946,254 in principal, Euro 672,759 in interest and Euro 226,214 in cumulative positive effect related to the *fair value* measurement. In 2019

the interest accrued amounted to Euro 289,575 and the effect related to the *fair value* measurement is positive and equal to Euro 186,342. Interest on the subordinated loan will be collected, as contractually agreed, as defined in the economic and financial plan approved in September 2019;

- Ioans for Euro 1,161,783 granted to construction cooperatives SED-ATM and SCCATI for social housing projects; of which Euro 1,332,000 in principal and Euro 170,217 in cumulative negative effect related to the *fair value* measurement. In 2019 the effect related to the *fair value* measurement was positive and equal to Euro 24,249;
- advances paid to suppliers for work for Euro 642,560 paid pursuant to art. 35 of Legislative Decree 50/2016.

Changes during the year are listed below:

	31.12.2018	Repayments	Payments	Accrued interests	Valuation at fair value (IFRS 9)	31.12.2019
Metro 5 S.p.A.	16,474,235			959,497	(171,747)	17,261,985
SPV Linea M4 S.p.A.	4,788,310		581,000	289,575	186,342	5,845,227
Coop S.E.D. ATM/S.C.C.A.T.I.	1,237,534	(100,000)			24,249	1,161,783
Third parties	478,351		164,208			642,559
Total	22,978,430	(100,000)	745,208	1,249,072	38,844	24,911,554

The following table shows the cumulative gross tax effect of the non-current financial assets impairment:

	Equity at 01.01.2018	Economic Result 2018	Total
Metro 5 S.p.A.	(334,402)	441,866	107,464
SPV Linea M4 S.p.A.	83,992	(44,120)	39,872
Coop S.E.D. ATM/S.C.C.A.T.I.	(220,200)	25,734	(194,466)
Total	(470,610)	423,480	(47,130)

	Equity at 01.01.2019	Economic Result 2019	Total
Metro 5 S.p.A.	107,464	(171,747)	(64,283)
SPV Linea M4 S.p.A.	39,872	186,342	226,214
Coop S.E.D. ATM/S.C.C.A.T.I.	(194,466)	24,249	(170,217)
Total	(47,130)	38,844	(8,286)

12. Deferred tax assets

	31.12.2019	31.12.2018
Deferred tax assets	70,621,406	72,224,200
Total	70,621,406	72,224,200

Deferred-tax assets of Euro 70,621,406 are calculated on temporary differences (mainly related to taxed provisions) and tax loss carried forward, calculated with a time frame until 2022. As explained in the Management Report, the recording of deferred tax assets on fiscal losses was carried out by taking as a reference the realization of taxable profits in the least-favourable alternatives of the procedure managed by the Basin Authority, but in any case with respect to a time frame until 2022, also considering prudently

the risk of a reduction in taxable income in 2020 due to the spread of the COVID-19 pandemic.

The temporary differences, which generated the deferred tax assets, are illustrated below:

	Deferred tax assets as at 31.12.2018	Recognized in P&L	Recognized in Equity	Deferred tax assets as at 31.12.2019
Tax Losses	5,880,000	7,730,000		13,610,000
Provisions for risks	62,630,674	(9,128,154)		53,502,520
Employee termination indemnities valuation	1,137,610	301,545	582,272	2,021,427
Fair value Financial Assets	710,305	103,133	(852,675)	(39,237)
Impairment Financial Assets	724,184	33,090	(852,675)	(95,401)
Impairment Financial Receivables	80,257	(64,829)	-	15,428
Impairment Commitments and Securities	5,739	(402)	-	5,337
Impairment Cash and Cash Equivalents	59,045	(23,835)		35,210
Impairment of trade Teceivables	(158,920)	159,109	-	189
Plant and Machinery	1,865,611	(338,916)		1,526,695
Total	72,224,200	(1,332,392)	(270,403)	70,621,406

The IRES (corporate income tax) losses of ATM S.p.A. resulting from the last tax return submitted, tax year 2018, amounted to Euro 864,382 thousand, which can be fully deducted, and Euro 52,066 thousand, which can be partially deducted.

Even considering the taxes attributable to 2019, the value of the losses carried forward for the tax year 2019 does not change, as the losses reported are transferred to the Consolidated Financial Statements according to the existing Group contracts.

13. Other receivables and current assets

Government grants on account of plant for Euro 7,251,054 relating to the purchase of trains on Metro Line 1 as part of the "Accessibility Fiera Milano" project. The receivable, maturing in 2021, is a guarantee of the loan granted by Cassa Depositi e Prestiti, recorded for an equal amount under liabilities; the change in this item is related to the collection of the receivable maturing related to the payment of the related payable (Note 22).



14. Inventory

The balance of "Inventory" as at December 31, 2019 is as follows:

	31.12.2019	31.12.2018
Consumable maintenance materials	111,466,804	106,673,918
Fuel	698,183	523,769
Other materials	946,041	928,164
Total inventory	113,111,028	108,125,851
Inventory obsolescence provision	(29,916,290)	(30,308,241)
Total net inventory	83,194,738	77,817,610
Advances	976,775	2,438,322
Total	84,171,513	80,255,932

Inventory, gross of *"supplier advances"* and *"obsolescence provision"*, increased by Euro 4,985,177 compared to December 31, 2018; the change is mainly due to the increase in metro-travel equipment and electrical/electronic materials. Consumable materials mainly concern supplies required for maintenance and repair interventions on the rolling stock.

Following the process of recognition of the assets in stock, obsolete assets were disposed of for Euro 6,111,532 and the

"Inventory obsolescence provision", established in previous years for this purpose, was utilized for the same amountt. As at December 31, 2019, in order to adjust the value of the provision to the changed inventory, a provision of Euro 5,719,581 was recognised, considering assets with a low turnover rate and an analysis for obsolete stock for disposal.

The movements in the "obsolescence provision" are shown below.

	31.12.2018	Increases	Decreases	31.12.2019
Inventory obsolescence provision	30,308,241	5,719,581	(6,111,532)	29,916,290
Total	30,308,241	5,719,581	(6,111,532)	29,916,290

The obsolescence provision is included in the account "Purchases of goods and changes in inventory" (Note 30).



15. Current financial assets

	31.12.2019	31.12.2018
Current financial assets	247,989,974	255,527,937
Total	247,989,974	255,527,937

Current financial assets as at December 31, 2019 are composed as follows:

- "Held to Collect & Sell" government securities classified as FVTOCI for Euro 7,728,765 whose fair value changes continue to be recognised with a contra-entry in the equity reserve (recognised in the OCI) until they are realised or reclassified;
- "Held to Collect & Sell" corporate bonds classified as FVTOCI for Euro 91,856,799 whose changes in *fair value* continue to be recognised with a contra-entry in the equity reserve (recognised in the OCI) until they are realised or reclassified;
- "Other" corporate bonds classified as FVTPL for Euro 5,445,857 whose changes in *fair value* are recognised in the income statement and contribute to the economic result for the year;
- "Other" UCITS classified as FVTPL for Euro 139,891,374 whose

changes in *fair value* are recorded in the Income Statement and contribute to the economic result for the year.

Reference is made to paragraph 4 Risk deriving from exposure to fluctuations in interest rates, exchange rates, commodity price fluctuations and the downgrading of medium/long-term debt ratings in Note 5 Financial risk management with regard to the effects on financial operations that occurred after the balance sheet date as a result of the significant turbulence caused by the growing global health emergency caused by the COVID-19 pandemic.

The item also includes the receivable from the subsidiary Net S.r.l. for Euro 3,067,179, represented by the cash *pooling* credit within the ATM Group's treasury management for a maximum amount of Euro 20,000,000.

16. Current tax assets

The balance of the item "Current tax assets" at December 31, 2019 is composed as follows:

	31.12.2019	31.12.2018
Receivables form Withholding taxes	14,126,846	14,493,411
IRAP receivable from IRES DL 211/2011	562,746	562,705
Receivables for advanced taxes (IRAP)	2,246,153	2,246,031
Total	16,935,745	17,302,147

The *"Receivables from withholding tax"* of Euro 14,126,846 refers to receivables for withholding tax incurred.

The "*IRAP receivable from IRES D.L.201/2011*" of Euro 562,746 refers to the recognition of the deductibility for IRES purposes of the IRAP relating to expenses for employees and equivalent , pursuant to D.L. 201/2011, and the related refund request submitted for the

years 2007/2011. The credit was adjusted in order to take into account what was attested by the tax authorities.

"Receivables for payments on account (IRAP)" amounting to Euro 2,246,153 and refer to the amount of payments on account exceeding the income tax matured in the year 2019.

17. Trade receivables

"Trade receivables" as at December 31, 2019 amounted to Euro 165, 322, 075, consisting in the following:

	31.12.2019	31.12.2018
Receivables from third parties	28,384,867	27,356,695
Receivables from related parties	136,937,208	145,932,441
Receivables from parent	126,042,010	123,342,317
Receivables from subsidiaries	6,172,267	6,413,428
Receivables from associates	4,063,531	15,963,220
Receivables from subsidiaries of parent	659,400	213,476
Total	165,322,075	173,289,136

"Receivables from third parties" mainly refer to receivables from Italian and European Union entities and refer to services provided for advertising, sponsorship and the rental of commercial spaces in metro stations.

Amounts due from third parties" are shown net of the specific provision for doubtful debts, which at December 31, 2019 amounted to Euro 13,422,321 (Euro 13,302,745 at December 31, 2018), allocated to cover doubtful debts and receivables on which legal action has been taken.

Movements in the allowance for doubtful accounts are as follows:

	31.12.2018	Increases	Utilisations	31.12.2019
Doubtful debt provision	13,302,745	576,712	(457,135)	13,422,321
Total	13,302,745	576,712	(457,135)	13,422,321

During the year, the provision was adjusted by Euro 576,712 and Euro 457,135 was used to cover expected losses, recording these amounts under "*Other operating costs and charges*" (Note 34).

"Receivables from related parties" include:

"Receivables from parent company" for Euro 126,042,010 (Euro 123,342,317 as at December 31, 2018) net of the specific doubtful debt provision, which, at December 31, 2019 amounted to Euro 3,486,778. The item in question refers to receivables from the Municipality of Milan mainly to invoices issued for the Local Public Transport Service Contract (TPL) for the month of December (Euro 52,969,697) and to withholding guarantees of the aforementioned contract equal to 5% of the fee for monthly payments from the month of June 2019 (Euro 2,787,879) and for invoices to be issued for the same case for the month of July to December 2019 (Euro 16,727,273). Receivables for invoices issued or to be issued relating to works performed on metropolitan and tram infrastructures and to various services are also included, along with the implementation of the traffic control system. The increase during 2019 is mainly due to increased maintenance activities carried out on infrastructures owned by the Municipality of Milan.

As at the date of preparation of this financial report, the amount receivable from the Municipality of Milan for the LPT Service Contract has been collected in the amount of 55,757,576 euros.

The changes in "Doubtful debt provision to Parent Company" are reported below:

	31.12.2018	Increases	Utilisations	Decreases	31.12.2019
Doubtful debt provision to parent company	4,817,352	14,288	(202,778)	(1,142,084)	3,486,778
Total	4,817,352	14,288	(202,778)	(1,142,084)	3,486,778

During the year, the "Doubtful debt provision to parent company" was provisioned for 14,288 euros, decreased for 1,142,084 euros and used for 202,778 euros to cover the change in expected losses, with these amounts recorded

under "Other operating costs and charges" (Note 34).

"Receivables from subsidiaries" for Euro 6,172,267 (Euro 6,413,428 as at Dicember 31, 2018) which refer to services provided under existing contracts.

	31.12.2019	31.12.2018
ATM Servizi Diversificati S.r.I.	732,278	887,013
Gesam S.r.I.	67,474	41,647
International Metro Service S.r.I.	14,603	20,485
Metro Service A/S	61,361	12,710
Nord Est Trasporti S.r.I.	5,020,194	4,945,132
Rail Diagnostics S.p.A.	276,357	506,441
Total	6,172,267	6,413,428

"Receivables from associates" for Euro 4,063,531 (Euro 15,963,220 as at December 31, 2018) net of the specific write-down provision, which amounts to Euro 29,796 as at December 31, 2019 (Euro 682,347 as at December 31, 2018). The balance is composed as follows:

	31.12.2019	31.12.2018
Co.Mo. Fun&Bus S.c.a r.l.	262,046	196,767
Consorzio SBE	7,000	
Metro 5 S.p.A.	3,757,147	15,792,817
Movibus S.r.I.	67,133	655,983
Total	4,093,326	16,645,567
Doubtful debt provision	(29,796)	(682,347)
Total	4,063,530	15,963,220

Receivables refer to services provided under existing contracts. Receivables decreased significantly from Metro 5 S.p.A. following the settlement of a dispute with the associated company relating to the definition of fines on the Management Contract for the M5 line (Note 24). As a result the receivables related to the Service Contract fee for the second half of 2019 were collected, equal to Euro 10,687,620 net of mileage adjustments and, for the remaining part, receivables related to extraordinary maintenance services recognised by the grantor. It also includes the total collected of the residual

past due receivables from Movibus S.r.l. that, in 2013, were subject to debt restructuring agreement pursuant to Article 182-bis of Royal Decree no. 267 of 16 March 1942 between the associate Movibus and ATM.

As a result of the above collection of receivables, the related allowance for doubtful accounts was released. Changes during the year are shown below:

	31.12.2018	Increases	Decreases	31.12.2019
Doubtful debt provision vs associates	682,347	21,395	(673,946)	29,796
Total	682,347	21,395	(673,946)	29,796

The provision of Euro 21,395 and the release of Euro 673,946 euros were posted to the income statement under "Other operating costs and expenses" (Note 34).

 "Receivables from subsidiaries of parent companies" of Euro 659,400 (Euro 213,476 as at December 31, 2018) net of provisions for doubtful accounts, which amounted to Euro 1,091 as at December 31, 2019. Receivables refer to services provided under existing contracts. In order to adjust the value of the allowance for doubtful accounts due from subsidiaries of the parent company, an amount of Euro 771 has been provisioned with a counterentry in the Income Statement under *"Other operating costs and expenses"* (Note 34). The increase in this item is mainly due to the increase in services provided during the year.

18. Other receivables and current assets

The item "Other current receivables and assets" as at December 31, 2019 showed a balance of Euro 57,641,813 net of provisions for doubtful accounts, which amounts to Euro 481,470 as at December 31, 2019.

	31.12.2019	31.12.2018
Receivables for contributions	51,723,307	56,045,015
Other tax receivables	2,495,818	2,674,835
Prepayments	2,258,916	1,883,693
Other receivables	1,163,772	1,677,028
Total	57,641,813	62,280,571

The most significant reduction, compared to December 31, 2018, is related to the item "*Receivables for contributions*" following the collection of contributions for the 2018 CCNL renewals as well as a more precise management of payments by the Basin Agency on 2019 competencies.

Below the details of the item "Receivables for contributions":

- for Euro 31,872,538 (Euro 28,989,028 at December 31, 2018) to grants by public institutions requested for investments. The grants refer for Euro 21,954,861 to receivables relating to investments financed by the State, including Euro 7,191,000 for rolling stock, Euro 6,849,330 for safety projects and Euro 7,914,531 for infrastructure; Euro 9,844,215 for receivables financed by the Lombardy Region, of which Euro 9,042,100 for the purchase of buses and Euro 802,115 for on-board safety systems and Euro 73,461 for the bike sharing project financed by the Municipality of Milan;
- for Euro 12,834,068 (Euro 20,265,896 as at December 31, 2018) to grants on reimbursements as per the renewal of the Trade Union Agreement pursuant to Law 47/2004, Law 58/2005 and Law 296/2006.
- for Euro 7,016,703 (Euro 6,790,091 as at December 31, 2018) to the current quota regarding the state capital plant grant for the

purchase of trains on the metro line 1, within the "*Milan Trade Fair Accessibility*" project.

"Other tax receivables" refer to the receivable for fuel excise duty still to be collected for the 3rd and 4th quarters of 2019. The receivable for the 3rd quarter of 2019 was collected in January 2020.

"Prepayments" refer to insurance premiums and fee-based maintenance services pertaining to the following year, whose financial manifestation took place in the 2019 financial year.

"Other receivables", refer to advances paid for injuries on behalf of INAIL, receivables from the Infrastructure Ministry relating to fees paid for the radio bridges and deposits paid to various entities. During the year, the provision, set aside in previous years, was used for Euro 481,470 to cover losses doubtful of the same amount, recognized under the item "Other operating costs and charges" (Note 34).

19. Cash and cash equivalents

	31.12.2019	31.12.2018
Cash and cash equivalents	169,715,005	225,641,181
Total	169,715,005	225,641,181

The balance includes the current account balances, cash funds, balances of the prepaid company credit cards, as well as the endowments to the tellers and ticketing machines.

The amounts of "*Cash and cash equivalents*" are expressed net of the related provision to cover losses amounting to Euro 146,706. In 2019 the fund was released for Euro 99,315.

The decrease in cash and cash equivalents during 2019 is a consequence of the investments made in 2019 as well as the settlement of the loan instalments with the European Investment Bank and the payment of dividends to the Municipality of Milan for Euro 12,000,000 approved by the Shareholders' Meeting on December 21, 2017.



20. Discontinued Operation

	31.12.2019	31.12.2018
Discontinued Operations	-	14,001
Total	-	14,001

The value of the minority share held by ATM in Guidami S.r.l. in the financial statements at December 31, 2018 was adjusted by the value of the sale and by reclassifying the amount to the "Discontinued operations". On January 18, 2019, the sale of the investment was completed at the value previously recognized and therefore no effects were recorded in the income statement during the year.

21. Equity

"Issued capital" amounts to Euro 700,000,000 and consists of n. 70,000,000 ordinary shares with a nominal value of 10 euros each. It is fully subscribed and paid and no changes occurred during the year and in the previous one. The Municipality of Milan is the sole shareholder of the Parent Company ATM S.p.A.

The item "Other reserves" includes the "Reserve for actuarial gains/(losses) on defined benefit plans" which includes the effects of the recording in "Other comprehensive income" of net tax effects of the gains/(losses) on defined benefit plans.

The changes shown in the Statement of Other Components of the Income Statement are detailed and described in the "Statement of Changes in Shareholders' Equity".

It should be noted that the Shareholders' Meeting of April 19, 2019 approved to carry forward the profit for the year 2018.

The composition of equity with reference to availability and distributability is as follows:

quity 31.12.2018		31.12.2019	
Issued capital	700,000,000	700,000,000	
Legal reserve	140,000,000	140,000,000	В
Other Reserves	287,054,949	288,687,647	
Conferment Reserve	19,689,557	19,689,557	А, В, С
Extraordinary Reserve	5,763,772	5,763,772	А, В, С
Rounding reserve	(2)	(2) (1)	
FTA reserve	155,710,246	155,710,246	
Actuarial Losses Reserve	(2,887,262) (4,731,123		
Property fair value valuation reserve	110,598,645 110,598,645		
Held to Collect and Sell Reserve	(2,088,894)	1,249,790	
OCI Reserve	268,887	406,761	
Retained earnings	50,568,663	52,907,983	A, B, 0
Net profit for the year	2,339,320	960,407	
Equity	1,179,962,932	1,182,556,037	

(*) A: for capital increase; B:to cover losses; C: for distribution to shareholders

The amount of the First Time Adoption Reserve that became available during the year is equal to Euro 124,615,766.

In the three-year period 2017-2019, reserves for dividend distribution of Euro 26,000,000 were used.

22. Non-current and current financial liabilities

	31.12.2019	31.12.2018
Non-current financial liabilities	294,761,252	307,697,350
Current financial liabilities	28,604,082	24,648,401
Total	323,365,334	332,345,751

The amount of Euro 323,365,334 refers for:

- Euro 224,335,233 (of which Euro 10,781,559 current and Euro 213,553,674 non-current) to the drawdowns, net of reimbursements, activated pursuant to the loan agreement for a total of Euro 250,000 underwritten by the European Investment Bank for the financing of the new metro trains of lines 1 and 2. The loan agreement requires the Company to comply with certain capital and financial parameters. As at December 31, 2019, as in previous years, the covenants contractually set by the loan agreement were fully respected. The 2020 budget projections confirm compliance with the covenants also with reference to the next measurement deadlines for the reference period. The debt expires entirely on June 30, 2038 and is therefore recorded under the "Non-current financial liabilities".
- Euro 69,770,688 for the bond issued on August 8, 2017 by the Company (of which Euro 69,247,122 relating to the principal portion of the bond issue and Euro 523,566 relating to interest accrued in the period that will be paid at the maturity date), unguaranteed and destined only to qualified investors for a total nominal value of Euro 70,000,000. The bonds mature on August 8, 2024 and the interest is calculated at a fixed annual rate of 1.875 %. It is listed on the Dublin Stock Exchange (ISIN code XS1653969953). On July 4, 2019 the international agency Fitch Ratings confirmed ATM - Azienda Traporti Milanesi's longterm rating at 'BBB' with a negative outlook and a short-term rating of 'F2'. The rating reflects, to the same extent, the level of

the Sovereign rating. The rating therefore reflects ATM's credit connection with the national public sector and in particular with the Municipality of Milan. The bond loan is valued at amortised cost and has therefore included expenses incurred and issue discounts. The effective and fixed interest rate for the entire duration of the loan is considered representative of market conditions at December 31, 2019. At the end of the financial year, the Company has the financial resources necessary to repay the loan in full, as shown in the balance of cash and cash equivalents and securities;

- Euro 14,267,757 to the loan with Cassa Depositi e Prestiti for the purpose of acquiring metro line 1 trains within the "Fiera Milano Accessibility" project (of which Euro 7,016,703 current and Euro 7,251,054 non-current). The loan, maturing in 2021, is fully guaranteed by the State; therefore, a receivable of the same amount is recorded under "Assets" which, based on maturity, is divided into "Other receivables and current assets" for the portion due within 12 months and "Other receivables and non-current assets" for the portion due over 12 months.
- Euro 7,903,714 to the debit balance of the *cash pooling* current account with subsidiaries as illustrated in the table below:

	31.12.2019	31.12.2018
ATM Servizi Diversificati S.r.I.	1,477,807	468,636
Gesam S.r.l.	351,052	512,069
Rail Diagnostics S.p.A.	6,074,855	5,710,476
	7,903,714	6,691,181

For further details about the composition and nature of receivables, reference is made to Note 40 "Information concerning intragroup and related party transactions".

Euro 7,087,942 at the amount of the *lease liability* registered following the introduction of IFRS 16 *Leases* (of which Euro 2,378,540 due within 12 months and Euro 4,709,402 over 12 months). The application of IFRS 16 *Leases* resulted in the recognition, at first date of application, of a financial liability

of Euro 2,160,007, as this resulted from the actualization of future minimum guaranteed lease payments outstanding at January 1, 2019. During the year the item changed due to the registration of new contracts for Euro 5,884,500, the registration of implied interest for Euro 76,304 and the payment of rents in the amount of Euro 1,032,869.

The following is a detailed distribution by maturity date:

	Within 12 months	Between 1 - 5 years	Over 5 years	Total
Non-current and current financial liabilities	28,604,082	125,769,672	168,991,580	323,365,334

With reference to the loans disbursed by the European Investment Bank (EIB), the Company subscribed loans amounting to Euro 250,000,000, of which Euro 235,366,996 at a fixed rate.

The details of EIB drawdowns are shown below:

	Drawdown date	Currency	Initial amount of debt	Amount of repayable debt as at 31/12/2019	Interest rate as at 31/12/2019	Maturity
Withdraw 1	29/11/2013	Eur	14,633,004	12,591,189	0.566% (*)	30/06/2038
Withdraw 2	28/11/2014	Eur	40,000,000	35,386,537	1.99%	30/06/2038
Withdraw 3	23/04/2015	Eur	55,366,996	48,309,907	0.96%	30/06/2038
Withdraw 4	15/03/2017	Eur	70,000,000	64,046,046	1.45%	30/06/2038
Withdraw 5	31/01/2018	Eur	40,000,000	36,572,316	1.37%	30/06/2038
Withdraw 6	31/01/2018	Eur	30,000,000	27,429,237	1.37%	30/06/2038
Totals			250,000,000	224,335,233		

(*) Withdraws indexed to variable interest rate

The Withdraws are recognized at amortised cost representative of the nominal value as there are no contractual transaction costs, and the effective interest rate was considered for each drawdown, fixed for the entire duration of the loan, representative of the market conditions at December 31, 2019. Similarly, the variable interest rate tranche was recognized for the nominal value as with reference to the forward interest rates, in the medium-term the rate is considered representative of the market conditions.



23. Employee benefits

The defined benefit plans are calculated estimating, with technical actuaries, the amount of the future benefit which the employees matured in the current period and in previous years. The calculation is made by an independent actuary utilizing the *"Projected Unit Credit Method"*. For the purposes of the calculation of the interest rate or discounting utilised this was taken from

the prices at December 31 of each year of the benchmark iBoxx Corporate EUR index with 7-10 year duration and AA rating.

"Employee benefits" include the "Employee Termination Indemnities" ("TFR") and the *"War Veterans Provision"*:

	31.12.2019	31.12.2018
Employee termination indemnitites (TFR)	121,436,919	126,815,801
War Veterans Provision	-	551,566
Total	121,436,919	127,367,367

The "TFR", governed by Article 2120 of the Civil Code, refers to the estimate of the liability, relating to the amount to be paid to employees on the termination of employment. The indemnity, paid in the form of capital, is equal to the sum of the provisions calculated on the remuneration salary accounts based on the employment contract and revalued until the termination of service. Due to the legislative amendments introduced from January 1, 2007 for companies with more than 50 employees, the employee termination indemnity maturing is classified as a defined contribution plan as the obligation of the company is exclusively represented by the payment of the contributions to the pension fund or to the INPS fund. The liability relating to the employee termination indemnities prior to January 1, 2007 represents a defined benefit plan measured based on actuarial techniques. The "TFR" is an unfunded defined benefit plan and therefore there are no assets to service the plan.

The following changes took place in the "TFR" during the year:

	Change
Opening balance	126,815,801
Interest cost	1,380,689
Actuarial (gains)/losses	2,467,325
Paid benefits	(9,226,896)
Closing balance	121.436.919

The amount of employee termination indemnities calculated according to the provisions of Article 2120 of the Civil Code is equal to Euro 114,087,127.

The actuarial loss in the year, equal to Euro 2,467,325, was recorded under other items in the Comprehensive income statement, adjusting the balance of the Employee Termination Indemnities with a contra-entry in an equity reserve and is composed as follows:

	Change
Actuarial gains/losses due to changes in the financial assumptions	2,147,983
Actuarial gains/losses due to experience	319,342
Total change	2,467,325

With reference to "TFR", the valuations undertaken by the actuary were made based on the economic/financial and demographic assumptions summarised in the table below:

	31.12.2019	31.12.2018
Mortality rate	IPS55 Tables	IPS55 Tables
Invalidity rates	INPS-2000 Tables	INPS-2000 Tables
Employee turnover rate	5.07%	5.07%
Discount rate*	0.37%	1.13%
Increase in salaries	1.50%	1.50%
Rate of advances	1.32%	1.32%
Annual inflation rate	0.80%	1.50%

* Listing on 31.12.2019 and 31.12.2018 of the iBoxx Corporate EUR benchmark index with duration 7-10 and AA rating

The *"War Veterans Provision"*, amounting to Euro 551,566 at December 31, 2018, was fully liquidated to those entitled to it during the year under review, decision made because of the low number of beneficiaries and the commitment to its administrative management. In December 2019, the Company paid each beneficiary the sums due at the definitive closure of any future financial claims. Therefore upon payment of Euro 295,649, the same amount was contextually used and the remaining portion

of the "War veterans provision" was released for a total of Euro 551,566. The economic effects of the transaction were recognized in the Income Statement under "*Costs for employee benefits*".

Regarding War veterans provision, the following changes occurred during the year;

	Change
Opening balance	551,566
Actuarial (gains)/losses	(41,192)
Benefits paid	(295,649)
Provision release	(214,725)
Closing balance	-

The sensitivity analysis on the discount rate represents the change in the value of the actuarial liability obtained with the measurement data at year-end, altering the discount rate, with the other assumptions remaining unchanged:

	0.50%	-0.50%
Employee Termination Indemnities (TFR)	(3,395,047)	3,577,888

24. Provisions for risks and charges

	31.12.2019	31.12.2018
Provision for disputes and environmental risks	46,657,949	63,001,489
Damages/claims settlement provision	17,510,270	18,165,116
Other provisions	22,236	142,696
Total	64,190,455	81,309,301

Most significant items composing the balance are shown below:

the "Provision for disputes and environmental risks" of Euro 46,657,949, relating to potential liabilities to suppliers, customers, third parties, workers, related parties and the environment, arising from ordinary business activities.

During the year, the amount of the provision was updated based on the expected impact of pending disputes and the outcome of completed disputes, as well as a revision of estimates of future environmental charges, resulting in additions of Euro 110,623, utilizations of Euro 5,773,127 and releases of Euro 10,681,035, as specified below.

In 2019, provisions of Euro 110,623 were made mainly in relation to existing disputes with employees.

The main provision changes are as follows:

- Euro 2,370,670, to the utilisation for the settlement of the dispute with Metro 5 S.p.A. in relation to the Management Contract for the M5 Line;
- Euro 2,052,287, to the utilisation for the payment made for the same amount to Caronte following Judgement of first grade no. 8098 of September 11, 2019. As explained in the Management Report, the Company immediately filed an appeal before the Court of Milan obtaining the suspension of the enforceability of the contested judgment and in the interim proceedings it obtained partial payment of the amounts due in the amount mentioned above;
- Euro 512,170 for the use of specific maintenance operations carried out at certain company sites and plants;
- Euro 473,488 for the use relating to the settlement of disputes with employees;
- Euro 364,512 for utilisation relating to the settlement of disputes with suppliers.

In addition, in view of the settlement of the above disputes and the estimates of future environmental charges, the provision was released for:

- Euro 10,000,000 for the non-recurring release of a specific provision for environmental risks, set up in previous years to cover specific interventions on the M2 metro line. These interventions, initially planned to be carried out by the Company, shall be included among the interventions specifically financed by the competent bodies as part of the project to renovate the signalling and equipment systems of the M2 metro line;
- Euro 429,506 relating to the dispute with Metro 5 S.p.A.;
- Euro 251,529 for the settlement of disputes with various suppliers.

The releases were made following a review of the estimates for the year and in consideration of new and more complete information than that available at the time the original estimates were made;

The "Damages/claims settlement provision" for Euro 17,510,270," refers to the estimate of the damages to be paid in the coming years for damages/claims related to the circulation of transport vehicles and to the towing and parking service, limited to the amount of risk not covered by insurance policies with the various insurance Companies. The assessment of the claims was made through a review of the individual cases pending at December 31, 2019.

The value of the provisions indicated above includes the best estimate of legal costs related to litigation.

Changes in provisions for risks and charges are shown below:

	31.12.2018	Increases	Utilisations	Release	31.12.2019
Provision for disputes and environmental risks	63,001,489	110,623	(5,773,127)	(10,681,035)	46,657,949
Claims settlement provision	18,165,116	1,608,351	(2,249,587)	(13,610)	17,510,270
Other provisions	142,696	-	(1,675)	(118,785)	22,236
Total	81,309,301	1,718,974	(8,024,389)	(10,813,430)	64,190,455

Reference should be made to Note 4 "Use of estimates" for considerations on the underlying estimation processes regarding uncertainties on disputes and potential liabilities.



25. Deferred tax liabilities

	31.12.2019	31.12.2018
Deferred tax liabilities	47,310,480	48,396,562
Total	47,310,480	48,396,562

The temporary differences giving rise to deferred tax liabilities are summarised below:

	Deferred tax as at 31.12.2018	Recognized in P&L	Deferred tax as at 31.12.2019
Fair Value Buildings-IAS 16	41,211,115	(715,512)	40,495,603
Fair value Rolling Stock	7,026,327	(416,699)	6,609,628
Fair Value Financial Assets	159,120	46,129	205,249
Total	48,396,562	(1,086,082)	47,310,480

26. Current income tax liabilities

	31.12.2019	31.12.2018
IRES	126,800	39,300
Total	126,800	39,300

This item refers to the IRES payable resulting from the Fiscal Consolidation regime.

27. Trade payables

	31.12.2019	31.12.2018
Payables – third parties	215,134,461	220,675,379
Payables to related parties	68,215,438	54,860,217
Payables to parent	60,900,908	49,277,770
Payables to subsidiaries	5,723,225	4,460,408
Payables to associates	770,865	714,918
Payables to subsidiaries of parent companies	820,440	407,121
Total	283,349,899	275,535,596

The amount of Euro 215,134,461 for "*Payables to third parties*" (Euro 220,675,379 at December 31, 2018) includes payables for invoices not yet paid and payables for invoices to be received resulting from the purchase of materials, services and capitalised assets, mainly to Italian and European Union suppliers. The decrease of Euro 5,540,918 is related to certain contracts for the completion of the supply of metropolitan rolling stock.

"Payables to related parties" mainly include "Payables to parent", which at December 31 had a balance of Euro 60,900,908 and are entirely payable to the Municipality of Milan. The increase is caused by the higher amounts paid back in December compared to the same period of 2018 and by the recognition of the payable for parking fees ("Street Parking Agreement" of April 27, 2017) and penalties on the Service Contract as at December 31, 2019, in addition to those for 2018 that were still outstanding at the closing date of the financial statements.

The balance of the item "Payables to parent" refers to the following:

- Euro 49,024,614 (Euro 43,188,419 as at December 31, 2018) to the payable for the repayment to the Municipality of Milan of the revenues from the sale of tickets for the month of December 2019;
- payables for the repayment to the Municipality of Milan of the parking tickets as defined in the "Street Parking Agreement" of April 27, 2017 of which Euro 4,878,573 referred to 2018 and Euro 4,829,715 referred to 2019;
- Euro 988,048 to the payables for the repayment of Area B and

Area C revenues for the month of December 2019;

- penalties on the Service Contract of which Euro 241,000 for the year 2018 and Euro 703,695 for the year 2019. The penalties, calculated annually, refer to the failure to comply with certain quality standards set as per the contract;
- Euro 212,500 for the parking fee for the 4th quarter of 2018;
- Euro 22,763 for the sponsorship of the Mi Emob event.

"Payables to subsidiaries" as at December 31, 2019 showed a balance of Euro 5,723,225 (Euro 4,460,408 as at December 31, 2018). Amounts refer to services performed under existing contracts. There were no significant changes compared to the previous year.

	31.12.2019	31.12.2018
ATM Servizi Diversificati S.r.I.	251,324	478,082
Gesam S.r.I.	249,057	66,094
International Metro Service S.r.I.	1,098	-
Nord Est Trasporti S.r.I.	2,484,221	1,744,893
Rail Diagnostics S.p.A.	2,737,525	2,171,339
Totale	5,723,225	4,460,408

"Payables to associates" are detailed below:

	31.12.2019	31.12.2018
Co.Mo. Fun&Bus S.c.a r.l.	16,221	17,659
Metro 5 S.p.A.	13,827	129,857
Movibus S.r.I.	740,817	567,402
Total	770,865	714,918

"Payables to subsidiaries of the parent" amounting to Euro 820,440 mainly refer to the payable for the provision of services by MM S.p.A. for Euro 799,328.

28. Other payables and current liabilities

31.12.2019	31.12.2018
44,824,877	44,051,609
-	12.000.000
37,309,385	38,822,114
17,709,604	16,822,589
11,191,463	11,526,235
3,129,336	9,043,120
276,805	4,246,549
1,495,620	795,986
1,252,808	1,438,728
3,921,530	4,517,649
121,111,428	143,264,579
	44,824,877 - 37,309,385 17,709,604 11,191,463 3,129,336 276,805 1,495,620 1,252,808 3,921,530

"Other payables and current liabilities" amounts to Euro 121,111,428 at December 31, 2019. The main changes are related to the payment in April 2019 of the residual debt for dividends of Euro 12,000,000 to the Single Shareholder Municipality of Milan, the distribution of which was approved by the Shareholders' Meeting of December 21, 2017, and to the adjustments relating to payables for travel tickets, including IVOL and IVOP, paid to counterparties during 2019 following the definition and entry into force of STIBM.

Below are the main components of this item:

- For Euro 44,824,877 from payables to employees, the change in which is a consequence of the increase in the number of employees;
- For Euro 37,309,385 for payables to INPS, Previndai, INAIL as well as sector pension funds and paid in accordance with normal legal provisions in the initial months of 2020;
- for Euro 17,709,604 employee vacation days matured but not yet taken, as well as the value of extraordinary hours worked, utilizable as leave, not yet taken;

- For Euro 11,191,463 IRPEF withholdings made by ATM as substitute taxes on employee income;
- for Euro 3,129,336 in miscellaneous payables, including security deposit payables of Euro 2,151,706 and the amount due to the ATM Foundation for contributions and payments for services rendered of Euro 700,613. The change compared to the previous year, amounting to Euro 5,913,784, is due to the settlement of adjustments relating to payables for travel tickets, including IVOL and IVOP, to be repaid to counterparties following the definition and entry into force of STIBM;
- For Euro 1,252,808 from deferred income relating to revenues invoiced during the year and pertaining to 2020;
- For Euro 3,921,530 from grants related to plants for which there is a determination of contributions by the Entity. At the balance sheet date, they have not yet been collected and the related investment has not yet shown any equity.



Notes to the income statement

29. Revenues and other income

The value of *"Revenues and other income"* is mainly made up of the following items:

- "Core business revenue" refer to revenues generated by the Service Contract for the management of the Local Public Transport (LPT) service contracted with the Municipality of Milan, the revenue from the contract for the management of the M5 metro line with Metro 5 S.p.A., revenues from the management of on-street parking and parking areas, towing and custody services;, revenues relating to other transport services, including the management of the Como - Brunate funicular railway and the POMA 2000 light metro service;
- "Other revenues", which include revenues from advertising, property rentals, revenues for services on municipal property, including maintenance services on infrastructures, Area C and Area B (active since February 25, 2019);
- "Other income", which mainly includes operating grants, refunds for damages and fines charged to suppliers.

Revenues are generated in Italy.

	2019	2018
Core business revenue	735,265,305	743,215,608
Other revenue	60,651,483	55,627,699
Other income	72,487,120	74,057,596
Total	868,403,908	872,900,903

The details of "Core business revenues" are shown below:

	2019	2018
Revenues from TPL	699,732,915	707,387,404
Corresponding Service Contract Municiality of Milan	668,482,692	669,339,700
Corresponding Service Contract Interurban area	3,628,077	3,589,333
Corresponding Management Contract line 5	23,881,556	30,310,298
Income from fees - interurban area	3,035,992	2,906,073
Special/ dedicated transport services	704,598	1,242,000
Revenues from management of on – street parking services	18,490,000	18,490,000
Revenues from parking management	8,629,689	8,439,530
Revenues from car removal management	2,632,411	2,586,398
Other revenues	5,780,290	6,312,276
Total	735,265,305	743,215,608

"Revenues from TPL" amounted to Euro 699,732,915 and decreased by Euro 7,654,489 compared to the previous year, which amounted to Euro 707,387,404.

The change is mainly due to the items:

- "Corresponding Service Contract Municiality of Milan" for Euro 857,008, as a result of the penalties, calculated annually and referring to non-compliance with certain quality standards provided by contract, and the adjustments for additional services carried out in 2019;
- "Corresponding Management Contract line 5" for Euro 6,428,742. Regarding this change, it should be noted that the 2018 financial year was mainly characterised by the non-recurring effect linked to the release of provisions set aside for the estimated contractual penalties with reference to the Metro 5 management contract, for an amount of Euro 7,211,592, following the recalculation of the estimated revenue adjustments connected with the penalties of the line management contract;
- "Special/dedicated transport services" for Euro 537,402 against the reduced services provided in 2019.

"Other revenues" are composed as follows:

	2019	2018
Service revenues - third parties	28,746,918	24,954,883
Advertising and sponsorship revenues	18,448,374	18,706,614
Commercial leases metro stations	6,614,560	6,499,270
Other revenues	6,841,631	5,466,932
Total	60,651,483	55,627,699

"Other Revenues" increased by Euro 5,023,784 compared to the previous year. A positive contribution to the change is the item "Service revenues - third parties" of Euro 3,792,035, which relates to maintenance works on infrastructures owned by the Municipality, the construction and management of the Area B and C payment system and the Traffic and Territory Control system, as well as extraordinary unscheduled maintenance works on Line M5. Other changes relate to "Other revenues", including the sale of materials for Euro 419,184 and income from magnetic cards for Euro 693,756 as a result of the change from paper to magnetic cards for the issue of tickets. On the other hand, revenues from advertising and rental of commercial spaces remained stable.

Details of "Other income" are provided below:

	2019	2018
Insurance receivables and costs undertaken for third parties	11,625,467	10,009,048
Income for penalties invoiced to suppliers	4,922,659	5,190,052
Gains on fixed asset sales	114,460	416,175
Grants	50,210,538	51,531,986
Other income	5,613,996	6,910,335
Total	72,487,120	74,057,596

The item *"Insurance receivables and costs undertaken for third parties"* refers to the insurance reimbursements related to claims on vehicles and recoveries from third parties for costs already incurred and is increased by Euro 1,616,419.

"Gains on fixed asset sales" mainly refers to the capital gain of Euro 114,460 on the decommissioned buses (Note 7).

The item "*Grants*" for Euro 48,575,292 refers to the contributions for CCNL accrued for the year in accordance with Law No. 47 of February 27, 2004 to cover the charges deriving from the renewal of the collective labour contract for the two-year period 2002/2003, with Law No. 58 of April 22, 2005 to cover the charges deriving from the renewal of the CCNL two-year 2004/2005 and

with Law No. 296 of December 27, 2006 (2007 Finance Law) to cover the renewal charges of the CCNL two-year 2006/2007. The residual part, equal to Euro 1,635,246 (Euro 2,956,691 in the previous year), refers to grants on investments made in previous years, grants for the production of electricity through photovoltaic plants and grants for staff training. It should be noted that in the previous year grants on investments made in previous years were collected in the amount of Euro 2,176,644 to justify the change between the two years.

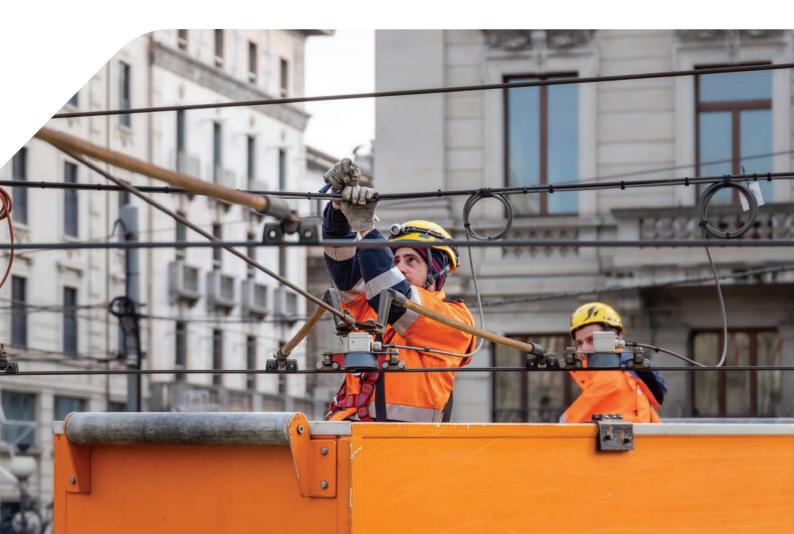
The item *"Other income"* mainly refers to fines issued to passengers for a total of Euro 4,574,758.

30. Purchases of goods and changes in inventory

	2019	2018
Purchase of goods	76,223,062	75,172,786
Change in inventory	(5,377,127)	(2,626,206)
Raw material consumption internal works	(6,887,677)	(4,933,641)
Total	63,958,258	67,612,939

This item, totaling to Euro 63,958,258, includes the cost of material purchases for vehicle and plant maintenance, automotive diesel and travel and parking tickets as well as changes in inventories net of utilizations and provisions made to the *"Inventory obsolescence provision"*.

The value was adjusted for consumable materials for internal works relating to extraordinary maintenance interventions on the metro and tram fleet for Euro 6,887,677 (Euro 4,933,641 in 2018).



31. Service Costs

	2019	2018
Maintenance and cleaning costs	91,357,069	82,835,674
Electric traction power	41,016,928	38,782,718
Subcontracted transport services	19,935,218	19,356,974
Utilities	18,455,509	17,312,849
Production & distribution travel tickets	11,903,085	11,670,263
Insurance	6,626,660	7,844,243
Customer services, advertising and marketing	3,826,429	3,702,563
Personnel services	3,434,290	3,898,734
Miscellaneous services	7,630,059	6,807,087
Professional services	6,249,885	5,070,822
Security costs	2,905,426	2,056,096
Total	213,340,558	199,338,023

The item "Maintenance and cleaning costs" refers to external contractors for ordinary and extraordinary maintenance for Euro 64,528,340 (Euro 57,985,966 in 2018) and cleaning services for Euro 26,828,729 (Euro 24,849,708 in 2018) carried out on plants, warehouses, offices and vehicles during the year. In 2019, as already mentioned above among the non-recurring items, the specific environmental provision in previous years was released for Euro 10,000,000 in order to deal with interventions on the M2 metro line. These works will be included among the works specifically financed by the competent bodies as part of the project to renovate the signalling and equipment systems of the M2 metro line. In addition, the specific provision for environmental risks set up in previous years, amounting to Euro 512,170, was used to cover specific maintenance work carried out. The increase in maintenance costs incurred during the year, totalling to Euro 6,542,674, is, however, related to the higher costs incurred for the maintenance of rolling stock, as a result of the termination of the full service maintenance contracts with vehicle suppliers, as well as the work carried out on the company's plant and depots.

The higher charges for *"Electric traction power"*, also for *"Utilities"*, are mainly due to higher supply costs.

The item "Subcontracted transport services" includes the fees paid to subcontractors for transport services in the urban area of Milan and for towing service; the increase was due to higher services required according to the operating schedule.

The item "Production & distribution travel tickets" refers to the remuneration paid to resellers for the sale of travel and parking tickets Area B and Area C. The increase is due to higher sales volumes and the change made to the ticket price system during the year. However, there is an increasing trend in other sales channels, different from the traditional ones such as resale and Atm Point, which suggest future savings on this item.

The item *"Insurance"* refers to the costs related to the insurance branch, the savings achieved are the result of the reductions achieved during the tender.

The item *"Personnel services"* mainly refers to to medical expenses incurred for legal obligations and health checks for Euro 1,599,164 and training expenses for Euro 1,010,419.

"Other Services" refers to costs for seconded personnel of Group companies for Euro 1,127,506 (Euro 1,486,155 in 2018), to transport and material waste disposal services for Euro 1,390,832 (Euro 1,367,866 in 2018) and bank commissions for Euro 4,325,027 (Euro 3,176,119 in 2018), the change in which is significant due to the dematerialization of sales securities following the switch to sales

instruments based on banking circuits.

The item *"Professional services"* mainly refers to professional services provided by third parties in the IT, legal, corporate and engineering fields.

The item "Security costs" refers to security services incurred to prevent vandalism and ensure the safety of passengers on board the vehicles. The values are higher than in the previous year as the Company pays the utmost attention to this issue.

32. Operating leasing costs

	2019	2018
Rental charges	1,375,186	2,689,257
Vehicle hire	820,477	1,393,718
Plant and equipment hire	1,225,646	1,175,259
Total	3,421,309	5,258,234

The significant reduction in this item, amounting to Euro 1,836,925, is mainly due to the effects deriving from the application of IFRS 16 *Leases*, which led to the exclusion from this item of costs related to operating lease contracts under the new standard as from January 1, 2019, the cost of which is represented on the one hand by depreciation on the right of use for leased assets and on the other by implicit financial charges on liabilities for leased assets.

33. Personnel expenses

	2019	2018
Wages and salaries	348,202,227	342,741,354
Social security charges	98,195,792	96,956,064
Post-employment benefits	22,134,473	22,570,246
Other costs	16,087,333	13,191,367
Personnel costs for internal works	(4,154,257)	(4,504,014)
Total	480,465,568	470,955,017

The "Costs for employee benefits", amounting to Euro 480,465,568,include the costs incurred for salaries and social charges, legal provision pursuant to the category contracts, as well as the costs for vacation and hours at the time accrued, but not used in the 'exercise. The net increase is the effect of the increase in the number of employees, the renewal of the contracts (which expired on December 31, 2017) and the provisions for the period relating to unused holiday leave partly offset by the reimbursement of health care costs for 2013, already commented on among the non-recurring items in the Management Report.

Costs are recognised net of capitalized personnel costs for internal work of Euro 4,154,257 (Euro 4,504,014 in 2018) and refer to the portion of personnel costs capitalized for extraordinary maintenance work carried out on the subway train fleet and trams.

The headcount as at December 31, 2019 was at 9,396 resources (9,130 at December, 31 2018).

АТМ	31.12.2018	Hires	Departures	Transfers between Group companies	Other changes	31.12.2019
Executives	27	3	(2)	-	2	30
Managers	314	7	(9)	(1)	4	315
Clerks	761	37	(31)	2	26	795
Operational workers	8,028	546	(300)	13	(31)	8,256
Total	9,130	593	(342)	14	1	9,396

In 2019 the occupational trend recorded an overall increase of 266 people, the increases in the period net of normal turnover refer to the operating sectors: among these, bus, tram and trolley bus drivers, station agents, security personnel, other operational management support positions. In addition, new resources were added to the maintenance departments and to improve structures in the Information Technology department, as well as aimed interventions in staff functions.

34. Other operating costs and charges

	2019	2018
Municipal taxes	5,629,948	5,504,403
TPL claims management	2,007,557	2,730,182
Prior year charges	92,299	39,128
Taxes and duties	600,777	628,012
Other operating charges	890,681	1,964,299
Losses on receivables	659,913	282,612
Reversal of doubtful debts provision	(1,381,347)	3,782,662
Accrual/(release) provisions for risks and charges	35,028	11,746,109
Total	8,534,856	26,677,407

"Other operating costs and charges" decreased significantly compared to the previous year by Euro 18,142,551 due to the effects of non-recurring items explained in the Management Report; in particular, in the previous year a specific provision for contractual guarantees was recognized for Euro 15,353,117.

The most significant cost items include the following:

- "Municipal taxes" which mainly refer to the charge for Tarsu for Euro 3,853,009 and IMU for Euro 1,660,089;
- "LPT claims management", relating for Euro 2,502,061 to the charge incurred for the settlement of damages related to the circulation of vehicles and Euro 160,342 for automotive practices, as well as Euro 1,608,351 to provisions, Euro 2,249,587 to uses and Euro 13,610 to releases of the specific provision recorded under "Provisions for risks and charges";
- "Other operating charges" mainly relate to capital losses realized on the sale of subway trains no longer used for Euro 80,070 and the remaining part to penalties from suppliers,

membership of associations, entertainment expenses and miscellaneous expenses;

- "Accruals (release) for doubtful debt provision" refers for Euro 1,816,070 to the release of bad debt provisions, for Euro 659,913 to the use of provisions to cover losses on receivables for the same amount and for Euro 1,094. 636 to provisions made to cover risks on receivables recorded in the financial statements, of which Euro 576,712 for "Receivables from third parties", Euro 14,288 for "Receivables from parent company", Euro 21,395 for "Receivables from associates", Euro 771 for "Receivables from subsidiaries of the parent company" and Euro 481,470 for "Other receivables". Please refer to Note 17 - Trade receivables in these Notes for comments on their constituent elements;
- "Provisions (releases) for risks and charges" refers to provisions made to adjust the provision to the current risk assessment.

35. Amortization, depreciation and impairments

	2019	2018
Depreciation – Property, plant and equipment	114,613,492	122,589,956
Plant and machinery	102,323,241	107,229,866
Buildings	6,672,624	9,015,365
Industrial and commercial equipment	2,885,390	3,016,998
Other assets	2,732,237	3,327,727
Plant capital grants	(35,581,284)	(37,079,269)
Amortisation	998,275	949,094
Software licenses	998,275	949,094
Depreciation right of use for leased assets	1,542,536	-
Equipment	73,174	-
Buildings	382,983	-
Vehicles	807,848	-
Computer equipment	34,119	-
Others	244,412	-
Write-down of fixed assets	21,393,263	-
Total	102,966,282	86,459,781

For the year, "Amortization, depreciation and impairment losses" amounted to Euro 102,966,282, adjusted for the amount pertaining to the year of Euro 35,581,284 relating to grants received for investments made.

The write-downs recognized in the period for Euro 21,393,263 refer to rolling stock, more specifically to the residual value of 6 trains of the M2 line, in consequence of their closure due to technological obsolescence, and therefore no longer used in the transport service.

36. Financial income and expenses

	2019	2018
Financial income	13,663,419	7,552,951
Interest income	2,607,914	2,621,081
Gains on securities	4,745,745	1,463,312
Income from fair value adjustment	3,313,306	604,701
Other	2,996,454	2,863,857
Financial expenses	(8,685,953)	(13,783,906)
Interest on employee defined benefits	(1,380,689)	(1,156,344)
Interest expense on loans and bond issues	(4,470,141)	(4,534,105)
Other interest expense	(2,582)	32,373
Losses on securities	(1,183,464)	(1,187,393)
Fair value adjustments	(1,228,672)	(6,429,852)
Impairment of financial assets/activity	(36,884)	(75,314)
Other	(307,217)	(433,271)
Interest expense IFRS 16	(76,304)	-
Total	4,977,466	(6,230,955)

Interest income item consists of:

	2019	2018
Interest on deposits and current accounts	24,299	31,827
Interest income on securities	1,274,612	1,418,732
Interest income from subsidiaries	59,931	13,047
Interest on loans to associates	959,497	952,839
Interest income from parent's subsidiaries	289,575	204,636
Total	2,607,914	2,621,081

"Interest income on securities" of Euro 1,274,612 (Euro 1,418,732 at December 31, 2018) refers to interest on government securities and bonds.

"Interest income from subsidiaries" of Euro 59,931 (Euro 13,047 as at December 31, 2018) refers to interest accrued under the cash pooling agreement.

"Interest income on loans to associates" of Euro 959,497 (Euro 952,839 as at December 31, 2018) refer to interest matured on loans granted to the company SPV Linea M4 S.p.A.

"Interest on loans to subsidiaries of the parent" of Euro 289,575 (Euro 204,636 as at December 31, 2018) refer to interest matured on loans granted to the company SPV Linea M4 S.p.A..

"Gains on securities" of Euro 4,745,745 (Euro 1,463,312 as at December 31 , 2018) refers to gains realised on the sale of securities.

"Income from fair value adjustment" refers for Euro 210,591 for the *fair value* measurement of financial receivables from the subsidiary of the parent company SPV Linea 4 S.p.A. and from SED-ATM and SCCATI cooperatives and for Euro 3,102,715 to income from the fair value measurement of the designated financial instruments FVTPL. Please note that overall the net effect on the income statement of FVTPL designated securities was positive and equal to Euro 2,084,634 (in 2018 negative and equal to Euro 5,825,151).

The item *"Other"* mainly refers to the dividend received from the subsidiary International Metro Service S.r.l. amounting to Euro 1,020,000 and Euro 1,631,563 to the restoration, within the limits of the original cost, of the value of the investment in Movibus S.r.l. to the value representing ATM S.p.A.'s share of equity.

"Financial expense" mainly refers to "Interest on defined-benefit plans for employees" for Euro 1,380,689, "Interest expense on loans and bond issues" recognized under payables for Euro 4,470,141 and "Losses on securities" for Euro 1,183,464.

"Fair value adjustment expenses" refer for Euro 171,747 to the *fair value* measurement of financial receivables from the associated company Metro 5 S.p.A. and for Euro 1,056,925 to the fair value measurement of financial instruments designated FVTPL.

"Interest expense" resulting from the application of IFRS 16 *Leases* amounted to Euro 76,304.



37. Income taxes

The taxes for the year were recorded as detailed below:

	2019	2018
Current income taxes	(507,200)	(107,200)
Irap	-	50,000
Income (charges) from tax consolidation	(507,200)	(157,200)
Prior year taxes	(4,974)	(754,285)
Ires	(4,852)	(333,441)
Irap	(122)	(420,844)
Deferred tax charge	246,310	8,890,712
Total	(265,864)	8,029,227

There are no IRES and IRAP taxes for the year.

"Income from tax consolidation" refers to the transfer of IRES (corporate income tax), within the limits provided for by current legal regulations, by the companies included in the National Tax Consolidation.

"Deferred taxes" mainly include the release of deferred tax credits recognized in the provisions for risks that were released during

the year, due to new and more updated information (Note 24) and with regard to deferred-tax credits recognized for prior-period losses (Note 12). Tax advances (Euro 1,332,392 euros) and deferred taxes (Euro 1,086,082) recognized in the income statement are provided in Note 12 and Note 25.

A reconciliation between the expected tax and the actual tax is provided below:

	IRES	
	inteo -	IRAI
VALUE OF PRODUCTION		868,403,90
COST OF PRODUCTION		(872,686,83
DIFFERENCE BETWEEN VALUE AND COST OF PRODUCTION		(4,282,923
PERSONNEL EXPENSES (NOT DEDUCTIBLE FOR IRAP PURPOSES)		480,465,568
PRE-TAX PROFIT/ LOSS	694,542	
THEORETICAL TAX RATE		
THEORETICAL TAX RATE	24.00%	4.20%
THEORETICAL TAX BASE	694,542	476,182,64
THEORETICAL TAX CHARGE	166,690	19,999,67
NON-DEDUCTIBLE COSTS – EXEMPT REVENUES	IRES	IRAI
NON- DEDUCTIBLE TAXES	820,380	1,662,159
PHONES	102,356	102,356
OTHER NON-DEDUCTIBLE COSTS		
- personnel	21,493,835	
- amortisation/depreciation (account B10)	9,121,939	10,685,640
- provisions not permitted as per CFA/Law 446/97	7,859,873	8,457,550
- extraordinary impairment/doubtful debt provision	21,393,263	22,053,17
- other non-deductible costs	9,309,022	8,741,30
EXEMPT REVENUES		
- release/utilisation non-deductible provisions	(59,123,452)	(59,783,365
- personnel	(25,821,592)	
- other exempt income	(9,589,929)	(6,603,428
TOTAL INCREASES (+)	(24,434,305)	(14,684,604
DEDUCTED COSTS – IRAP DIFFERENT ASSESSABLE BASE	IRES	IRAF
CIRCULAR TAX AUTHORITY NO. 22/E OF 09/06/2015 AND VARIOUS		454,056,459
DEDUCTION OF PAYMENT FOR SUPPLEMENTARY PENSION SCHEMES	656,898	
PREVIOUS YEARS' COSTS DEDUCTED	11,245,444	7,441,580,00
TOTAL DECREASES (-)	11,902,342	461,498,03
CHANGES FOR IRES PURPOSES	IRES	IRAF
REVENUE ADJUSTMENTS		
UTILISATION PRIOR YEAR LOSSE PRE-CONSOLIDATION		
UTILISATION PRIOR YEAR LOSSES POST CONSOLIDATION FROM ATM		
TOTAL CHANGES FOR IRES PURPOSES (-)	-	,
EFFECTIVE TAX CHARGE	IRES	IRA
ASSESSABLE EFFECTIVE TAX CHARGE/INCOME	(35,642,105)	
EFFECTIVE TAX CHARGE	(00,072,100)	
EFFECTIVE TAX CHARGE	-	·
EFFECTIVE FISCAL INCOME	-	0.00%

38. Remuneration of directors and Audit Committee Board

In accordance with current legislation we report Directors and Statutory Auditors remuneration below.

	2019	2018
Directors fees	204,967	206,630
Audit Committee fees	142,860	143,470
Total	347,827	350,100

The Board of Directors is composed of five members, including the President; the Board of Statutory Auditors is composed of three standing members, one of whom is the President. The remuneration paid to the directors is expressed gross of social security deductions of Euro 19,784 and amounts to Euro 185,183 as per the shareholders' deliberation of March 30, 2017.



39. Statutory Auditor fees

The fees recognized by the company ATM S.p.A. to the independent auditors Deloitte & Touche S.p.A. for the financial year 2019 amount to Euro 342,125 for the activities related to the statutory audit of the accounts and to Euro 26,706 for verification services aimed at issuing other certificates.

Type of services	Subject that provided the service	Recipient	Fees
Audit			342,125
Statutory audit of the financial statements and the consolidated financial statements, periodic checks on the regular bookkeeping of the accounts	Auditor of the Parent Company	Parent Company	145,000
Limited audit of the consolidated half-year report, prepared on a voluntary basis, of the ATM Group companies as at 06.30.2019	Auditor of the Parent Company	Parent Company	37,125
Integration of audit fees for audit activities related to the statutory and consolidated financial statements	Auditor of the Parent Company	Parent Company	160,000
Certification services			21,706
Annual and semi-annual certification of Covenants to the European Investment Bank	Auditor of the Parent Company	Parent Company	12,706
Signing of the certificates / certifications required by regulations currently in force. Medical contributions and tax credit compensation	Auditor of the Parent Company	Parent Company	9,000
Total			363,831

Deloitte & Touche S.p.A. and companies belonging to its network, have not rendered services other then auditing or certification.



40. Information relating to intercompany transactions and transactions with related parties

The relationships with related parties with which the Company has commercial and financial relationships at conditions in line with those of the market are summarized pursuant to art.2427 of the Italian Civil Code, number 22-bis.

The "trade receivables from parent companies" refer to receivables for services and services rendered to the Parent Company as part of the Local Public Transport Service Contract and for parking, parking and car removal services with the Municipality of Milan and to works credits made on municipally owned assets. The value of the receivables is adjusted by the allowance for doubtful accounts amounting to Euro 3,486,778 set up in order to align the value of the receivables with the presumed realizable value.

"Trade receivables from subsidiaries" refer to receivables for services and services provided to companies included in the scope of consolidation, for which ATM S.p.A. performs service activities.

The "financial receivables from subsidiaries" refer to the active

balances of the cash pooling current accounts at December 31, 2019. The accrued interest is recognized in the line *"Net financial income"* of the income statement.

The *"tax receivables from subsidiaries"*, as described elsewhere in this document, relate to the receivable deriving from the contracts stipulated with the subsidiary companies for adhering to the National Tax Consolidation and to the Group VAT regime.

"Trade receivables from associates" refer to receivables for services and services rendered under existing contracts. The value of the receivables is adjusted by the bad debt provision amounting to Euro 29,796 set up in order to align the value of the receivables with the presumed realizable value.

"Trade receivables from subsidiaries" refer to receivables for services and services rendered under existing contracts.

RECEIVABLES	Trade	Financial	Contributions	Тах	31.12.2019
- Parent					
Municipality of Milan	126,042,010		73,461		126,115,471
- Subsidaries					
ATM – Servizi Diversificati S.r.l.	578,938			153,340	732,278
Gesam - Gestione sinistri assicurativi multirischi S.r.I.	36,768			30,706	67,474
International Metro Service S.r.l.	14,603				14,603
Metro Service A/S	61,361				61,361
Nord Est Trasporti S.r.I.	4,646,986	3,067,179		373,208	8,087,373
Rail Diagnostics S.p.A.	131,742			144,615	276,357
- Associates					
Co.mo. Fun&Bus S.c.a r.l.	258,619				258,619
Metro 5 S.p.A.	3,751,895	17,261,985			21,013,880
Movibus S.r.l.	46,122				46,122
Consorzio SBE	6,895				6,895
- Subsidaries of parent companies					
Scuole Civiche Milano	2,575				2,575
Metropolitana Milanese S.p.A.	302,204				302,204
Sea S.p.A.	12,998				12,998
SPV Linea M4 S.p.A.	24,384	5,845,227			5,869,611
Agenzia Mobilità Ambiente e Territorio S.r.l.	468				468
MilanoSport S.p.A.	2,832				2,832
Agenzia TPL del Bacino Città Metropolitana	310,923				310,923
Fondazione Piccolo Teatro di Milano - Teatro d'Europa	3,016				3,016
- Other transactions with related parties					
Coop S.E.D. ATM/S.C.C.A.T.I.		1,161,783			1,161,783
Total	136,235,339	27,336,174	73,461	701,869	164,346,843

"Trade payables to parent companies" refer to payables for services and services rendered pursuant to the Local Public Transportation Service Contract and stopping, parking and car removal services with the Municipality of Milan.

"Trade payables to subsidiaries" refer to payables for services and services rendered by the subsidiaries pursuant to existing contracts.

"Financial payables to subsidiaries" refer to the debit balance of cash pooling current accounts as at December 31, 2019. Accrued interest is recognized in the "Net financial income" line of the income statement.

PAYABLES	Trade	Financial	Тах	31.12.2019
- Parent				
Municipality of Milan	60,900,908			60,900,908
- Subsidaries				
ATM – Servizi Diversificati S.r.I.	240,783	1,477,807	10,541	1,729,131
Gesam - Gestione sinistri assicurativi multirischi S.r.I.	249,057	351,052		600,109
International Metro Service S.r.l.			1,098	1,098
Nord Est Trasporti S.r.l.	2,415,342		68,879	2,484,221
Rail Diagnostics S.p.A.	2,737,520	6,074,855	5	8,812,380
- Associates				
Co.mo. Fun&Bus S.c.a r.l.	16,221			16,221
Metro 5 S.p.A.	13,827			13,827
Movibus S.r.I.	740,817			740,817
- Subsidaries of parent companies				
Metropolitana Milanese S.p.A.	799,328			799,328
SPV Linea M4 S.p.A.	21,112			21,112
Total	68,134,915	7,903,714	80,523	76,119,152

The *"tax payables to subsidiaries"*, as described elsewhere in this document, relate to the withholding taxes incurred, transferred by the subsidiaries to ATM S.p.A. following the adhesion to the National Tax Consolidation.

"Trade payables to associates" refer to payables for services and services rendered by the associates pursuant to existing contracts.

The *"trade payables to subsidiaries of the parent companies"* refer to payables for services and services rendered by the companies to ATM S.p.A. under the existing contracts.

INCOME STATEMENT TRANSACTIONS	Core Business Revenue	Other revenue	Other income	Financial income
- Parent				
Municipality of Milan	668,904,887	23,059,546	4,224,190	
- Subsidaries				
ATM - Servizi Diversificati S.r.l.	364,431	195,991	65	
Gesam - Gestione sinistri assicurativi multirischi S.r.I.	391,970	60,954	5	
International Metro Service S.r.l.	14,471		132	1,020,000
Metro Service A/S	213,007		4	
Nord Est Trasporti S.r.l.	4,346,584	454,822	635,312	59,931
Rail Diagnostics S.p.A.	399,064	64,267	263	
- Subsidaries of Parent Company				
Agenzia Mobilità Ambiente e Territorio S.r.l.		2,000		
Metropolitana Milanese S.p.A.	27,139	95,689	372	
Fondazione Piccolo Teatro di Milano - Teatro d'Europa		69,280		
Sea S.p.A.			24	
SPV Linea M4 S.p.A.		66,739		289,575
- Associates				
CO.MO. Fun&Bus S.c.a r.l.	541,729	68,575	10,881	
Metro 5 S.p.A.	21,166,880	731,688	123,375	1,207,760
Movibus S.r.I.		64,840	480,377	
Consorzio SBE			7,000	
Total	696,370,162	24,934,391	5,482,000	2,577,266

INCOME STATEMENT TRANSACTIONS	Service costs	Operating lease costs	Employee benefits costs	Other operating costs and charges	Financial charges
- Parent					
Municipality of Milan	(53,500)	(1,275,000)		(221,607)	
- Subsidaries					
ATM – Servizi Diversificati S.r.I.	(164,548)	(119,420)		(2)	
Gesam Gestione sinistri assicurativi multirischi S.r.I.	(898,359)			(2)	
Nord Est Trasporti S.r.l.	(872,571)			(1,085)	
Rail Diagnostics S.p.A.	(5,666,770)				
- Other companies					
Agenzia Mobilità Ambiente e Territorio S.r.l.	(2,000)				
Metropolitana Milanese S.p.A.	(1,607,977)	(10,500)		(414)	
Milano Ristorazione S.p.A.					
Fondazione Piccolo Teatro di Milano Teatro d'Europa	(72,380)		(1,750)	(3,233)	
SPV Linea M4 S.p.A.	(12,683)				
- Associates					
CO.MO. Fun&Bus S.c.a r.l.		(197,025)		(279)	
Metro 5 S.p.A.		(254,202)		-	
Movibus S.r.l.	(269,970)			(28,692)	
Consorzio SBE	(194,191)			(17,309)	
Total	(9,814,949)	(1,856,147)	(1,750)	(272,623)	-

41. Commitments, guarantees and potential liabilities not recognized in the accounts

Broken down as below the account's details:

	31.12.2019	31.12.2018
Assets in use	4,973,235,317	4,964,159,243
Guarantees of which:	355,261,995	380,441,464
- Guarantees in favour of third parties	56,530,619	82,145,169
- Guarantees given to third parties	260,267,562	255,782,917
- Guarantees to investiees	38,463,814	42,513,378
Total	5,328,497,312	5,344,600,707

The amount of Euro 4,973,235,317 relating to "assets in use" refers to:

- for Euro 4,817,241,401 to the value of the assets in use by the Municipality of Milan for the management of the TPL service;
- for Euro 152,563,143 to the value of parking areas and parking lots in use pursuant to the Service Contracts;
- for Euro 3,220,461 to materials owned by Metro 5 S.p.A. received for warranty maintenance activities;
- per 210,312 euro al valore di beni in uso dal Comune di Milano (opere d'arte).

"Guarantees in favor of third parties", amounting to Euro 56,530,619, refer to sureties issued in favor of third parties.

"Third party guarantees", amounting to Euro 260,267,562, refer to sureties or guarantees issued by third parties in favor of the Company.

The *"guarantees to investee companies"*, amounting to Euro 38,463,814, refer to:

- for a total of Euro 12,032,000 to the pledge registered on 106,600 shares of the company Metro 5 S.p.A. and the pledge registered on 13,720 shares of the company SPV Linea M4 S.p.A. in favor of a pool of lending banks in the context of the related construction and management projects for the new lines M5 and M4;
- Euro 22,558,067 for co-obligations and guarantees given to the subsidiary Metro 5 S.p.A. and in favor of SPV Linea M4 S.p.A.;
- for Euro 3,873,747 euro to commitments made in favor of SPV Linea M4 S.p.A.

The value of the contractual commitments for the supply contracts for investments is Euro 223,645,393.

42. Information on public disbursments - article 1, paragraphs from 125 to 129 of the law n. 124/2017

The amounts collected in the 2019 financial year by way of contribution are set forth by nature and by body:

- National Collective Labor Contracts, disbursed by the Lombardy Region through the TPL Agency for Euro 56,051,190, of which Euro 20,233,351 pertaining to the 2018 financial year and Euro 35,817,839 pertaining to the 2019 financial year, gross of 4% withholding tax;
- Contributions for the purchase of subway trains, disbursed by the State for Euro 4.514.570;

- Contributions for the purchase of buses, disbursed by the State for Euro 5,499,000;
- Contributions for the purchase of buses, provided by the Lombardy Region for Euro 6,667,318;
- Contributions for the bike sharing system, provided by the Municipality of Milan for Euro 1,285,255;
- Reimbursement of sickness charges for 2013, paid by the Ministry of Labor for Euro 5,354,762.

Assembly Deliberations

Mr. Shareholder,

we submit for your approval the financial statements of ATM S.p.A. closed at December 31, 2019 which shows a profit of Euro 960,407.

In order to strengthen the capital structure of the Company, we propose, taking into account the legal and statutory obligations, to allocate the profit for the year:

for Euro 960,407 to Profits carried forward.

Milan, March 30, 2020

For the Board of Directors The chairman of the Board Luca Bianchi

abord.





Indipendent Auditors' Report



Deloitte & Touche S.p.A. Via Tortona, 25 20144 Milano Italia

Tel: + 39 02 83322111 Fax: + 39 02 83322112 www.deloitte.it

INDEPENDENT AUDITOR'S REPORT PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010 AND ARTICLE 10 OF THE EU REGULATION 537/2014

To the Sole Shareholder of Azienda Trasporti Milanesi S.p.A.

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of Azienda Trasporti Milanesi S.p.A. and its subsidiaries (hereinafter the "Group"), which comprise the consolidated statement of financial position as at December 31, 2019, the consolidated income statement, the consolidated statement of comprehensive income, the statement of changes in consolidated equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of Azienda Trasporti Milanesi S.p.A. (hereinafter the "Company") in accordance with the ethical requirements applicable under Italian law to the audit of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Estimate of the technical-economic life and recoverability of tangible fixed assets

Description of the
key audit matterProperty, plant and equipment amounts to Euro 1,276 million and represents
58% of the total assets, in the Group consolidated financial statements as at
December 31, 2019.

Property, plant and equipment, starting from the moment in which the assets are available for their intended use, are systematically depreciated on a straight-line basis over their technical-economic estimated life, which means within the period of time that the Group assumes these activities will be used.

Ancona Bari Bergamo Bologna Brescia Cagliari Firenze Genova Milano Napoli Padova Parma Roma Torino Treviso Verona

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Il nome Deliotte si riferisce a una o più delle seguenti entità: Deloitte Touche Tohmatsu Limited, una società inglese a responsabilità limitata ("DTTL"), le member firm aderenti al suo network e le entità a esse correlate. DTTL e ciascuna delle sue member firm sono entità giuridicamente separate e indipendenti tra loro. DTTL (denominata anche "Deloitte Global") non formisce servizi ai clienti. Si invita a leggere l'informativa completa relativa alla descrizione della struttura legale di Deloitte Touche Tohmatsu Limited e delle sue member firm all'indirizzo www.deloitte.com/about.

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	The estimate is based on historical experience from similar activities, market conditions and forecasts regarding future events that could have an impact on the technical-economic life, especially with reference to the fleet of subway trains and trams.
	The estimate of the technical-economic life is reviewed and, where necessary, updated by the Group's Management at least at the end of each year, taking into consideration that the Group's core business is subject to changes, even significant ones, in the regulatory, technological and market environment, as well as to the dynamics of investments and strategies of minimizing the environmental impact. This periodic update could lead to a change in the depreciation period and therefore also to a depreciation allowance over future years.
	The assessment of the estimate of the technical-economic life of the Group's property, plant and equipment represented a key audit matter, in consideration of the significance of the value recorded in the financial statements, its impact on the total activities and complexities that characterize the estimates adopted by the Group's Management.
	The notes 4) "Valuation criteria" in the paragraph "Property, plant and equipment", 5) "Use of estimates" in the paragraph "Useful life of tangible and intangible assets" of the explanatory notes of the consolidated financial statements disclose the information related to the estimate of the technical-economic life and recoverability of the property, plant and equipment.
Audit procedures performed	As part of our audit activities, among others, we have carried out the following main audit procedures:
	 understanding of the methods and the assumptions used to determine the estimate of the technical-economic life, through interviews with the Group Management; discussing with the Group Management on the conclusions reached with regards to the presence or absence of indicators of technological and economic obsolescence, in relation to the fleet of subway trains and trams; comparative analysis of the technical-economic life estimated by the Group with those used by the other main players in the sector; sample verifications of the accurate and consistent determination of the depreciation charged to the consolidated income statement; physical sample inspections of the asset, as well as the possible existence of obsolete or unused assets; verification of the accuracy and completeness of the information provided in the explanatory notes to the consolidated financial statements.
Valuation and classi OICR units)	fication of current financial assets (government securities, bonds and
Description of the key audit matter	Current financial assets measured at fair value recorded in the consolidated financial statements as at December 31, 2019 amount to a total of Euro 252

	The composition of the portfolio of financial assets highlights the preponderance of listed and valued securities with a level 1 fair value hierarch (Euro 244 million) in comparison to the total assets recorded, and therefore they could be exposed to a risk of fluctuations in market prices.
	The valuations of financial assets with level 2 fair value hierarchy, recognized in a non-significant extent, require a degree of judgment by the Group Management, as there is no price quoted on an active market and consequently the relative valuations are carried out by using valuation techniques, characterized by elements of complexity and subjectivity.
	In order to determine the fair values, the Group Management did not consider the effects connected to the health emergency following the spread of Covid- 19 virus, as occurred subsequently to the closing date of the consolidated financial statements. With regard to the disclosure related to these effects, th Directors indicate that the impacts on the valuation of financial assets at fair value are contained and mitigated by the portfolio risk profile, within the volatility ranges already subject to a sensitivity analysis.
	We believe that the valuation of the financial assets measured at fair value constitutes a key audit matter of the Group's financial statements as at December 31, 2019, taking into consideration i) the risk of fluctuations in the prices of listed securities, ii) the degree of judgment by the Group Management in determining the level 2 fair values, e iii) the relevance of their total amount.
	The notes 6) "Financial risk management" and 17) "Current financial assets" of the explanatory notes to the consolidated financial statements contain the information related to the evaluation of financial assets.
Audit procedures performed	As part of our audit verifications, also supported by experts from our organization, we carried out the following main audit procedures:
	 understanding of the relevant controls put in place by the Group on the purchase, sale and measurement processes of financial assets; analysis of the appropriateness of the accounting principles adopted by th Group on the basis of the provisions of IFRS 9; sample verifications aimed at assessing the correct classification of financial assets on the basis of the fair value level;
	 verification of the valuation at the year-end stock market prices (through the use of primary market contributors) for a sample of listed securities with a level 1 fair value hierarchy; analysis aimed at assessing the reasonableness and correctness of the valuation techniques regarding financial assets with a level 2 fair value hierarchy;
	 verification of the reasonableness and correctness of the sensitivity analysis reported in the explanatory note; examination of the information provided in the management report and in the explanatory note with reference to the financial assets and the related fair value levels with respect to the accounting principles.

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Responsibilities of the Directors and the Board of Statutory Auditors for the Consolidated Financial Statements

The Directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05, and, within the terms established by law, for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have identified the existence of the conditions for the liquidation of the Company or the termination of the business or have no realistic alternatives to such choices.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business
 activities within the Group to express an opinion on the consolidated financial statements. We are
 responsible for the direction, supervision and performance of the group audit. We remain solely
 responsible for our audit opinion.

We communicate with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence applicable in Italy, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report.

Other information communicated pursuant to art. 10 of the EU Regulation 537/2014

The Shareholders' Meeting of Azienda Trasporti Milanesi S.p.A. has appointed us on November 9, 2017 as auditors of the Company for the years from December 31, 2017 to December 31, 2025.

We declare that we have not provided prohibited non-audit services referred to in art. 5 (1) of EU Regulation 537/2014 and that we have remained independent of the Company in conducting the audit.

We confirm that the opinion on the financial statements expressed in this report is consistent with the additional report to the Board of Statutory Auditors, in its role of Audit Committee, referred to in art. 11 of the said Regulation.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinion pursuant to art. 14 paragraph 2 (e) of Legislative Decree 39/10 and art. 123-bis, paragraph 4, of Legislative Decree 58/98

The Directors of Azienda Trasporti Milanesi S.p.A. are responsible for the preparation of the report on operations, including some specific information set forth in art. 123-bis, paragraph 2 (b), of Azienda Trasporti Milanesi Group as at December 31, 2019, including its consistency with the related consolidated financial statements and its compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations, including some specific information contained set forth in art. 123-bis, n. 2 (b) of Legislative Decree 58/98, with the consolidated financial statements of Azienda Trasporti Milanesi Group as at December 31, 2019 and on its compliance with the law, as well as to make a statement about any material misstatements.

In our opinion, the above-mentioned report on operations, including some specific information set forth in art. 123-bis, paragraph 2 (b), is consistent with the consolidated financial statements of Azienda Trasporti Milanesi Group as at December 31, 2019 and is prepared in accordance with the law.

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With reference to the statement referred to in art. 14, paragraph 2 (e), of Legislative Decree 39/10, made on the basis of the knowledge and understanding of the entity and of 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 30 December 2016, no. 254

The Directors of Azienda Trasporti Milanesi S.p.A. are responsible for the preparation of the non-financial information pursuant to Legislative Decree 30 December 2016, no. 254.

We verified the approval by the Directors of the non-financial information.

Pursuant to art. 3, paragraph 10 of Legislative Decree 30 December 2016, no. 254, this statement is subject of a separate attestation issued by us.

DELOITTE & TOUCHE S.p.A.

Signed by Matteo Bresciani Partner

Milan, Italy April 6, 2020

This report has been translated into the English language solely for the convenience of international readers.

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Deloitte & Touche S.p.A. Via Tortona, 25 20144 Milano Italia

Tel: + 39 02 83322111 Fax: + 39 02 83322112 www.deloitte.it

INDEPENDENT AUDITOR'S REPORT PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010 AND ARTICLE 10 OF THE EU REGULATION 537/2014

To the Sole Shareholder of Azienda Trasporti Milanesi S.p.A.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Azienda Trasporti Milanesi S.p.A. (hereinafter the "Company"), which comprise the statement of financial position as at December 31, 2019, the income statement, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at December 31, 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements applicable under Italian law to the audit of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Estimate of the technical-economic life and recoverability of tangible fixed assets

Description of the key audit matter	Property, plant and equipment amounts to Euro 1,258 million and represents 59% of the total assets, in the Company's financial statements as at December 31, 2019.
	Property, plant and equipment, starting from the moment in which the assets are available for their intended use, are systematically depreciated on a straight-line basis over their technical-economic estimated life, which means within the period of time that the Company assumes these activities will be used. The estimate is based on historical experience from similar activities, market conditions and forecasts regarding future events that could have an impact on the technical-economic life, especially with reference to the fleet of subway trains and trams.
Ancona Bari Bergamo Bologna Brescia (Cagliari Firenze Genova Milano Napoli Padova Parma Roma Torino Treviso Verona

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Il nome Deliotte si riferisce a una o più delle seguenti entità: Deloitte Touche Tohmatsu Limited, una società inglese a responsabilità limitata ("DTTL"), le member firm aderenti al suo network e le entità a esse correlate. DTTL e ciascuna delle sue member firm sono entità giuridicamente separate e indipendenti tra loro. DTTL (denominata anche "Deloitte Global") non fornisce servizi ai clienti. Si invita a leggere l'informativa completa relativa alla descrizione della struttura legale di Deloitte Touche Tohmatsu Limited e delle sue member firm all'indirizzo www.deloitte.com/about.

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	The estimate of the technical-economic life is reviewed and, where necessary, updated by the Company's Management at least at the end of each year, taking into consideration that the Company's core business is subject to changes, even significant ones, in the regulatory, technological and market environment, as well as to the dynamics of investments and strategies of minimizing the environmental impact. This periodic update could lead to a change in the depreciation period and therefore also to a depreciation allowance over future years.
	The assessment of the estimate of the technical-economic life of the Company's property, plant and equipment represented a key audit matter, in consideration of the significance of the value recorded in the financial statements, its impact on the total activities and complexities that characterize the estimates adopted by the Company's Management.
	The notes 3) "Valuation criteria" in the paragraph "Property, plant and equipment", 4) "Use of estimates" in the paragraph "Useful life of tangible and intangible assets" of the explanatory notes of the financial statements disclose the information related to the estimate of the technical-economic life and recoverability of the property, plant and equipment.
Audit procedures performed	As part of our audit activities, among others, we have carried out the following main audit procedures:
	 understanding of the methods and the assumptions used to determine the estimate of the technical-economic life, through interviews with the Management; discussing with the Company Management on the conclusions reached with regards to the presence or absence of indicators of technological and economic obsolescence, in relation to the fleet of subway trains and trams; comparative analysis of the technical-economic life estimated by the Company with those used by the other main players in the sector; sample verifications of the accurate and consistent determination of the depreciation charged to the income statement; physical sample inspections of the Company's property, plant and equipment in order to verify the status of the asset, as well as the possible existence of obsolete or unused assets; verification of the accuracy and completeness of the information provided in the explanatory notes to the financial statements.
Valuation and classif OICR units)	ication of current financial assets (government securities, bonds and
Description of the key audit matter	Current financial assets measured at fair value recorded in the financial statements as at December 31, 2019 amount to a total of Euro 245 million, equal to 11% of the total assets.
	The composition of the portfolio of financial assets highlights the preponderance of listed and valued securities with a level 1 fair value hierarchy (Euro 244 million) in comparison to the total assets recorded, and therefore

	The valuations of financial assets with level 2 fair value hierarchy, recognized in a non-significant extent, require a degree of judgment by the Management, as there is no price quoted on an active market and consequently the relative valuations are carried out by using valuation techniques, characterized by elements of complexity and subjectivity.
	In order to determine the fair values, the Management did not consider the effects connected to the health emergency following the spread of Covid-19 virus, as occurred subsequently to the closing date of the financial statements. With regard to the disclosure related to these effects, the Directors indicate that the impacts on the valuation of financial assets at fair value are contained and mitigated by the portfolio risk profile, within the volatility ranges already subject to a sensitivity analysis.
	We believe that the valuation of the financial assets measured at fair value constitutes a key audit matter of the Company's financial statements as at December 31, 2019, taking into consideration i) the risk of fluctuations in the prices of listed securities, ii) the degree of judgment by the Management in determining the level 2 fair values, and iii) the relevance of their total amount.
	The notes 5) "Financial risk management" and 15) "Current financial assets" of the explanatory notes to the financial statements contain the information related to the evaluation of financial assets.
Audit procedures performed	As part of our audit verifications, also supported by experts from our organization, we carried out the following main audit procedures:
	 understanding of the relevant controls put in place by the Company on the purchase, sale and measurement processes of financial assets; analysis of the appropriateness of the accounting principles adopted by the Company on the basis of the provisions of IFRS 9; sample verifications aimed at assessing the correct classification of financial assets on the basis of the fair value level;
	 verification of the valuation at the year-end stock market prices (through the use of primary market contributors) for a sample of listed securities with a level 1 fair value hierarchy; analysis aimed at assessing the reasonableness and correctness of the valuation techniques regarding financial assets with a level 2 fair value biogenetic.
	 hierarchy; verification of the reasonableness and correctness of the sensitivity analysis reported in the explanatory note; examination of the information provided in the management report and in the explanatory note with reference to the financial assets and the related fair value levels with respect to the accounting principles.

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Responsibilities of the Directors and the Board of Statutory Auditors for the Financial Statements

The Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05 and, within the terms established by law, for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have identified the existence of the conditions for the liquidation of the Company or for the termination of the operations or have no realistic alternative to such choices.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud
 or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is
 sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material
 misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve
 collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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We communicate with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence applicable in Italy, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report.

Other information communicated pursuant to art. 10 of the EU Regulation 537/2014

The Shareholders' Meeting of Azienda Trasporti Milanesi S.p.A. has appointed us on November 9, 2017 as auditors of the Company for the years from December 31, 2017 to December 31, 2025.

We declare that we have not provided prohibited non-audit services referred to in art. 5 (1) of EU Regulation 537/2014 and that we have remained independent of the Company in conducting the audit.

We confirm that the opinion on the financial statements expressed in this report is consistent with the additional report to the Board of Statutory Auditors, in its role of Audit Committee, referred to in art. 11 of the said Regulation.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinion pursuant to art. 14, paragraph 2 (e), of Legislative Decree 39/10 and art. 123-bis, paragraph 4, of Legislative Decree 58/98

The Directors of Azienda Trasporti Milanesi S.p.A. are responsible for the preparation of the report on operations, including some specific information set forth in art. 123-bis, paragraph 2 (b), of Azienda Trasporti Milanesi S.p.A. as at December 31, 2019, including its consistency with the related financial statements and its compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations, including some specific information contained set forth in art. 123-bis, n. 2 (b) of Legislative Decree 58/98, with the financial statements of Azienda Trasporti Milanesi S.p.A. as at December 31, 2019 and on its compliance with the law, as well as to make a statement about any material misstatements.

In our opinion, the above-mentioned report on operations, including some specific information set forth in art. 123-bis, paragraph 2 (b), is consistent with the financial statements of Azienda Trasporti Milanesi S.p.A. as at December 31, 2019 and is prepared in accordance with the law.

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With reference to the statement referred to in art. 14, paragraph 2 (e), of Legislative Decree 39/10, made on the basis of the knowledge and understanding of the entity and of the related context acquired during the audit, we have nothing to report.

DELOITTE & TOUCHE S.p.A.

Signed by Matteo Bresciani Partner

Milan, Italy April 6, 2020

This report has been translated into the English language solely for the convenience of international readers.

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ATM S.p.A.

Foro Buonaparte, 61 - 20121 Milano VAT number: 12883390150 Tax code and Business Register: 97230720159 C.C.I.A.A.: 1573142 PEC address: ATMSPA@ATMPEC.IT

